

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

\$15,200,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Variable Rate Demand Multifamily Development Revenue Bonds
(MonteVerde Apartments)
Series 2008 E[†]

Dated: Date of Delivery

Price: 100%

Due: March 1, 2041

The Community Development Administration (the "Issuer" or the "Administration") has agreed to issue its Variable Rate Demand Multifamily Development Revenue Bonds (MonteVerde Apartments) Series 2008 E in the original aggregate principal amount of \$15,200,000 (the "Bonds") pursuant to a Trust Indenture dated as of September 1, 2008 (the "Indenture") between the Manufacturers and Traders Trust Company (the "Trustee") and the Issuer (the "Indenture").

The Bonds will bear interest at a weekly-determined Variable Rate until adjusted to a Reset Rate or converted to a Fixed Rate, all as described herein. The Bonds will be issued as and remain as fully registered bonds without coupons, in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof during the Variable Period. The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "THE BONDS - Book-Entry Only System." The principal of, premium, if any, and interest on the Bonds are payable by the Trustee, by wire transfer directly to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. Simultaneously with the issuance of the Bonds, the Issuer will enter into a Financing Agreement, dated as of September 1, 2008 (the "Financing Agreement"), with the Trustee and MonteVerde Housing Limited Partnership, a Maryland limited partnership (the "Borrower"), to fund a mortgage loan (the "Bond Mortgage Loan") to the Borrower for the purpose of financing the acquisition, rehabilitation and equipping of a multifamily residential rental housing development located in Baltimore, Maryland, as further described herein (the "Project").

During the construction phase of the Project, payments of principal and purchase price of and interest on the Bonds will be secured by an irrevocable, direct pay letter of credit (the "Initial Construction Phase Credit Facility") issued by SunTrust Bank (the "Initial Construction Phase Credit Facility Provider"). The Initial Construction Phase Credit Facility will expire on October 1, 2010, but is subject to earlier termination in certain events, including the substitution of an Alternate Credit Facility under the Indenture or the Conversion Date (as defined herein).



Pursuant to a Forward Commitment, dated September 4, 2008, as amended (the "Forward Commitment"), upon completion of the construction phase of the Project and compliance with certain other conditions described herein, the Federal Home Loan Mortgage Corporation,

Freddie Mac

a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac"), has agreed to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan and payments of the purchase price of the Bonds through the issuance of a Credit Enhancement Agreement (the "Credit Enhancement Agreement") between the Trustee and Freddie Mac commencing on the Conversion Date. The Credit Enhancement Agreement will terminate on September 6, 2028, or upon the earlier redemption (or purchase in lieu thereof) of the Bonds or upon substitution of an Alternate Credit Facility under the Indenture. Upon substitution, the Bonds are subject to mandatory tender as described under "THE BONDS—Mandatory of the Bonds on Substitution Date" herein.

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE WRITTEN NOTICE OF CONVERSION TO THE BONDHOLDERS AND THE REMARKETING AGENT NOT LESS THAN 12 BUSINESS DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS AND WILL NOT TRIGGER A MANDATORY TENDER OF THE BONDS ON THE CONVERSION DATE. IN LIGHT OF THE FOREGOING, PROSPECTIVE BONDHOLDERS SHOULD ANALYZE THE CREDIT AND LIQUIDITY QUALIFICATIONS OF BOTH THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER AND FREDDIE MAC IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS. IF CONVERSION DOES NOT OCCUR, FREDDIE MAC WILL HAVE NO OBLIGATION TO PROVIDE THE CREDIT ENHANCEMENT AGREEMENT FOR THE BONDS, AND WILL OTHERWISE HAVE NO OBLIGATION WITH RESPECT TO THE BONDS OR THE BOND MORTGAGE LOAN.

The Bonds will be subject to optional and mandatory tender for purchase and to redemption prior to their stated maturity date, all as further described 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.

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

Freddie Mac's obligations with respect to the Bonds will be solely as provided in the Credit Enhancement Agreement which relates to the Bonds. The obligations of Freddie Mac under the Credit Enhancement Agreement will be obligations solely of Freddie Mac, a shareholder-owned government-sponsored enterprise organized under the laws of the United States of America. Freddie Mac has no obligation to purchase, directly or indirectly, any of the Bonds, but will be obligated pursuant to the Credit Enhancement Agreement to provide funds to the Trustee to pay the Purchase Price of the Bonds under circumstances described herein. Unless and until Freddie Mac delivers the Credit Enhancement Agreement following satisfaction of those conditions set forth in the Forward Commitment, Freddie Mac will have no obligations with respect to the Bonds or the Bond Mortgage Loan. No assurances can be given that the Credit Enhancement Agreement will be delivered.

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

The Bonds are offered when, as and if issued subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of validity by Kutak Rock LLP, Washington, D.C., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Freddie Mac by its Legal Division and by its special counsel, Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C., for the Borrower by its counsel, Neuberger, Quinn, Gielen, Rubin & Gibber, P.A., Baltimore, Maryland, and for the Underwriter by its counsel, Hawkins Delafield & Wood 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 September 17, 2008.

Merrill Lynch & Co.

Dated: September 11, 2008

[†] Interest on the Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. See "TAX MATTERS" herein and the form of Opinion of Bond Counsel attached hereto.

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

The Initial Construction Phase Credit Facility Provider, in its capacity as provider of the Initial Construction Phase Credit Facility, has not provided or approved any information in this Official Statement, except with respect to the description under the caption “THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER” and takes no responsibility for any other information contained in this Official Statement. The Initial Construction Phase Credit Facility Provider makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. The Initial Construction Phase Credit Facility Provider’s role is limited to issuing the Initial Construction Phase Credit Facility described herein. Freddie Mac has not provided or approved any information in this Official Statement, except with respect to the description under the caption “FREDDIE MAC,” and takes no responsibility for any other information contained in this Official Statement. Freddie Mac makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Freddie Mac’s role is limited to entering into the Credit Enhancement Agreement described herein. The Servicer has not provided or approved any information in this Official Statement except with respect to the descriptions under the caption “THE SERVICER,” and takes no responsibility for any other information contained in this Official Statement. The Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations.

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

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

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

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OFFICIAL STATEMENT

\$15,200,000

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

**Variable Rate Demand Multifamily Development Revenue Bonds
(MonteVerde Apartments)
Series 2008 E**

INTRODUCTION

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

General

The Community Development Administration (the "Issuer" or the "Administration") has agreed to issue its Variable Rate Demand Multifamily Development Revenue Bonds (MonteVerde Apartments) Series 2008 E in the original aggregate principal amount of \$15,200,000 (the "Bonds"). The Bonds are being issued pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act").

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to provide information in connection with the issuance and sale by the Issuer of the Bonds. The Bonds will be issued pursuant to a Trust Indenture dated as of September 1, 2008 (the "Indenture"), between the Issuer and Manufacturers and Traders Trust Company as trustee (the "Trustee").

The Issuer will use the proceeds of the Bonds to make a mortgage loan (the "Bond Mortgage Loan") to MonteVerde Housing Limited Partnership, a Maryland limited partnership (the "Borrower"), to finance a portion of the cost of the acquisition, rehabilitation and equipping of a multifamily residential rental housing development located in Baltimore, Maryland (the "Project"). See "THE BORROWER AND THE PROJECT."

During the Construction Phase (as hereinafter defined), payments of principal and purchase price of and interest on the Bonds will be secured by an irrevocable, direct pay letter of credit (the "Initial Construction Phase Credit Facility") issued by SunTrust Bank (the "Initial Construction Phase Credit Facility Provider"). Pursuant to a Forward Commitment, dated September 4, 2008 from the Federal Home Loan Mortgage Corporation to Wells Fargo Bank, National Association, upon completion of the construction of the Project and compliance with certain other conditions described herein ("Conversion"), the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac") has agreed to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan and payments of the Purchase Price of the Bonds through the issuance of a Credit Enhancement Agreement (the "Credit Enhancement Agreement" and together with the Initial Construction Phase Credit Facility and any Alternate Credit Facility provided under the Indenture, the "Credit Facility") between the Trustee and Freddie Mac. The Initial Construction Phase Credit Facility will expire on October 1, 2010, (subject to an

option to extend for one (1) additional period of six (6) months) or earlier in certain events, including the substitution of an Alternate Credit Facility under the Indenture, or upon Conversion. If Conversion does not occur, the Bonds will continue to be enhanced by the Initial Construction Phase Credit Facility in accordance with its terms. If the Initial Construction Phase Credit Facility expires and is not extended or an Alternate Credit Facility is not delivered as provided in the Indenture, the Bonds are subject to mandatory redemption in whole. See “THE BONDS—Mandatory Redemption.” There is no assurance that Conversion will occur. If Conversion occurs and the Credit Enhancement Agreement is delivered, it will terminate on September 6, 2028 or upon the earlier redemption (or purchase in lieu thereof) of the Bonds, the date the Trustee has released the lien of the Indenture or upon substitution of an Alternate Credit Facility under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

THE INDENTURE REQUIRES THAT THE TRUSTEE PROVIDE WRITTEN NOTICE OF CONVERSION TO THE BONDHOLDERS AND THE REMARKETING AGENT NOT LESS THAN 12 BUSINESS DAYS PRIOR TO THE CONVERSION DATE, BUT CONVERSION DOES NOT REQUIRE THE CONSENT OF THE BONDHOLDERS AND WILL NOT TRIGGER A MANDATORY TENDER OF THE BONDS ON THE CONVERSION DATE. IN LIGHT OF THE FOREGOING, PROSPECTIVE BONDHOLDERS SHOULD ANALYZE THE CREDIT AND LIQUIDITY QUALIFICATIONS OF BOTH THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER AND FREDDIE MAC IN MAKING ANY INVESTMENT DECISION REGARDING THE BONDS. IF CONVERSION DOES NOT OCCUR, FREDDIE MAC WILL HAVE NO OBLIGATION TO PROVIDE THE CREDIT ENHANCEMENT AGREEMENT FOR THE BONDS, AND WILL OTHERWISE HAVE NO OBLIGATION WITH RESPECT TO THE BONDS OR THE BOND MORTGAGE LOAN.

The Bond Mortgage Loan will be made pursuant to the Financing Agreement dated as of September 1, 2008 (the “Financing Agreement”), among the Issuer, the Trustee and the Borrower, and will be evidenced by a Bond Mortgage Note dated September 17, 2008 (the “Bond Mortgage Note”), executed by the Borrower in favor of the Administration and endorsed to the Trustee and secured by a first lien priority Multifamily Deed of Trust, Assignment of Rents, and Security Agreement dated as of September 1, 2008 (the “Bond Mortgage”), executed by the Borrower to the Trustee with respect to the Project. After conversion, the Bond Mortgage will be assigned to Freddie Mac and will be a first lien priority Amended and Restated Multifamily Deed of Trust, Assignment of Rents, and Security Agreement between the Borrower, as mortgagor, and Freddie Mac, as mortgagee, encumbering the Project. See “THE BORROWER AND THE PROJECT” herein. The Bond Mortgage Note is a nonrecourse obligation of the Borrower subject to certain limited exceptions. Payments of principal of and interest on the Bonds will be made by the Trustee during the Construction Phase from draws under the Initial Construction Phase Credit Facility. From and after the Conversion from the Initial Construction Phase Credit Facility to the Credit Enhancement Agreement as security for the Bond Mortgage Loan, the Trustee will make payments of principal of and interest on the Bonds from draws against the Credit Enhancement Agreement. See “THE INITIAL CONSTRUCTION CREDIT FACILITY” and “THE CREDIT ENHANCEMENT AGREEMENT.”

The principal amount and payment provisions of the Bond Mortgage Note have been established and structured so that (a) the aggregate principal amount of the Bond Mortgage Note will not be less than the aggregate principal amount of Outstanding Bonds; (b) the interest payable on the Bond Mortgage Note will not be less than the interest payable on the Outstanding Bonds; and (c) the required payments under the Bond Mortgage Note will be timely and sufficient in amount to make the payments due to the Bondholders on the Outstanding Bonds. Additionally, the Borrower is obligated under the Bond Mortgage Note to pay certain fees and expenses as described herein. Neither the Initial Construction Phase Credit Facility nor the Credit Enhancement Agreement will cover payment of any such fees. See “SUMMARY OF THE FINANCING AGREEMENT.” On the date of initial issuance of the Bonds (the

“Closing Date”) the Issuer will assign the Financing Agreement (except for the Issuer’s Unassigned Rights) to the Trustee for the benefit of the registered owners of the Bonds.

To evidence the repayment obligations of the Borrower to the Initial Construction Phase Credit Facility Provider as a result of draws under the Initial Construction Phase Credit Facility, MonteVerde Housing Associates LLC (the “General Partner”) and the Initial Construction Phase Credit Facility Provider will enter into a Letter of Credit Reimbursement Agreement, dated as of September 1, 2008 (the “Initial Construction Phase Credit Reimbursement Agreement”). The Borrower will guarantee the obligations of the General Partner under the Initial Construction Phase Credit Reimbursement Agreement. To evidence the repayment obligations of the Borrower to Freddie Mac as a result of payments made by Freddie Mac under the Credit Enhancement Agreement, the Borrower and Freddie Mac will enter into a Reimbursement and Security Agreement, dated on or before the date of Conversion (the “Initial Permanent Phase Reimbursement Agreement,” and together with the Initial Construction Phase Credit Reimbursement Agreement, and any similar agreement pursuant to which an Alternate Credit Facility is issued, the “Reimbursement Agreement”). To secure the obligations of the Borrower with respect to the Initial Construction Phase Credit Facility, the Borrower will execute and deliver for the benefit of the Initial Construction Phase Credit Facility Provider a second lien priority Indemnity Construction Deed of Trust, Assignment of Rents, and Security Agreement, dated as of September 1, 2008 (the “Reimbursement Mortgage”). Holders of Bonds will have no rights with respect to and are not third party beneficiaries of the Reimbursement Mortgage. See “THE INITIAL CONSTRUCTION PHASE CREDIT REIMBURSEMENT AGREEMENT.”

On the Delivery Date, the Issuer, the Trustee, the Initial Construction Phase Credit Facility Provider and Freddie Mac will enter into an Intercreditor Agreement, dated as of September 1, 2008, pursuant to which the rights of the Issuer, the Trustee, the Initial Construction Phase Credit Facility Provider and Freddie Mac to enforce remedies under the Bond Mortgage and the Reimbursement Mortgage, respectively, are set forth among the parties therein. None of the Issuer, Trustee or the holders of the Bonds will have the right to exercise certain remedies (without the prior consent or direction of the Construction Phase Credit Facility Provider or Freddie Mac, as appropriate) under the Bond Mortgage during any period the Initial Construction Phase Credit Facility or the Credit Enhancement Agreement, as applicable, secures the Bonds and the Initial Construction Phase Credit Facility Provider or Freddie Mac, as applicable, continues to honor its obligations under their respective agreements. See “SUMMARY OF THE INTERCREDITOR AGREEMENT.”

Pursuant to the Forward Commitment, Freddie Mac’s obligation to issue the Credit Enhancement Agreement is subject to satisfaction of the Conditions to Conversion set forth and referenced in the Forward Commitment and the Construction Phase Financing Agreement, dated as of September 1, 2008, among Wells Fargo Bank, National Association, as servicer (following the Conversion, the “Servicer”), the Borrower, the Initial Construction Phase Credit Facility Provider and Freddie Mac on or prior to October 1, 2010, or such later date as may be extended pursuant to Freddie Mac’s Forward Commitment or otherwise approved by Freddie Mac in its sole discretion (the “Forward Commitment Maturity Date”). If the Conditions to Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by Freddie Mac) the Bond Mortgage Loan will convert from the Construction Phase to the Permanent Phase. The Conditions to Conversion include, but are not limited to, the following: (a) the Servicer has issued the Conversion Notice; (b) the actual amount of the Bond Mortgage Loan that will be outstanding on the Conversion Date must be equal to or greater than the outstanding principal amount of the Bond Mortgage Loan; (c) the Borrower provides assurance acceptable to the Servicer that any gap or bridge financing provided to the Borrower has been or will be, as of the Conversion Date, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the Conversion Date, including, but not limited to, the release from record of all related liens on the Project, (d) the Borrower provides assurance acceptable to

Freddie Mac that all (i) equity contributions to be made to the Borrower after the Closing Date and on or before the Conversion Date, (ii) cash required to be invested in the Project on or before the Conversion Date and (iii) any approved subordinate financing, have been or will be received by the Borrower and have been properly invested in, or otherwise applied to, the Project; (e) the interest rate hedge related to the Bonds required by the Initial Permanent Phase Reimbursement Agreement is in full force and effect and in conformance with the requirements of the Forward Commitment and no event of default has occurred thereunder or the Borrower must have purchased an interest rate hedge in accordance with the requirements of the Initial Permanent Phase Reimbursement Agreement and the Forward Commitment; and (f) no event has occurred and is continuing and no event will result from Conversion to the Permanent Phase, which event is, or would constitute, an Event of Default under any Credit Facility Document to be in effect from and after the Conversion Date or a default under any approved subordinate financing in each case but for the requirement that notice be given or time elapse or both. No assurance can be given that all of the Conditions to Conversion will be satisfied on or prior to the Forward Commitment Maturity Date. See “SUMMARY OF THE CONSTRUCTION PHASE FINANCING AGREEMENT.”

Upon Conversion, the Initial Construction Phase Credit Facility will terminate and the Credit Enhancement Agreement will secure payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price on the Bonds. If the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by Freddie Mac), the Conversion Date will not occur and Freddie Mac will not deliver the Credit Enhancement Agreement. If Conversion does not occur, payment of the Bonds will continue to be secured by the Initial Construction Phase Credit Facility in accordance with its terms. The Bonds are not subject to mandatory redemption either upon Conversion or if Conversion does not occur. See “THE BONDS—Conversion.”

In addition, even if the Conversion Date occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement and Forward Commitment, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement and Forward Commitment, is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower’s prepayment of the Bond Mortgage Loan in part (a “Pre-Conversion Loan Equalization Payment”). Upon such prepayment, a corresponding portion of the principal of Bonds will be subject to mandatory redemption from proceeds of a draw upon the Construction Phase Credit Facility. Any such mandatory redemption will be at a redemption price equal to the principal amount of the issue of Bonds to be redeemed plus accrued interest to the redemption date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur. See also “THE BONDS—Mandatory Redemption.”

From and after the Conversion, the Borrower is required to make its Bond Mortgage Loan payments to the Servicer. From amounts received from the Borrower, the Servicer is required to (a) reimburse Freddie Mac for amounts paid by Freddie Mac under the Credit Enhancement Agreement and to remit to Freddie Mac the Credit Enhancement Fee, (b) remit to the Trustee amounts for deposit to (i) the Principal Reserve Fund and (ii) the Administration Fund for certain fees payable to the Trustee, the Issuer, the Remarketing Agent, the Tender Agent and the Rebate Analyst and (c) retain the Servicer’s Servicing Fee.

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.

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

The Borrower is required to operate the Project in compliance with the Declaration of Restrictive Covenants and Regulatory Agreement dated as of September 1, 2008 (the "Tax Regulatory Agreement"), between the Issuer and the Borrower. The Tax Regulatory Agreement contains certain representations, warranties and covenants concerning the operation of the Project. A failure to comply with certain of these requirements of the Tax Regulatory Agreement could result in the loss of the federal tax exemption on the Bonds retroactive to their date of issuance. See "TAX MATTERS" and "SUMMARY OF THE TAX REGULATORY AGREEMENT."

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Remarketing Agent") has been appointed by the Borrower and the Issuer to serve as Remarketing Agent for the Bonds under the terms of a Remarketing Agreement dated as of September 1, 2008 (the "Remarketing Agreement"), between the Borrower and the Remarketing Agent. Manufacturers and Traders Trust Company, a New York banking corporation, as tender agent (the "Tender Agent"), will perform certain services in connection with the purchase of tendered Bonds. See "THE BONDS - Disclosure Concerning Sales of Bonds in a Variable Rate By Remarketing Agent."

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

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

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

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

THE ISSUER

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

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

General Information

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

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

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

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

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

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

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

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

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

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

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 ISSUER ASSUMES NO RESPONSIBILITY FOR THE ACCURACY, SUFFICIENCY OF DISCLOSURES OR COMPLETENESS OF ANY INFORMATION PROVIDED BY THE BORROWER, THE TRUSTEE OR ANY OTHER PERSON.

THE BONDS

General

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

Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds.

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

The Bonds will be issued in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof. The Bonds will be dated the Delivery Date and will mature on the date set forth on the cover page of this Official Statement. Commencing on the Delivery Date, the Bonds will bear interest at a Variable Rate of interest until the first Reset Date, or until the Fixed Rate Adjustment Date, if any.

Interest on the Bonds will be payable on October 1, 2008, and on the first Business Day of each month thereafter, the maturity date of the Bonds and for Bonds subject to redemption, the date of redemption of the Bonds (each such date, an "Interest Payment Date"). So long as the Bonds bear interest at a Variable Rate, interest on the Bonds will be computed on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed.

Principal of and premium, if any, on the Bonds will be payable upon presentation and surrender thereof at the designated office of the Trustee. Interest on the Bonds will be payable by check mailed to registered Owner thereof at such registered Owner's address as it appears on the Bond Register on the Record Date, provided that, upon written request of a registered owner of at least \$1,000,000 aggregate principal amount of Bonds received by the Trustee at least five days prior to a Record Date, payment shall be made to such owner by wire transfer pursuant to the provisions of the Indenture.

Payment of any past due interest is to be made to the person in whose name such Bond is registered on the Special Record Date which will be not less than 10 and not more than 15 days prior to the date of the proposed Special Payment Date for such past due interest.

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

Variable Rate for the Bonds

The Bonds shall bear interest from the Delivery Date to and including the immediately succeeding Variable Interest Computation Date (each Wednesday, or if any such Wednesday is not a Business Day, the next succeeding Business Day), at a Variable Rate agreed to by the Remarketing Agent and the Issuer. Thereafter, the Bonds will continue to bear interest at the Variable Rate, until converted to

a Reset Rate or a Fixed Rate as provided in the Indenture. The Variable Rate of interest borne by the Bonds for each Variable Interest Accrual Period will be the Variable Rate determined by the Remarketing Agent and reported in writing to the Issuer, the Trustee, the Tender Agent, the Borrower, the Servicer (from and after the Conversion Date) and the Credit Facility Provider, as provided in the Indenture, on the Variable Interest Computation Date for such Variable Interest Accrual Period. Any Bondholder may obtain information on the Variable Rate by written request to the Trustee.

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

During each Variable Rate Accrual Period on the Variable Interest Computation Date, the Variable Rate determined by the Remarketing Agent shall be reported in writing to the Trustee, the Tender Agent, the Borrower, the Initial Construction Phase Credit Facility Provider, (prior to the Conversion Date), the Servicer (from and after the Conversion Date), and Freddie Mac. The determination of the Variable Rate by the Remarketing Agent will (in the absence of manifest error) be conclusive and binding on the Holders of the Bonds, the Issuer, the Borrower, the Credit Facility Provider, the Servicer (from and after the Conversion Date), the Remarketing Agent, the Tender Agent and the Trustee and each will be protected in relying on it.

Book-Entry Only System

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

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A

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

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

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

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

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

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

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

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

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

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

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

IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR ANY OTHER ACTION TAKEN BY DTC OR ANY PARTICIPANT.

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

Demand for and Mandatory Purchase of the Bonds

Any Bonds (other than Purchased Bonds), or any units of principal amount thereof in Authorized Denominations, will be purchased from the proceeds of remarketing thereof as described in the Indenture or from the sources described under "Purchase of Bonds Not Remarketed" below, (a) on demand of the owner of such Bond (or, so long as Bonds are in "book-entry only" form, demand of a DTC Participant, with respect to such Bonds) on any Business Day during a Variable Period, or (b) upon being tendered or deemed tendered pursuant to the Indenture, on any Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date and any Substitution Date (even if such Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date or Substitution Date fails to occur). The Bonds will be purchased for a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations, plus interest accrued thereon, if any, to the Settlement Date. The Bonds will be purchased upon (a) in the case of a purchase upon the demand of an owner or DTC Participant, delivery to the Tender Agent, with a copy to the Trustee and the Remarketing Agent, of a written notice in the form set forth in the Indenture (a "Tender Notice") which states (i) the principal amount of such Bond for which payment is demanded, (ii) that such demand is irrevocable and (iii) the date on which such Bond or units of principal amount thereof in Authorized Denominations are to be purchased pursuant to the Indenture, which date must be a Business Day not prior to the seventh day next succeeding the date of the receipt of the Tender Notice by the Tender Agent (an "Optional Tender Date"); and (b) in all cases, delivery of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) to the Tender Agent, at or prior to 9:30 a.m., Washington, D.C. time, on the Settlement Date. In the event that a depository is appointed pursuant to the Indenture and a "book-entry only" system is in effect with respect to the Bonds, delivery of Bonds for purchase on the Settlement Date will be effected in the manner set forth by such depository.

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

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

If the Trustee has received the items required by the Indenture, the Trustee will (i) not later than the 15th day before any Reset Adjustment Date, the Fixed Rate Adjustment Date or Substitution Date (or, if such day is not a Business Day, then on the next succeeding Business Day), notify the Tender Agent by telephone, promptly confirmed in writing, with a copy to the Remarketing Agent and (ii) not later than the ninth day before any Reset Adjustment Date, Fixed Rate Adjustment Date or Substitution Date, notify the Bondholders, by first class mail, that all Outstanding Bonds (other than Purchased Bonds) will be subject to mandatory tender and if not so tendered, will be deemed to have been tendered for purchase on each such Reset Adjustment Date, Fixed Rate Adjustment Date or the Substitution Date, in each case as provided in the Indenture, at the Purchase Price.

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

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

Mandatory Tender of Bonds

Holders of the Bonds will be required to tender their Bonds, with no right to retain, to the Tender Agent on any Reset Adjustment Date, the Fixed Rate Adjustment Date or any Substitution Date in accordance with and subject to the provisions of the Indenture.

Any Bond required to be tendered on a Reset Adjustment Date, the Fixed Rate Adjustment Date or a Substitution Date that is not tendered as of such date will be deemed to have been tendered to the Tender Agent on such date and will thereafter cease to bear interest and no longer be considered to be Outstanding under the Indenture.

Purchase of Bonds Not Remarketed

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

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

the Tender Agent to the Credit Facility Provider promptly upon payment of the Purchase Price of the Bonds.

Mandatory Tender of the Bonds on Substitution Date

The Borrower, pursuant to the Financing Agreement, is permitted, with prior written consent of the Initial Construction Phase Credit Facility Provider and Freddie Mac (prior to the Conversion Date) and from and after the Conversion Date, Freddie Mac (provided there has been no Wrongful Dishonor) to provide an Alternate Credit Facility to replace the then outstanding Credit Facility at the times specified in the Financing Agreement.

The Bonds will be subject to mandatory tender, with no right to retain, for purchase on any Substitution Date from the sources available for such purpose as described under “Purchase of Bonds Not Remarketed” above at a Purchase Price equal to the principal amount thereof plus accrued interest to the Substitution Date.

Upon receipt by the Trustee of (i) notice from the Borrower of a planned substitution; (ii) the aforementioned consents of the Initial Construction Phase Credit Facility Provider and Freddie Mac; (iii) a form of the Alternate Credit Facility to be in effect on and after the Substitution Date; (iv) the form of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date; and (v) and a form of the documents required pursuant to the Financing Agreement, the Trustee is to establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such Substitution Date must be not less than five days following the Trustee’s receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate Credit Facility may be delivered in escrow), and such other required documents; provided, however, the Substitution Date may be at a later date if the Trustee has received a commitment to extend the existing Credit Facility or the existing Credit Facility will be in place for up to a time period of not less than 15 days following the Trustee’s receipt of the Alternate Credit Facility.

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

Any Bond not tendered to the Tender Agent for purchase in accordance with the provisions of the Indenture on the Substitution Date (including any Substitution Date which fails to occur) will be deemed to have been tendered for purchase on such Substitution Date for all purposes of the Indenture; however, payment on such Bonds will only be made upon presentation thereof.

Conversion

Notwithstanding any other provision of the Indenture to the contrary, if the Conversion Notice is issued on or before the Forward Commitment Maturity Date, Conversion will occur on the Conversion Date specified in the Conversion Notice. The Trustee will, not less than 12 Business Days prior to the Conversion Date, give written notice of Conversion to the Bondholders and the Remarketing Agent. Conversion will not require, and will be effective without, the consent of the Bondholders. The Trustee’s notice to the Bondholders must state the Conversion Date and the rating to be in effect with respect to the Bonds from and after the Conversion Date. The Bonds shall not be subject to mandatory tender on the Conversion Date. The Issuer and the Trustee acknowledge that on the Conversion Date, pursuant to the Construction Phase Credit Assignment, Freddie Mac will succeed to all of the rights and interests of the Initial Construction Phase Credit Facility Provider under the Bond Financing Documents (subject to

certain reserved rights) and the Bond Mortgage Loan Documents to exercise the rights otherwise granted to the Initial Construction Phase Credit Facility Provider under the Bond Financing Documents and the Bond Mortgage Loan Documents. Upon receipt by the Trustee of the Credit Enhancement Agreement, the Trustee will surrender the Initial Construction Phase Credit Facility to the Initial Construction Phase Credit Facility Provider.

Failed Conversion

If the Conversion Notice is not issued on or before the Forward Commitment Maturity Date, Conversion will not occur and Freddie Mac will not have any obligation to provide the Credit Enhancement Agreement and will not otherwise have any obligation with respect to the Bonds or the Bond Mortgage Loan. If Conversion does not occur, the Construction Phase Credit Facility will remain in effect in accordance with its terms, and all references to Freddie Mac and the Servicer shall be null and void.

Optional Redemption of the Bonds

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

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

Mandatory Redemption

The Bonds are subject to mandatory redemption on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility, or from funds transferred from the Bond Mortgage Loan Fund to the Redemption Fund pursuant to the Indenture, upon the occurrence of any of the following:

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

(ii) in whole, (1) at the written direction by the Credit Facility Provider, upon receipt by the Trustee of amounts drawn on the Credit Facility or from funds transferred from the Bond Mortgage Loan Fund to the Redemption Fund pursuant to the Indenture, as a result of the occurrence of a default under any Bond Mortgage Loan Document, such redemption of the Bonds shall occur no later than the last Business Day which is not less than five days before the date of termination of the Credit Facility occurring as a result of such default; or (2) upon receipt by the

Trustee of notice from the Initial Construction Phase Credit Facility Provider that the interest component of the Initial Construction Phase Credit Facility will not be reinstated following a draw on the Initial Construction Phase Credit Facility to pay interest on the Bonds; or

(iii) in whole, (1) on the last Business Day which is not less than five days before the date of expiration of any Credit Facility unless the Trustee receives a renewal or extension of or replacement for such Credit Facility meeting the requirements of the Financing Agreement or, (2) not less than thirty (30) days before the expiration of the then-existing Credit Facility in connection with a replacement of the Credit Facility on a Reset Adjustment Date or a Fixed Rate Adjustment Date pursuant to the Indenture, unless the Trustee has received an irrevocable commitment of an entity to issue an Alternate Credit Facility to be in effect upon and after such Reset Adjustment Date or Fixed Rate Adjustment Date; or

(iv) in part in Authorized Denominations, at the direction of Freddie Mac from and after Conversion, (1) on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date, as applicable, or (2) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Interest Payment Date; or

(v) in part, in the event that the Borrower elects to make a Pre-Conversion Equalization Payment, in an amount equal to the amount prepaid by the Borrower;

(vi) in part, in the event and to the extent that amounts remaining in the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture for application to the redemption of Bonds;

(vii) in part, following the Conversion Date, on any Interest Payment Date on which the amount in the Principal Reserve Fund equals or exceeds \$100,000, in a principal amount up to, but not exceeding, the amount in the Principal Reserve Fund; provided, however, upon an Event of Default (as defined in the Reimbursement Mortgage), Freddie Mac, in its sole discretion, may direct the Trustee to suspend such mandatory redemption.

At least fifteen (15) days before a Reset Adjustment Date or the Fixed Rate Adjustment Date the Borrower shall, with the prior written consent of the Credit Facility Provider, determine the mandatory sinking fund redemption schedule for the Bonds for such Reset Period or Fixed Rate Period, which shall be based upon and shall be consistent with the Principal Reserve Fund payments to be made by the Borrower under the Bond Mortgage Loan for deposit to the Principal Reserve Fund; provided, however, the Borrower shall deliver to the Trustee, the Issuer and the Credit Facility Provider an opinion of Bond Counsel to the effect that such determination of the sinking fund redemption schedule will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Following a Variable Rate Adjustment Date, there shall be no mandatory sinking fund redemption schedule for the Bonds during the succeeding Variable Period.

Notice of Redemption

Notice of the intended redemption of the Bonds is to be given by the Trustee by first-class mail, postage prepaid, to the registered Owner at the address of such Owner shown on the Bond Register. All such redemption notices are to be given not less than 10 days (not less than 30 days in the case of optional

or mandatory sinking fund redemptions) nor more than 60 days prior to the date fixed for redemption. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Credit Facility Provider).

Notices of redemption shall state the redemption date and the redemption price, the place or places where amounts due upon such redemption will be payable, and, if less than all of the Outstanding Bonds are called for redemption, will state (a) the numbers of the Bonds to be redeemed by giving the individual certificate number of each Bond to be redeemed or shall state that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption; (b) the CUSIP numbers of all Bonds being redeemed if available; (c) the amount of the Bonds being redeemed (in the case of a partial redemption); (d) the date of issue of the Bond as originally issued; (e) the rate of interest borne by the Bonds being redeemed or that the Bonds bear interest at a Variable Rate; (f) the maturity date of the Bonds being redeemed; (g) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (h) the conditions, if any, which must be satisfied in order for the redemption to take place on the scheduled date of redemption, including that Eligible Funds are available to pay any redemption premium on the Bonds; and (i) any other descriptive information needed to identify accurately the Bonds being redeemed. While the Bonds are in a book-entry only system, notice of redemption will be given only to Cede & Co., as nominee for DTC, and beneficial owners of Bonds will not receive notice of redemption from the Trustee.

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

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

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

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

Effect of Notice of Redemption

If a conditional notice of redemption has been provided pursuant to the terms of the Indenture and the conditions are not satisfied, such notice of redemption will be of no force and effect and the Bondholders will be restored to their former positions as though no such notice of redemption had been

delivered. Notice of redemption having been given in the manner provided in the Indenture and if either there were no conditions to such redemption or the conditions have been satisfied (or in the event no such notice is required under the Indenture), and money for the redemption being held by the Trustee or Paying Agent for that purpose, thereupon the Bonds so called for redemption will become due and payable on the redemption date, and interest thereon will cease to accrue on such date; and such Bonds will thereafter no longer be entitled to any security or benefit under the Indenture except to receive payment of the redemption price thereof.

Purchase of Bonds in Whole in Lieu of Redemption

Notwithstanding anything in the Indenture to the contrary, at any time during which the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective designees, as directed by such party) on the date which would be the redemption date at the written direction of the Credit Facility Provider or the Borrower, with the prior written consent of the Credit Facility Provider and shall be given no later than 12:00 noon, Washington, D.C. time, one Business day prior to such redemption date, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds, in that order of priority. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the holders of the Bonds to be so purchased (other than the notice of redemption otherwise required under the Indenture) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Such Bonds so purchased for the account of the Borrower shall for all purposes under the Indenture constitute Purchased Bonds held by the Custodian pursuant to the Pledge Agreement and may be remarketed by the Remarketing Agent in accordance with the provisions of the Indenture.

In addition, with prior written consent of the Issuer, the Credit Facility Provider will have the right to transfer the Purchased Bonds (without reinstatement of the then existing Credit Facility or delivery to the Trustee of an Alternate Credit Facility, which will result in such Bonds being unrated) only to a single Bondholder which has provided the Trustee with an investment letter in accordance with the Indenture, provided that an opinion of Bond Counsel is delivered to the Trustee to the effect that such transfer will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Such Purchased Bonds shall not be transferred unless and until the Credit Facility is reinstated and the Bonds are then rated in one of the two highest rating categories of the Rating Agencies without regard to modifiers, except to a single Bondholder which has provided the Trustee with an investment letter in the form attached to the Indenture, and if not remarketed or transferred as provided herein, shall be redeemed and cancelled automatically by the Trustee on the date which is two (2) years from the date of purchase unless an opinion of Bond Counsel is delivered to the Trustee to the effect that not redeeming and canceling such Purchased Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Any purchase of Bonds under the Indenture is not intended as an extinguishment of the debt represented by the Bonds.

Disclosure Concerning Sales of Bonds in a Variable Rate by Remarketing Agent

The Remarketing Agent is Paid by the Administration. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally tendered by the owners thereof, all as further described in this Official Statement. The Remarketing Agent is appointed by the Administration and is paid by the Administration for its services.

As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

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

Bonds May be Offered at Different Prices on Any Date. The Remarketing Agent is required to determine on the Variable Interest Computation Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the “Effective Date”). The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered bonds at par, plus accrued interest. There may or may not be Bonds tendered and remarketed on a Variable Interest Computation Date or any Reset Adjustment Date, Variable Rate Adjustment Date or Substitution Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price.

The Ability to Sell the Bonds Other than Through Tender Process May Be Limited. While the Remarketing Agent may buy and sell Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Trust Estate

Under the Indenture, the Issuer grants to the Trustee a security interest in the following property described below in (a) through (c) to secure the Bonds (said property being referred to in the Indenture as the “Trust Estate”) in order to secure the payment of principal of, premium, if any, and interest on the Bonds according to their tenor and effect, the payment to the Credit Facility Provider for amounts owed under the Reimbursement Agreement, and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds:

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

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

(c) Except amounts in the Bond Purchase Fund, the Rebate Fund, the Principal Reserve Fund and the Cost of Issuance Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

Limited Obligations

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

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

The Initial Construction Phase Credit Facility

During the Construction Phase, payments of principal and Purchase Price of and interest on the Bonds will be secured by the irrevocable, direct pay letter of credit issued by the Initial Construction Phase Credit Facility Provider. Pursuant to the Initial Construction Phase Credit Facility, the Trustee may draw an amount sufficient to pay the principal and Purchase Price of and interest on the Bonds. A copy of the form of the Initial Construction Phase Credit Facility is attached to this Official Statement as Appendix C.

Conversion

Pursuant to the Forward Commitment, Freddie Mac's obligation to issue the Credit Enhancement Agreement is subject to satisfaction of the Conditions to Conversion set forth in the Construction Phase Financing Agreement and in the Forward Commitment on or prior to October 1, 2010, and thereafter such later date as may be provided for in the Forward Commitment or as may otherwise be approved by Freddie Mac in its sole discretion (the "Forward Commitment Maturity Date"). If the Conditions to Conversion are satisfied on or prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are waived by Freddie Mac) the Bond Mortgage Loan will convert from the Construction Phase to the Permanent Phase (the "Conversion"). The Conditions to Conversion include, but are not limited to: (a) the Servicer has issued the Conversion Notice; (b) the actual Bond Mortgage Loan amount to be effective upon the Conversion Date must be equal to or greater than the outstanding principal amount of the Bond Mortgage Loan; (c) the Borrower provides assurance acceptable to the Servicer that any gap or bridge financing provided to the Borrower has been or will be, as of the Conversion Date, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the Conversion Date, including, but not limited to, the release from record of all related liens on the Project; (d) the Borrower provides assurance acceptable to Freddie Mac that all (i) equity contributions to be made to the Borrower after the Closing Date and on or before the Conversion Date, (ii) cash required to be invested in the Project on or before the Conversion Date and (iii) any approved subordinate financing, have been or will be received by the Borrower and have been properly invested in, or otherwise applied to, the Project; (e) the interest rate hedge related to the Bonds required by the Freddie Mac Reimbursement Agreement is in full force and effect, and in conformance with the requirements of the Forward Commitment and no event of default has occurred thereunder or the Borrower must have purchased an interest rate hedge in accordance with the requirements of the Freddie Mac Reimbursement Agreement and the Forward Commitment; and (f) no event has occurred and is continuing and no event will result from Conversion to the Permanent Phase, which event is, or would constitute, an Event of Default under any Credit Facility Document to be in effect from and after the Conversion Date or a default under any approved subordinate financing in each case but for the requirement that notice be given or time elapse or both. No assurance can be given that all of the Conditions to Conversion will be satisfied on or prior to the Forward Commitment Maturity Date. See "THE CONSTRUCTION PHASE FINANCING AGREEMENT."

If the Conditions to Conversion are not satisfied prior to the Forward Commitment Maturity Date (or, to the extent not satisfied, are not waived by Freddie Mac), the Bond Mortgage Loan will not convert from the Construction Phase to the Permanent Phase, and Freddie Mac will not have any obligation to provide the Credit Enhancement Agreement and will not otherwise have any obligation with respect to the Bonds or the Bond Mortgage Loan.

The Credit Enhancement Agreement

Upon Conversion, the Trustee will return the Initial Construction Phase Credit Facility to the Initial Construction Phase Credit Facility Provider and the Credit Enhancement Agreement will secure payments of principal of and interest on the Bond Mortgage Loan and payments of the Purchase Price on the Bonds. Pursuant to the Credit Enhancement Agreement, Freddie Mac will be required to pay Guaranteed Payments with respect to the Bond Mortgage Loan when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Credit Enhancement Agreement. See "FREDDIE MAC," "THE CREDIT ENHANCEMENT AGREEMENT" and Appendix D: "FORM OF CREDIT ENHANCEMENT AGREEMENT."

Alternate Credit Facility

The Borrower may, with the confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been met, but without the consent of Bondholders, on any Business Day (a “Substitution Date”), provide for an Alternate Credit Facility to replace then existing Credit Facility at the times specified in the Financing Agreement. The Bonds are subject to mandatory tender for purchase on the Substitution Date. See “THE BONDS—Mandatory Tender of Bonds on Substitution Date.”

There will be no tender for purchase of Bonds in connection with the Conversion from the Initial Construction Phase Credit Facility to the Credit Enhancement Agreement as security for the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources	
Bond Proceeds	<u>\$15,200,000</u>
Total Sources	\$15,200,000
Uses	
Deposit to Bond Mortgage Loan Fund	<u>\$15,200,000</u>
Total Uses	\$15,200,000

THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER

The information presented under this caption “THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER” has been supplied by SunTrust Bank, a Georgia banking corporation and a wholly-owned subsidiary of SunTrust Banks, Inc. Neither the Issuer, the Trustee, the Borrower, Freddie Mac nor the Underwriter has independently verified such information, and none of these parties assumes responsibility for the accuracy or sufficiency of such information.

SunTrust Banks, Inc., headquartered in Atlanta, is one of the nation's largest banking organizations, serving a broad range of consumer, commercial, corporate and institutional clients. As of June 30, 2008, SunTrust Banks, Inc. had total assets of \$177.4 billion and total deposits of \$119.8 billion. SunTrust Banks, Inc. operates an extensive branch and ATM network throughout the high-growth Southeast and Mid-Atlantic states and a full array of technology-based, 24-hour delivery channels. SunTrust Banks, Inc. also serves customers in selected markets nationally. Its primary businesses include deposit, credit, trust and investment services. Through various subsidiaries SunTrust Banks, Inc. provides mortgage banking, insurance, brokerage, investment management, equipment leasing and capital markets services. SunTrust Banks, Inc.’s Internet address is suntrust.com.

SunTrust Banks, Inc. is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). The file number of SunTrust Banks, Inc. with

the Commission is No. 1-8918. Such reports, proxy statements and other information can be inspected and copied at the Commission's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the public reference room may be obtained by calling (800) SEC-0330. The Commission also maintains an Internet Web site (<http://www.sec.gov>) that contains reports, proxy statements and other information regarding SunTrust Banks, Inc.

SunTrust Banks, Inc. has agreed, upon written request, to provide without charge to each person to whom a copy of this Official Statement has been delivered a copy of the most recent Annual Report on Form 10-K, any Quarterly Reports on Form 10-Q, and any Current Reports on Form 8-K (in each case as filed with the Commission pursuant to the Securities Exchange Act of 1934), and the most recent publicly available portions of the quarterly Call Reports of SunTrust Bank delivered to the Federal Reserve Board. Any such request should be directed to:

SunTrust Banks, Inc.
Post Office Box 4418
Atlanta, Georgia 30302
Attention: Raymond D. Fortin, Secretary
Telephone: (404) 588-7165

FREDDIE MAC

The information presented under this caption "FREDDIE MAC" has been supplied by Freddie Mac. None of the Issuer, the Trustee, the Borrower or the Underwriter has independently verified such information, and none assumes responsibility for the accuracy of such information. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

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

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

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has

established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFO.gov> and <http://www.Treasury.gov>.

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

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

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

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

THE INITIAL CONSTRUCTION PHASE CREDIT FACILITY

The following is a brief summary of certain provisions of the Initial Construction Phase Credit Facility. The summary does not purport to be complete or definitive and is qualified in its entirety by

reference to the Initial Construction Phase Credit Facility, a form of which is attached hereto as Appendix C, and the final copy of which is on file with the Trustee.

The Initial Construction Phase Credit Facility will be an irrevocable direct-pay obligation of Initial Construction Phase Credit Facility Provider which will expire on October 1, 2010 (subject to an option to extend for one (1) additional period of six (6) months), unless terminated earlier in accordance with its terms or unless renewed or extended, to pay to the Trustee, upon request and in accordance with the terms thereof, an amount sufficient to pay (i) the principal of the Bonds or the portion of the Purchase Price corresponding to the principal of the Bonds (at maturity or upon acceleration or mandatory or optional redemption prior to maturity) and (ii) 35-days' accrued interest (at a maximum rate of 12% per annum calculated on the basis of a year of 365 or 366 days, for actual days elapsed) on such Bonds or that portion of the Purchase Price corresponding to the interest accrued thereon.

During the term of the Initial Construction Phase Credit Facility, the Trustee is required by the terms of the Indenture to draw moneys under the Initial Construction Phase Credit Facility in accordance with the terms thereof, to pay when due (whether by reason of maturity, the occurrence of an Interest Payment Date, redemption, acceleration or otherwise) the principal of and interest on the Bonds; and to the extent moneys representing the proceeds of the remarketing of the Bonds are not available therefor, to pay when due the Purchase Price of Bonds. Drawings with respect to the payment of interest and drawings with respect to the payment of Purchase Price of the Bonds will be reinstated as described in the Initial Construction Phase Credit Facility.

The Initial Construction Phase Credit Facility is effective on the Delivery Date and expires the earliest of (i) the honoring by Initial Construction Phase Credit Facility Provider of the final drawing available to be made under the Initial Construction Phase Credit Facility, (ii) receipt of a certificate signed by the Trustee and the Borrower stating that the conditions precedent to the acceptance of an Alternate Credit Facility have been satisfied and that the Trustee has accepted an Alternate Credit Facility, and setting forth the effective date of said Alternate Credit Facility, (iii) the Conversion Date, (iv) receipt of a certificate signed by the Trustee stating that no Bonds remain Outstanding, (v) the stated expiration date thereof and (vi) the date that is sixty (60) days after the Trustee receives written notice from the Initial Construction Phase Credit Facility Provider of an Event of Default under the Initial Construction Phase Credit Reimbursement Agreement and a request for mandatory redemption of the Bonds; provided, however, that in connection with the expiration event described in clause (ii), above, the Initial Construction Phase Credit Facility shall automatically terminate, and shall be delivered to the Initial Construction Phase Credit Facility Provider for cancellation, on the second Business Day following the effective date of an Alternate Credit Facility and the honoring by the Initial Construction Phase Credit Facility Provider of the related drawing under the Initial Construction Phase Credit Facility pertaining to the payment of the Purchase Price of the Bonds tendered for purchase on the Mandatory Purchase Date corresponding to the delivery of an Alternate Credit Facility.

THE INITIAL CONSTRUCTION PHASE CREDIT REIMBURSEMENT AGREEMENT

The following is a brief summary of certain provisions of the Initial Construction Phase Credit Reimbursement Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Initial Construction Phase Credit Reimbursement Agreement, a copy of which is on file with the Trustee. Capitalized terms used in this caption and not otherwise defined herein shall have the meanings given them in the Initial Construction Phase Credit Reimbursement Agreement.

The General Partner and the Initial Construction Phase Credit Facility Provider have executed, or will execute, on or prior to the Closing Date, a Letter of Credit Reimbursement Agreement, dated as of September 1, 2008, which sets forth the terms and conditions whereby the General Partner is required to

repay the Initial Construction Phase Credit Facility Provider any amounts drawn by the Trustee under the Initial Construction Phase Credit Facility. The Borrower will guaranty the obligations and liabilities of the General Partner with respect to the Initial Construction Phase Credit Reimbursement Agreement, including, without limitation, all of General Partner's obligations to reimburse the Initial Construction Phase Credit Facility Provider for any draws under the Initial Construction Phase Credit Facility, together with interest thereon, and the obligations of General Partner under any interest rate protection provided by the Initial Construction Phase Credit Facility Provider (or any affiliate of Initial Construction Phase Credit Facility Provider), including any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond option, note or bill option, interest rate option, forward foreign exchange transaction, cap transaction, collar transaction, floor transaction, currency swap transaction, cross-currency rate swap transaction, swap option, currency option, credit swap or default transaction, T-lock, or any other similar transaction (including any option to enter into the foregoing) or any combination of the foregoing, pursuant to the guaranty executed by the Borrower for the benefit of the Initial Construction Phase Credit Facility Provider (the "Construction Phase Credit Reimbursement Guaranty"). The Borrower grants the Initial Construction Phase Credit Facility Provider a security interest in, among other things, the Project. The Bond proceeds will be disbursed to the Borrower in accordance with the conditions for such disbursement set forth in the Initial Construction Phase Credit Reimbursement Agreement and the Exhibits thereto.

Pursuant to the Initial Construction Phase Credit Reimbursement Agreement, the Initial Construction Phase Credit Facility Provider has issued the Initial Construction Phase Credit Facility. The Borrower has agreed to reimburse the Initial Construction Phase Credit Facility Provider for any payments made by the Initial Construction Phase Credit Facility Provider to the Trustee on behalf of the Holders of the Bonds under the Initial Construction Phase Credit Facility.

Pursuant to the Initial Construction Phase Credit Reimbursement Agreement, the Construction Phase Credit Reimbursement Guaranty and the Reimbursement Mortgage, the General Partner and Borrower agrees, among other things, to maintain its existence, pay all required taxes, provide certain information and notices to the Initial Construction Phase Credit Facility Provider, maintain its assets in reasonably good working order and condition, conduct its business in an orderly manner without voluntary interruption and remain qualified to do business in the State of Maryland.

The occurrence of any of the following events, among others, constitutes an Event of Default under the Initial Construction Phase Credit Reimbursement Agreement unless waived by the Initial Construction Phase Credit Facility Provider:

(a) The General Partner fails to pay any obligation under the Initial Construction Phase Credit Reimbursement Agreement within 5 days when due, whether on the scheduled due date or upon acceleration, maturity or otherwise; or

(b) An event of default occurs under any of the "Letter of Credit Documents" (as defined in the Initial Construction Phase Credit Reimbursement Agreement), or the Borrower or any guarantor fails to promptly pay, perform, observe or comply with any term, obligation or agreement contained in any of the other Letter of Credit Documents (within any applicable grace or cure period).

(c) Any information contained in any financial statement, schedule, report or any other document delivered by the Borrower, any guarantor or any other person to the Initial Construction Phase Credit Facility Provider in connection with the Initial Construction Phase Credit Facility or the Bond Mortgage Loan proves at any time not to be in all respects true and accurate, or the Borrower, any guarantor or any other person shall have failed to state any

material fact or any fact necessary to make such information not misleading, or any representation or warranty contained in the Initial Construction Phase Credit Reimbursement Agreement or in any other Letter of Credit Document or other document, certificate or opinion delivered to the Initial Construction Phase Credit Facility Provider in connection with the Initial Construction Phase Credit Facility or the Bond Mortgage Loan, proves at any time to be incorrect or misleading in any material respect either on the date when made or on the date when reaffirmed pursuant to the terms of the Initial Construction Phase Credit Reimbursement Agreement.

(d) The General Partner fails to deposit or fails to cause to be deposited funds with the Initial Construction Phase Credit Facility Provider, in the amount requested, pursuant to the provisions of the Initial Construction Phase Credit Reimbursement Agreement, within ten (10) days from the effective date of a notice requesting such deposit, or the General Partner fails to deliver or fails to cause to be delivered to the Initial Construction Phase Credit Facility Provider any condemnation awards or insurance proceeds within ten (10) days after Borrower's receipt thereof.

(e) The General Partner fails to promptly perform or comply with any of the covenants contained in the Letter of Credit Documents with respect to maintaining insurance.

(f) The General Partner fails to promptly perform or comply with any of the covenants and obligations set forth in the Initial Construction Phase Credit Reimbursement Agreement (other than those expressly described in other events of default under the Initial Construction Phase Credit Reimbursement Agreement), and such failure continues uncured for a period of thirty (30) days after notice, unless (a) such failure, by its nature, is not capable of being cured within such period, and (b) within such period, the General Partner commences to cure such failure and thereafter diligently prosecutes the cure thereof, and (c) the General Partner causes such failure to be cured no later than ninety (90) days after the date of such notice.

(g) Construction of the Project is abandoned or is discontinued for a period of more than twenty (20) consecutive days.

(h) The Project is substantially damaged or destroyed by fire or other casualty and the Initial Construction Phase Credit Facility Provider determines that the Project cannot be restored and completed in accordance with the terms and provisions of the Initial Construction Phase Credit Reimbursement Agreement.

(i) Any permit, license, certificate or approval that the Borrower or the General Partner is required to obtain with respect to the construction, operation, development, leasing or maintenance of the Project or the Property lapses or ceases to be in full force and effect.

(j) Completion of Construction does not occur in accordance with the "Project Schedule" (as defined in the Initial Construction Phase Credit Reimbursement Agreement), or the Initial Construction Phase Credit Facility Provider determines that completion of construction will not occur in accordance with the Project Schedule.

(k) A lien for the performance of work or the supply of materials filed against the Property, or any stop notice served on the Borrower or any guarantor, the general contractor or the Initial Construction Phase Credit Facility Provider, remains unsatisfied or unbonded for a period of thirty (30) days after the date of filing or service.

(l) Any survey required by the Initial Construction Phase Credit Facility Provider during the period of construction shows any matter which in its reasonable judgment would interfere with the construction of the improvements or the operation or use of the Property, and such matter is not removed within a period of thirty (30) days after notice to the Borrower or General Partner.

(m) The general contractor defaults under the construction contract in a manner which the Initial Construction Phase Credit Facility Provider deems to be material, and, unless otherwise agreed in writing by the Initial Construction Phase Credit Facility Provider, the Borrower or General Partner fails promptly to exercise its rights and remedies under the construction contract with respect to such default.

(n) The Borrower or General Partner is enjoined or prohibited from performing any of its obligations under any of the Letter of Credit Documents for a period of more than fifteen (15) consecutive days.

(o) The Borrower, any general partner or any guarantor files a bankruptcy petition or makes a general assignment for the benefit of creditors, or a bankruptcy petition is filed against the Borrower, any general partner or any guarantor and such involuntary bankruptcy petition continues undismissed for a period of ninety (90) days after the filing thereof.

(p) The Borrower, any general partner or any guarantor applies for or consents in writing to the appointment of a receiver, trustee or liquidator of the Borrower, any general partner, any guarantor, the Property, or all or substantially all of the other assets of the Borrower, any general partner or any guarantor, or an order, judgment or decree is entered by any court of competent jurisdiction on the application of a creditor appointing a receiver, trustee or liquidator of the Borrower, any general partner, any guarantor, the Property, or all or substantially all of the other assets of the Borrower, any general partner or any guarantor.

(q) A final nonappealable judgment for the payment of money involving more than \$25,000 is entered against the Borrower or any guarantor, and the Borrower or such guarantor fails to discharge the same, or causes it to be discharged or bonded off to the Initial Construction Phase Credit Facility Provider's satisfaction, within sixty (60) days from the date of the entry of such judgment.

(r) Unless the written consent of the Initial Construction Phase Credit Facility Provider is previously obtained, all or substantially all of the business assets of the Borrower or any guarantor are sold, the Borrower or any guarantor is dissolved, or there occurs any change in the form of business entity through which the Borrower or any guarantor presently conducts its business or any merger or consolidation involving the Borrower or any guarantor.

(s) The Borrower or any guarantor fails to pay any indebtedness (other than the obligations owned under or with respect to the Initial Construction Phase Credit Facility) owed by the Borrower or such guarantor when and as due and payable (whether by acceleration or otherwise), including, without limitation, the Bond Mortgage Loan and/or any of the subordinate loan.

(t) Without the prior written consent of the Initial Construction Phase Credit Facility Provider and except as otherwise provided in the Initial Construction Phase Credit Agreement, the sole general partner of the Borrower ceases to be General Partner and the controlling interest of Borrower ceases to be owned by Greater Baltimore AHC Inc.

(u) In the reasonable opinion of the Initial Construction Phase Credit Facility Provider, the prospect of payment or performance of all or any part of the obligations under and relating to the Initial Construction Phase Credit Facility have been impaired because of a material adverse change in the financial condition, results of operations, business or properties of the Borrower, any guarantor or any other person liable for the payment or performance of any such obligations.

(v) A default occurs under any of related loan or financing documents with respect to the Property which is not cured within any applicable notice and cure period (if any) provided in such document or any material amendment is made to any such loan or financing documents without the prior written consent of the Initial Construction Phase Credit Facility Provider.

(w) The Borrower defaults (after expiration of any applicable notice and cure periods) in performance of its obligations under that certain any regulatory agreement or similar agreement that imposes any rental and/or income restrictions with respect to the Property.

(x) A default occurs under the Borrower's partnership agreement which would permit the investor limited partner to not make payment of any capital contributions as and when required by the terms of the Partnership Agreement, or the Borrower fails for any reason to cause such investor limited partner to pay any such capital contribution.

(y) A default occurs under any applicable housing assistance payments contract.

(z) The Project fails to achieve Conversion on or before the Forward Commitment Maturity Date, and such failure results in the expiration or termination of the Freddie Mac Forward Commitment described in the Construction Phase Financing Agreement.

Upon the happening of any Event of Default under the Initial Construction Phase Credit Reimbursement Agreement, Initial Construction Phase Credit Facility Provider shall have the right, in addition to any other rights or remedies available to the Initial Construction Phase Credit Facility Provider under the Bond Mortgage or any of the other Letter of Credit Documents or under applicable law, to exercise any one or more of the following rights and remedies:

(a) Refuse to approve any further advance of the Bond Mortgage Loan proceeds.

(b) Notify the Trustee that an Event of Default has occurred and require the Trustee to establish a date for mandatory redemption of the Bonds and to give notice thereof and take other actions as required by the Indenture and to make a Bond Purchase Drawing.

(c) Accelerate all obligations owned to the Initial Construction Phase Credit Facility Provider (including amounts payable as a result of a demand for payment under the Initial Construction Phase Credit Facility as described in clause (b) above) whereupon such obligations shall become immediately due and payable, without notice of default, acceleration or intention to accelerate, presentment or demand for payment, protest or notice of nonpayment or dishonor, or notices or demands of any kind or character.

(d) Apply to any court of competent jurisdiction for, and obtain appointment of, a receiver for the Property.

(e) Set off the amounts due to the Initial Construction Phase Credit Facility Provider against any and all accounts, credits, money, securities or other property of Borrower now or

hereafter on deposit with, held by or in the possession of the Initial Construction Phase Credit Facility Provider to the credit or for the account of Borrower.

(f) Enter into possession of the Property and perform any and all work and labor necessary to complete the construction of the Project and to employ watchmen to protect the Property and the Project.

THE CREDIT ENHANCEMENT AGREEMENT

The following is a brief summary of certain provisions of the Credit Enhancement Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Credit Enhancement Agreement, a form of which is attached hereto as Appendix D.

On the Conversion Date, Freddie Mac will deliver to the Trustee the Credit Enhancement Agreement, dated as of the Conversion Date, pursuant to which, subject to certain requirements set forth therein, Freddie Mac agrees to make certain Guaranteed Payments to the Trustee related to the Bond Mortgage Loan (but not the obligations of the Borrower, hereinafter defined, to pay certain fees to the Issuer, Freddie Mac, the Remarketing Agent and the Trustee) and to pay the Purchase Price of the Bonds under certain circumstances, all as described below.

On each Interest Payment Date and on any other date on which principal of the Bond Mortgage Note is paid, Freddie Mac is required to pay the sum of the Interest and Principal Component of a Guaranteed Payment in accordance with the terms of the Credit Enhancement Agreement. The Guaranteed Payment during the Variable Period is comprised of (a) the Interest Component, which is (1) the regularly scheduled monthly payment of interest due on the unpaid balance of the Bond Mortgage Loan less interest accrued on any Purchased Bonds, adjusted solely on the first day of each Variable Interest Accrual Period, (2) upon optional or mandatory prepayment of the Bond Mortgage Loan, all accrued and unpaid interest on the amount paid less accrued interest on Purchased Bonds and (3) on the maturity date or upon the acceleration of the Bond Mortgage Note, all accrued and unpaid interest thereon, less accrued interest on Purchased Bonds; and (b) the Principal Component, which is, (1) the regularly scheduled payment of principal on the Bond Mortgage Note, if any, (2) upon optional or mandatory prepayment of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Note being prepaid and (3) on the maturity date or upon acceleration of the Bond Mortgage Note, the unpaid principal balance of the Bond Mortgage Note. Freddie Mac has no obligation under any circumstance to provide for any prepayment premium or other prepayment charge payable by the Borrower with respect to the Bond Mortgage Loan.

In addition, on any date to the extent that Bonds are required to be purchased pursuant to the Indenture and are not remarketed, Freddie Mac is required to pay, provided certain notice provisions are met, the Purchase Price of such tendered Bonds in accordance with the terms of the Credit Enhancement Agreement. If any Bonds are so purchased with moneys drawn under the Credit Enhancement Agreement to pay the Purchase Price of any tendered Bonds, such Bonds will be registered in the name of the Borrower subject to Freddie Mac's security interest in such Bonds as evidenced by a Pledge, Security and Custody Agreement between the Borrower and the Trustee acting as custodian thereunder.

In no event is Freddie Mac required to pay such Guaranteed Payment or the Purchase Price of Bonds with respect to Bonds registered in the name of the Borrower.

The Credit Enhancement Agreement terminates on the first to occur of (a) the date the Bonds are paid in full, (b) the date the Bonds have been purchased in accordance with the terms of the Credit Enhancement Agreement, (c) September 6, 2028, (d) the date on which the Trustee, after having received

sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, releases the Indenture and has paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, the Credit Enhancement Agreement and any other Bond Financing Documents, and (e) the day immediately following the effective date of any Alternate Credit Facility.

Freddie Mac's obligations with respect to the Bonds will be solely as provided in the Credit Enhancement Agreement. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE BONDS, BUT WILL BE OBLIGATED PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER CIRCUMSTANCES DESCRIBED HEREIN. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY OTHER AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC. FREDDIE MAC WILL HAVE NO OBLIGATIONS WITH RESPECT TO THE BONDS UNTIL THE CONVERSION DATE. THERE CAN BE NO ASSURANCE THAT THE CONVERSION DATE WILL OCCUR.

THE INITIAL PERMANENT PHASE REIMBURSEMENT AGREEMENT

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

The Credit Enhancement Agreement will be issued pursuant to the Initial Permanent Phase Reimbursement Agreement. Under the Initial Permanent Phase Reimbursement Agreement, the Borrower will be obligated to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee under the Credit Enhancement Agreement. The Initial Permanent Phase Reimbursement Agreement also provides that the Borrower shall pay the Freddie Mac Credit Enhancement Fee, the Servicing Fee, and other fees and expenses as provided therein.

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

- (i) the Borrower fails to pay when due any amount payable by the Borrower under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;
- (ii) the Borrower fails to perform its obligations under the Initial Permanent Phase Reimbursement Agreement to observe certain covenants in the Initial Permanent Phase Reimbursement Agreement or to deliver a Subsequent Hedge Agreement when required;
- (iii) the Borrower fails to observe or perform any other term, covenant, condition or agreement set forth in the Initial Permanent Phase Reimbursement Agreement or any of the other Borrower Documents or there otherwise occurs an "Event of Default" under the Reimbursement Mortgage or an event of default by the Borrower under any of the other Borrower Documents (taking into account any applicable cure period);

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

(v) Freddie Mac gives the Borrower written notice that Purchased Bonds have not been remarketed as of the 90th day following purchase by the Trustee on behalf of the Borrower and the Borrower have not reimbursed Freddie Mac for the applicable Liquidity Advance or Liquidity Withdrawal and Liquidity Use Fee or has not paid in full all fees and other amounts due to Freddie Mac under the Initial Permanent Phase Reimbursement Agreement;

(vi) a Reset Period expires and the Borrower has not either (i) received the prior written consent of Freddie Mac to a change in interest mode or the maintenance of the existing mode or (ii) delivered an Alternate Credit Facility in accordance with the terms of the Bond Documents;

(vii) the Borrower fails to provide redemption directions to the Trustee if so directed by Freddie Mac in accordance with the Initial Permanent Phase Reimbursement Agreement; or

(viii) the Borrower shall have failed to obtain an extension of the Credit Enhancement Agreement or commence arrangements for the replacement of the Credit Enhancement Agreement with an Alternate Credit Facility pursuant to the terms of the Initial Permanent Phase Reimbursement Agreement or, if for any other reason, Freddie Mac shall not have been replaced by a Credit Facility Provider under the terms of the Indenture and Financing Agreement by July 1, 2028.

Upon the occurrence of an Event of Default, Freddie Mac may declare all the obligations of the Borrower under the Initial Permanent Phase Reimbursement Agreement to be immediately due and payable, in which case all such obligations will become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac has the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Freddie Mac against the Borrower in and to the Project conveyed by the Reimbursement Mortgage or the Bond Mortgage, including, but not limited to the following actions: (i) demand cash collateral or Qualified Investments in the full amount of the obligations under the Bonds whether or not then due and payable by Freddie Mac under the Credit Enhancement Agreement; (ii) give written notice to the Trustee stating that an Event of Default has occurred and is continuing under the Initial Permanent Phase Reimbursement Agreement and directing the Trustee to cause the mandatory redemption (or purchase in lieu of redemption) of the Bonds; (iii) exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents, and (iv) exercise certain rights of the Borrower with respect to collateral pledged to secure the Borrower's obligations under the Initial Permanent Phase Reimbursement Agreement.

Freddie Mac has the right, to be exercised in its discretion, to waive any Event of Default under the Initial Permanent Phase Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted will extend only to the specific event or occurrence identified in such waiver and shall not apply to any other similar event or occurrence which may occur subsequent to the date of the waiver.

The obligations of the Borrower under the Initial Permanent Phase Reimbursement Agreement will be secured by the Reimbursement Mortgage. Bondholders will have no rights under the Reimbursement Mortgage.

THE BORROWER AND THE PROJECT

The following information concerning the Borrower and the Project has been provided by the Borrower and has not been independently confirmed or verified by the Issuer, the Trustee or Freddie Mac. Although the information shown below has been obtained from sources believed to be reliable, no representation is made herein by the Issuer, the Trustee, or Freddie Mac as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The Issuer has not independently reviewed the financial feasibility of the Project and makes no representation, direct or indirect, that the Project will be able to generate sufficient income to pay debt service on the Bonds and operating expenses.

The Borrower

The Borrower is MonteVerde Housing Limited Partnership, a Maryland limited partnership that has been formed for the specific purpose of acquiring, owning and rehabilitating the Project. As such, the Borrower has not previously engaged in any other business operation and has no historical earnings and has no assets other than its interest in the Project.

The sole general partner of the Borrower is MonteVerde Housing Associates LLC, a Maryland limited liability company (the "General Partner") with a 0.01% interest in the Borrower. The General Partner and/or its affiliates or delegates will have the responsibility for supervising the operations of the Borrower and will be responsible for overseeing the operation, rehabilitation and management of the Project.

The sole member of the General Partner is Greater Baltimore AHC Inc., a Maryland non-stock corporation ("GBAHC"). Effective September 1, 2008, GBAHC withdrew as the initial 99.98% limited partner of the Borrower, and the Borrower admitted the following entities as limited partners: (i) Hudson SP LLC, a Delaware limited liability company that will be the 0.01% special limited partner, which entity is owned and controlled by Hudson Housing Capital LLC ("Hudson"), and (ii) Hudson Greenhill LLC, a Delaware limited liability company (the "Investor LP") that will be the 99.98% limited partner, whose sole member is Hudson Housing Tax Credit Fund XLI LP, a Delaware limited partnership whose 0.01% general partner is Hudson GP XLI LLC, a Delaware limited liability company owned and controlled by Hudson, and whose 99.99% limited partner is SunTrust Community Capital, LLC, a Georgia limited liability company.

The Project

The Bonds are being issued to fund the Bond Mortgage Loan to the Borrower for the purpose of financing a portion of the costs of acquiring, rehabilitating and equipping the Project, a 301-unit multi-family rental housing development known as MonteVerde Apartments consisting of two, 13-story buildings located at 2501 and 2503 Violet Avenue in Baltimore, Maryland. The Project was originally constructed in 1978/1979 and consists of 260 one-bedroom rental units. The Project also contains 41 two-bedroom rental units. The level of occupancy of the Project as of March 31, 2008, was approximately 80%.

The acquisition and rehabilitation of the Project will be financed from the proceeds of (a) the Bond Mortgage Loan, (b) a subordinate loan in the amount of \$2,500,000 from The Claridge Towers Limited Partnership, a Maryland limited partnership, and (c) an equity contribution of the Investor LP from the sale of the low income housing tax credits and other funds of the Borrower.

Subject to the last sentence of this paragraph, the Borrower intends to rent no less than 40% of the Project's residential rental units to tenants whose annual household incomes are at or below 60% of the area median income for the Project's location ("AMI"), adjusted for family size ("Low Income Units") pursuant to the terms of the Tax Regulatory Agreement. The Project also receives rental subsidy from a project-based Section 8 Housing Assistance Payments Contract with HUD which has an expiration date of January 2010 (the "HAP Contract"). During the term of the HAP Contract, it is anticipated that thirty percent (30%) of the Project's residential units will be rented to households whose annual household incomes do not exceed fifty percent (50%) of AMI.

The Michael Group Inc. will be the general contractor for the rehabilitation of the Project, and the project will be managed by AHC Management LLC.

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 Bond Mortgage Loan, operating expenses of the Project, credit enhancement fees, Remarketing Agent fees, and fees owed to the Issuer. The ability of the Borrower to generate sufficient revenues will be affected by a variety of factors including, but not limited to, the maintenance of a sufficient level of occupancy, the level of rents prevailing in the market, the ability to achieve increases in rent to cover debt service and operating expenses, HUD's annual appropriation of funding for the HAP Contract, the level of operating expenses, project management, adverse changes in applicable laws and regulations, general economic conditions and other factors in the surrounding metropolitan 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 SERVICER

The following has been provided by the Servicer and none of the Borrower, the Issuer, the Underwriters, the Initial Construction Phase Credit Facility Provider or Freddie Mac, subject to the standard of review found on the inside cover hereof, will assume any responsibility for the accuracy and completeness of such information.

Beginning on the Conversion Date, Wells Fargo Bank, National Association (the "Servicer") will perform mortgage servicing functions with respect to the Bond Mortgage Loan on behalf of and in accordance with Freddie Mac requirements. The servicing arrangements between Freddie Mac and the Servicer for the servicing of the Bond Mortgage Loan are solely between Freddie Mac and the Servicer and neither the Issuer nor the Trustee is deemed to be party thereto or has any claim, right, obligation, duty or liability with respect to the servicing of the Bond Mortgage Loan.

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

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

The Servicer is an approved Freddie Mac Program Plus Lender.

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

CERTAIN BONDHOLDERS' RISKS

The purchase of the Bonds will involve a number of risks. In addition to factors set forth elsewhere in this Official Statement, purchasers of Bonds should carefully consider the following risk factors in connection with investment in the Bonds. The following list of factors, while not setting forth all of the factors to be considered, contains some of the factors which should be considered prior to purchase of the Bonds. This discussion of risk factors is not and is not intended to be, comprehensive or exhaustive. The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.

Failure of Conversion; Pre-Conversion Loan Equalization

No assurance can be given that the Conversion will occur and the Credit Enhancement Agreement will be delivered. Even if Conversion occurs, no assurance can be given that the principal amount of the Bond Mortgage Loan after Conversion, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of the Bond Mortgage Loan. If the principal amount of the Bond Mortgage Loan, as finally determined in accordance with the Construction Phase Financing Agreement is less than the original principal amount of the Bond Mortgage Loan, the principal amount of the Bond Mortgage Loan must, as a Condition to Conversion, be reduced by the Borrower's prepayment of the Bond Mortgage Loan in part (a "Pre-Conversion Loan Equalization Payment"). Upon such prepayment, a corresponding portion of the principal of Bonds will be subject to mandatory redemption. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur, and Freddie Mac will not have any obligation to provide the Credit Enhancement Agreement and will not otherwise have any obligation with respect to the Bonds or the Bond Mortgage Loan. See also "THE BONDS—Conversion."

Credit Facility; Primary Security

While the Bonds bear interest at the Variable Rate, owners of the Bonds may tender their Bonds for purchase at any time upon seven days' notice. See "THE BONDS—Demand for and Mandatory Purchase of Bonds." It is therefore expected that, during any Variable Period, the primary security for the Bonds will be the Initial Construction Phase Credit Facility delivered by the Initial Construction Phase Credit Facility Provider or the Credit Enhancement Agreement delivered by Freddie Mac to the Trustee in order to pay the principal of, interest on and purchase price for the Bonds. See "CERTAIN BONDHOLDERS' RISK—Enforceability and Bankruptcy" below, "INITIAL CONSTRUCTION PHASE CREDIT FACILITY PROVIDER" and "FREDDIE MAC." Based on this expectation, no financial information as to the creditworthiness of the Borrower or the value of the Project is included herein.

It is possible, in the event of the insolvency of the Credit Facility Provider, or the occurrence of some other event precluding the Credit Facility Provider from honoring its obligations to make payments as stated in the Credit Facility, that the financial resources of the Borrower will be the only source of

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

No Borrower Personal Liability

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

Limited Security

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

No Acceleration, Tender or Early Redemption Upon Loss of Tax Exemption on the Bonds

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

Early Redemption

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

Economic Feasibility

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

Competing Facilities

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

Enforceability and Bankruptcy

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

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

Normal Risks

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

Environmental Matters

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

Management of the Project

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

Effect of Increases in Operating Expenses

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

Equity Funding

The availability of equity proceeds to the Borrower from its members is governed by the Borrower's Partnership Agreement and related documents of the Borrower, which contain certain conditions precedent to funding and potential adjustments to equity proceeds. The failure to satisfy the conditions precedent to funding and to obtain amounts under the Partnership Agreement may result in a default under the various documents executed in connection with the financing of the Project and the exercise of remedies thereunder. There is no guaranty that these conditions will be met.

Sales of Bonds in a Variable Rate by the Remarketing Agent

For a general discussion of and disclosure of potential risks arising from sales of bonds in a Variable Rate by the Remarketing Agent, see "THE BONDS—Disclosure Concerning Sales of Bonds in a Variable Rate by Remarketing Agent" herein.

SUMMARY OF THE INDENTURE

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

Establishment of Funds

In addition to the Bond Mortgage Loan Fund and the Bond Purchase Fund, the Indenture establishes the following funds:

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

Bond Mortgage Loan Fund

Amounts on deposit in the Bond Mortgage Loan Fund will be disbursed from time to time by the Trustee for the purpose of paying Costs of the Project that are approved by the Initial Construction Phase Credit Facility Provider pursuant to the terms, conditions and provisions of the Construction Phase Credit Documents. In addition, amounts in the Bond Mortgage Loan Fund may be used to pay the Purchase Price of Bonds (or reimburse the Credit Facility Provider for the same) or transfer to the Redemption Fund as described below.

Unless the Trustee is otherwise instructed by the Initial Construction Phase Credit Facility Provider, the Trustee will automatically transfer amounts in the Bond Mortgage Loan Fund to reimburse the Credit Facility Provider for draws on the Credit Facilities to pay interest on the Bonds, fees included in the Bond Fee Component and the fees due and payable to the Credit Facility Provider under the Reimbursement Agreement without the need to receive executed Requisitions.

Immediately prior to (a) any mandatory redemption of Bonds pursuant to the terms of the Indenture described under Mandatory Redemption or (b) any mandatory redemption of Bonds in whole as pursuant to the terms of the Indenture described under clause (d) or clause (f) under “THE BONDS—Mandatory Redemption,” any amounts then remaining in the Bond Mortgage Loan Fund will, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to (i) the redemption of Bonds described under Mandatory Redemption or (2) the redemption of Bonds described under clause (d) or clause (f) under “THE BONDS—Mandatory Redemption.”

Any amounts remaining on deposit in the Bond Mortgage Loan Fund upon the earlier of (i) the Conversion Date, or (b) the expiration date of the Construction Phase Credit Facility, whichever occurs first, and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined in accordance with the Construction Phase Credit Documents, shall be Transferred to the Redemption Fund to be applied to the redemption of Bonds pursuant to the Indenture. See “THE BONDS – Mandatory Redemption.”

All Investment Income earned on amounts on deposit in the Bond Mortgage Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in the Bond Mortgage Loan Fund.

Revenue Fund

There shall be deposited in the Credit Facility Account of the Revenue Fund all amounts paid pursuant to the Credit Facility. Moneys received from the Servicer or the Borrower from and after Conversion representing monthly payments by the Borrower in accordance with the Principal Reserve Schedule shall be deposited in the Principal Reserve Fund. All Revenues (other than amounts paid under the Credit Facility or received as Principal Reserve Schedule Payments) will be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (a) the proceeds of the Bonds received by the Trustee on the Delivery Date; (b) as otherwise specifically provided in the second paragraph below with respect to certain deposits into the Redemption Fund; (c) the Bond Fee Component will be deposited to the Administration Fund; (d) as otherwise specifically provided in the second paragraph under “Administration Fund” below with respect to deficiencies in the Administration Fund; (e) with respect to investment earnings to the extent required under the terms of the Indenture to be retained in the funds and accounts to which they are attributable; (f) as otherwise specifically provided under “Principal Reserve Fund” below with respect to certain deposits into the Principal Reserve Fund; and (g) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture. Except as set forth in the last sentence under Bond Mortgage Loan Fund” below, all investment income earned on amounts on deposit in the Bond Mortgage Loan Fund shall be retained

therein to be used for purposes of the Bond Mortgage Loan Fund, including any disbursements or transfers described under “Bond Mortgage Loan Fund” above.

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

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

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

THIRD: To the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee under the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds (other than a mandatory sinking fund redemption), and (ii) amounts paid to the Trustee under the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds (See “THE BONDS – Optional Redemption of the Bonds” and “Mandatory Redemption”); and

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

Promptly upon receipt, the Trustee shall deposit directly to the Redemption Fund (a) Net Proceeds representing casualty insurance proceeds or condemnation awards applied to prepayment of the Bond Mortgage Loan to the extent the same will not be applied to costs of reconstruction, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds; (b) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds; (c) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the payment of any redemption premium in connection with an optional redemption of all or a portion of the Bonds; and (d) amounts transferred to the Redemption Fund from the Bond Mortgage Loan Fund as described under “Bond Mortgage Loan Fund” above.

Promptly upon receipt, the Trustee will deposit directly to the Principal Reserve Fund all Principle Reserve Schedule Payments received from the Servicer (from and after Conversion) or the Borrower.

Promptly upon receipt, the Trustee will deposit directly to the Administration Fund the Bond Fee Component received from the Servicer (from and after Conversion) or the Borrower.

Promptly prior to (a) any mandatory redemption of Bonds as described under clause (b) of the first paragraph of “THE BONDS—Mandatory Redemption” of this Indenture or (b) any mandatory redemption of Bonds in whole as described under clause (d) of the first paragraph of “THE BONDS—Mandatory Redemption,” any amounts then remaining in the Bond Mortgage Loan Fund will, at the

written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to (i) the redemption of Bonds as described under clause (b) of the first paragraph of “THE BONDS—Mandatory Redemption” or (ii) the redemption of Bonds as described under clause (d) of the first paragraph of “THE BONDS—Mandatory Redemption.”

Any amounts remaining on deposit in the Bond Mortgage Loan Fund upon the earlier of (a) the Conversion Date, and not required to pay Costs of the Project not yet due and payable or being contested in good faith, in each case determined by the Construction Phase Credit Facility Provider in accordance with the Construction Phase Credit Documents, or (b) the expiration date of the Construction Phase Credit Facility or the Forward Commitment Maturity Date, shall be transferred to the Redemption Fund and applied to the redemption of Bonds as described under clause (e) of the first paragraph of “THE BONDS—Mandatory Redemption.

Should the amount in the Bond Fund or the Redemption Fund, as applicable, be insufficient to pay the amount due on the Bonds on any given Interest Payment Date or other payment date after the transfers from the Credit Facility Account, the Trustee shall credit to the Bond Fund the amount of such deficiency by charging the following funds and accounts in the following order of priority: (1) the General Account of the Revenue Fund; (2) the Administration Fund; (3) the Redemption Fund, except no such charge to the Redemption Fund shall be made from money to be used to effect a redemption for which notice of redemption has been provided for or from money which is held for payment of Bonds which are no longer Outstanding under the Indenture; and (4) at the written direction of the Credit Facility Provider, the Principal Reserve Fund.

Bond Fund

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

Redemption Fund

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

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

Administration Fund

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

In the event that the amounts on deposit in the Administration Fund are not equal to the amounts payable from the Administration Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Trustee shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two (2) Business Days to the Trustee of the amount of such deficiency. Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Trustee.

On or before each Interest Payment Date, the income realized from the investment of money in the Administration Fund shall be retained in and credited to and become a part of the amounts on deposit in the Administration Fund.

Principal Reserve Fund

There shall be deposited into the Principal Reserve Fund the Principal Reserve Schedule Payments. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund and, provided that, to the Trustee's actual knowledge, there is no deficiency in the Principal Reserve Fund, the Administration Fund or the Rebate Fund, and no Event of Default exists under any of the Bond Mortgage Loan Documents, such interest or

profits shall be paid to the Borrower on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, there shall be deposited into the Principal Reserve Fund remarketing proceeds relating to Purchased Bonds, which shall be used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date.

At the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be used by the Trustee to pay any amounts required to be paid by the Borrower under any Bond Mortgage Loan Document or the Reimbursement Agreement, including without limitation, any amounts required to be paid to Freddie Mac or to pay any other sum as directed in writing by Freddie Mac.

From and after the Conversion Date, on each Reset Adjustment Date, Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to the Indenture.

From and after the Conversion Date, on the first day of the month in which an Interest Payment Date falls during a Reset Period or a Fixed Rate Period, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations pursuant to the Indenture.

From and after the Conversion Date, on any Interest Payment Date, to the extent of any deficiency in the Bond Fund, to the extent money then available in accordance with the Indenture in the General Account of the Revenue Fund, the Administration Fund and the Redemption Fund are insufficient to make up such deficiency, at the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be transferred to the Bond Fund in the amount of such deficiency.

From and after the Conversion Date, at any time the amount in the Principal Reserve Fund equals or exceeds \$100,000, amounts on deposit in the Principal Reserve Fund shall be used to reimburse Freddie Mac in an amount equal to any Guaranteed Payment made by Freddie Mac to the Trustee under the Credit Enhancement Agreement to redeem Bonds in Authorized Denominations pursuant to the Indenture, unless the Trustee is directed by Freddie Mac to suspend such mandatory redemptions as a result of the occurrence of an Event of Default under the Reimbursement Mortgage.

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

Investment of Funds

The moneys held by the Trustee shall constitute trust funds for the purposes of the Indenture. Any moneys attributable to each of the funds and accounts under the Indenture will be invested by the Trustee, at the direction of the Borrower received at least two (2) Business Days prior to the date of investment, and during such time that the Credit Enhancement Agreement is the Credit Facility, and subject to the Credit Enhancement Agreement, in Qualified Investments which mature on the earlier of (a) six months from the date of investment and (b) the date such moneys are needed; provided, that if the Trustee shall have entered into any investment agreement requiring investment of moneys in any fund or account under the Indenture in accordance with such investment agreement and if such investment

agreement constitutes a Qualified Investment, such moneys shall be invested in accordance with such requirements. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account under the Indenture shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities authorized by the Indenture. If the Trustee does not receive instructions, it shall invest funds in Qualified Investments described in subparagraph (g) of the definition thereof.

Amounts on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee as provided in the Indenture.

Monies in the funds and accounts under the Indenture derived from payments made under the Credit Facility shall be held uninvested.

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

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

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

Bond Purchase Fund

The Tender Agent shall hold all moneys delivered to it for the purchase of Bonds (including any remarketing proceeds or proceeds of draws on the Credit Facility) in trust in a non-commingled account to be known as the "Bond Purchase Fund" for the benefit of the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person. Such moneys shall be held uninvested except as directed in writing by the Credit Facility Provider and then only in Qualified Investments of the type described in clauses (a) and (b) of the definition thereof. The Issuer and the Borrower shall not have any right, title or interest in such moneys.

Rebate Fund

The Rebate Fund shall be established by the Trustee and held and applied as provided in the Indenture. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement, for payment to the United States Government, and none of the Issuer, the Borrower, the Credit Facility Provider or the Bondholders shall have any rights in or

claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture.

Cost of Issuance Fund

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

Moneys Held in Trust

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

Amounts Remaining in Funds

After full payment of the Bonds (or provision for payment thereof having been made in accordance with the Indenture) and full payment of the fees, charges and expenses of the Issuer and the Trustee and other amounts required to be paid under the Indenture or under the any Bond Mortgage Loan Document, including but not limited to the Credit Facility, the Reimbursement Agreement or the Construction Phase Credit Documents, including fees payable to the Issuer and the Credit Facility Provider, any amounts remaining in any fund or account under the Indenture other than the Rebate Fund shall be paid to the Borrower; provided however, that if a default shall have occurred and remain uncured under any Bond Mortgage Loan Document of which the Trustee shall have received written notice from the Credit Facility Provider or the Servicer, then any such amounts remaining in any fund or account under the Indenture shall be paid to the Credit Facility Provider in accordance with the Reimbursement Agreement to the extent of any amounts due thereunder with any excess paid to the Borrower.

The Credit Facility will be held by the Trustee and drawn upon in accordance with its terms and the provisions of the Indenture. Money derived from draws upon the Credit Facility will be deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal of and interest on the Bonds, and, in the event of a purchase of the Bonds, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Indenture, provided that the Trustee will not be permitted to draw upon the Credit Facility to pay principal of or interest on Purchased Bonds.

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

Following the Conversion Date, the Trustee will draw money under the Credit Facility in accordance with the terms thereof in an amount sufficient to make timely payments of the principal of and interest, but not premium, on the Bonds when due and payable (i.e. on Interest Payment Dates, at Bond maturity or upon the redemption or acceleration of the maturity of the Bonds).

While the Bonds are bearing interest at the Variable Rate, should any Variable Interest Computation Date fall between the date of the draw on the Credit Facility and the next Interest Payment Date on the Bonds, the Trustee will assume that the Bonds will bear interest at the Maximum Rate from such Variable Interest Computation Date to the next Interest Payment Date and will draw on the Credit Facility accordingly. In the event that the Maximum Rate exceeds the actual interest rate during such period, the excess interest will be immediately returned to the Credit Facility Provider.

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

Events of Default; Acceleration; Remedies

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

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

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

Upon the occurrence of an Event of Default as provided in (a) above, the Trustee shall, but so long as no Event of Default under paragraph (b) above has occurred and is then continuing, only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable.

Upon the occurrence of an Event of Default as provided in (c) above, the Trustee may, but so long as no Event of Default under paragraph (b) above has occurred and is then continuing, only upon receipt of the written consent of the Credit Facility Provider (which consent may be given in the sole

discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon the occurrence of an Event of Default under paragraph (b) above, the Trustee may, and upon the written request of the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. The payment on the Bonds resulting from a declaration of acceleration on the Bonds as the result of an Event of Default occurring in paragraphs (a) or (c) listed above under "Events of Default; Acceleration; Remedies" shall be made from the Credit Facility.

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Issuer, the Borrower or the Credit Facility Provider, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee and the Issuer shall have been made good or cured or adequate provision will have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac all amounts and fees and to the Credit Facility Provider shall have been paid in full, and all other defaults under the Indenture have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default under paragraph (b) above, has occurred and is then continuing, by the holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing provisions of this paragraph, in the event the Cure Amount is derived in whole or in part from a draw on the Credit Facility, any such rescission or annulment of such declaration of acceleration shall not occur without the consent of the Credit Facility Provider.

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

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

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

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

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

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

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

Rights of Bondholders

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

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy thereunder, unless (a) a default shall have occurred of which the Trustee shall have been notified as provided therein; (b) such default shall have become an Event of Default under paragraph (b) above; (c) the Holders of more than 51 percent of the aggregate principal amount of the Bonds then Outstanding with respect to which there is such an Event of Default shall have made written request to the Trustee and shall have offered the Trustee reasonable opportunity

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

Rights of the Credit Facility Provider

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

Supplemental Indentures

Without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider and, prior to the Conversion Date, Freddie Mac (unless the Forward Commitment is no longer applicable), the Issuer and the Trustee may enter into supplemental indentures for any one or more of the following purposes:

- (i) to cure any ambiguity or formal defect or omission therein;
- (ii) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon the Bondholders or the Trustee or either of them;
- (iii) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

- (iv) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under any state blue sky laws;
- (v) to make such changes as are necessary, in the opinion of Bond Counsel, necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;
- (vi) to modify, amend or supplement the Indenture as required by the Rating Agency to obtain or maintain a rating on the Bonds, except no change may be made that will adversely affect the interests of the Holders of the Bonds;
- (vii) during a Variable Period, to modify, amend or supplement the Indenture in any other respect, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (30) days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;
- (viii) to modify, alter, amend or supplement the Indenture in connection with the delivery of any Alternate Credit Facility;
- (ix) to implement or modify any secondary market disclosure requirements; and
- (x) to modify, amend or supplement the Indenture in any other respect which is not materially adverse to the Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change which would require Bondholder approval under the Indenture.

With the prior written consent of the Credit Facility Provider, and, prior to the Conversion Date, Freddie Mac (unless the Forward Commitment is no longer applicable), the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the section of the Indenture summarized under this heading shall permit, or be construed as permitting, (a) an extension of the time for payment of or reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or reduction in the principal amount or reduction in the rate of interest on or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Borrower's obligation on the Bond Mortgage Note, without the consent of the Holders of all of the Bonds then Outstanding, (b) the creation of any lien prior to or on a parity with the lien of the Indenture, (c) a reduction in the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture, without the consent of the Holders of all of the Bonds then Outstanding, (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, (e) a privilege or priority of any Bond over any other Bonds or (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes.

Anything in the Indenture to the contrary notwithstanding, unless the Borrower shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Tax

Regulatory Agreement, the Bond Mortgage Note, the Bond Mortgage or the Reimbursement Mortgage, a supplemental indenture which affects any rights of the Borrower shall not become effective unless and until the Borrower shall have expressly consented in writing to the execution and delivery of such supplemental indenture.

Amendments to Financing Agreement Not Requiring Consent of Bondholders

The Trustee will, without the consent of, or notice to, the Bondholders, but with the consent of the Borrower, the Credit Facility Provider and, prior to the Conversion Date, Freddie Mac so long as the Forward Commitment will be in effect, consent to any amendment, change or modification of the Financing Agreement as follows:

- (a) as may be required by the provisions of the Credit Enhancement Agreement, by the Financing Agreement or by the Indenture;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in the Financing Agreement in a manner not materially adverse to the Holder of any Outstanding Bond after the effective date of such change;
- (c) in connection with any other change in the Financing Agreement which will not materially adversely affect the interests of the Trustee or the Bondholders;
- (d) to modify or amend the Financing Agreement as necessary to maintain then current rating on the Bonds except no change may be made that will materially adversely affect the interests of any Holder of an Outstanding Bond after the effective date of such change;
- (e) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Issuer, the Trustee and the Credit Facility Provider to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;
- (f) during a Variable Period, to modify, alter, amend or supplement the Financing Agreement in any other respect including amendments which would otherwise be described in under “Amendments to Financing Agreement Requiring Consent of Bondholders” below, if notice of the proposed amendments is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;
- (g) to modify, alter, amend or supplement the Financing Agreement in connection with the delivery of an Alternate Credit Facility or upon the occurrence of any Reset Adjustment Date or Fixed Rate Adjustment Date; or
- (h) to modify, amend or supplement the Financing Agreement in any other respect which is not materially adverse to the Trustee or Holders of the Bonds to be Outstanding after the effective date of the change.

Amendments to Financing Agreement Requiring Consent of Bondholders

Except for the amendments, changes or modifications of the Financing Agreement as provided under “Amendments to Financing Agreement Not Requiring Consent of Bondholders” below, neither the

Issuer nor the Trustee will consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider, the Borrower and, prior to the Conversion Date, Freddie Mac so long as the Forward Commitment will be in effect, and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of Bonds then Outstanding given and procured in accordance with the procedure set forth in the Indenture; provided, however, that nothing contained in the Indenture will permit, or be construed as permitting, any amendment, change or modification of the Borrower's obligation to make the payments required under the Financing Agreement without the written consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Borrower will request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee will cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by Bondholders.

Amendments to the Credit Facility

The Trustee may, without the consent of, or notice to, any of the Bondholders, enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility (including but not limited to certain provisions of the Credit Enhancement Agreement), (b) to cure any ambiguity, inconsistency or formal defect or omission in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders (which will be conclusively evidenced by an opinion of counsel delivered to the Trustee, the Credit Facility Provider and the Issuer or by a written confirmation from the Rating Agency of then existing rating on the Bonds delivered to the Trustee, the Credit Facility Provider and the Issuer), or (d) as may be required by the Rating Agency to maintain then current rating on the Bonds. Except for the amendments, changes and modifications permitted pursuant to the preceding sentence, neither the Trustee, the Credit Facility Provider nor the Issuer will enter into any amendment, change or modification of the Credit Facility without the giving of notice and the written approval or consent of the Holders of more than 51% of the principal amount of Bonds then Outstanding given and procured in accordance with the procedures described under "Supplemental Indentures Requiring Consent of Bondholders" above.

Satisfaction and Discharge of Indenture

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

(a) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding; or

(b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as provided in the Indenture) to pay the principal, redemption price or Purchase Price and interest to the date established for purchase or redemption (calculated at the Maximum Rate to the extent the Bonds then bear interest at a Variable Rate) whether by redemption, purchase or otherwise, (ii) if the Bonds then bear interest at the Variable Rate, the delivery to the Trustee of a written confirmation by the Rating Agency of the rating then existing on the Bonds as of the date of such deposit or credit will not be withdrawn, qualified or reduced; and (iii) receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; or

- (c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

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

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

SUMMARY OF THE FINANCING AGREEMENT

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

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

Terms of the Bond Mortgage Loan; Assignment

The Bond Mortgage Loan shall (a) be evidenced by the Bond Mortgage Note; (b) be initially secured by the Credit Facility and the Bond Mortgage; (c) be in the principal amount of \$15,200,000;

(d) bear interest as provided in the Bond Mortgage Note; (e) provide for monthly payments into the Principal Reserve Fund upon Conversion in accordance with the Principal Reserve Schedule; and (f) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided in the Financing Agreement and in the Bond Mortgage Note.

From and after the Conversion Date, the Servicer shall service the Bond Mortgage Loan pursuant to the Guide. The Issuer, the Trustee and the Borrower acknowledge and agree that (a) selection or removal of any Servicer is in the sole and absolute discretion of the Credit Facility Provider; (b) neither the Issuer nor the Trustee shall terminate or attempt to terminate any Servicer as the servicer for the Bond Mortgage Loan or appoint or attempt to appoint a substitute servicer for the Bond Mortgage Loan; (c) the Guide is subject to amendment without the consent of the Trustee, the Issuer or the Borrower; and (d) none of the Trustee, the Issuer or the Borrower shall have any rights under, or be a third party beneficiary of, the Guide. From and after the Conversion Date, so long as no Wrongful Dishonor has occurred or is continuing, the Servicer shall have the right to collect all payments made by the Borrower in connection with the Bond Mortgage Loan and to receive copies of all reports and notices provided for by the Bond Financing Documents.

Payments Under Bond Mortgage Note; Independent Obligation of Borrower

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

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

With certain exceptions, the obligations of the Borrower are non-recourse.

Payment of Certain Fees and Expenses Under the Bond Mortgage Note

The payments to be made by the Borrower under the Bond Mortgage Note include certain moneys to be paid in respect of, among others, the Bond Fee Component, the annual rating maintenance fees of the Rating Agency, if any, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Freddie Mac Reimbursement Amount, the fees and expenses of the Rebate

Analyst, the Principal Reserve Schedule payments and amounts required to be deposited in the Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that any portion of the Bond Fee Component, the annual rating maintenance fees of the Rating Agency, if any, Ordinary Servicing Fees and Expenses, Freddie Mac Credit Enhancement Fee, the Freddie Mac Reimbursement Amount, the fees and expenses of the Rebate Analyst, the Principal Reserve Schedule payments and amounts required to be deposited in the Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing will be payable from moneys on deposit in the Administration Fund as provided in the Indenture or from other moneys of the Borrower, to the extent that moneys in the Administration Fund are insufficient for such purposes. All other fees and expenses will be payable from moneys of the Borrower as provided in the Financing Agreement.

Prepayment of the Bond Mortgage Loan

The Borrower shall have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds in accordance with the provisions of the Indenture and the Financing Agreement, provided that any optional prepayment may be made only with the prior written consent of the Credit Facility Provider and, within the ten year period beginning on the Closing Date, the Issuer and in connection with the payment of any amount due described below. If the Borrower intends to use the proceeds of another first priority mortgage loan (any such potential loan, the “New Loan”) to prepay the Bond Mortgage Loan within the ten year period beginning on the Closing Date, the Borrower must first offer the Issuer an opportunity to provide such new financing on the same material terms and conditions as will be provided by the New Loan. In such event, Borrower will submit to the Issuer in writing a letter summarizing the material terms and conditions of such New Loan (the “New Loan Terms Letter”). If the Issuer rejects or fails to respond to the New Loan Terms Letter within 30 days, the Issuer shall be deemed to have consented to the New Loan. If the Issuer accepts the terms and conditions set forth in the New Loan Terms Letter, Borrower and the Issuer shall proceed in good faith to consummate a first priority mortgage loan upon such terms and conditions, it being understood and agreed that neither party shall be under any obligation to close such transaction.

The Borrower shall be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed in accordance with the terms and conditions set forth in the Indenture.

In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Borrower shall pay, or cause to be paid to the Servicer (from and after the Conversion Date) or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement.

Borrower’s Obligations Upon Redemption or Tender

In the event of any redemption, the Borrower will timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium, if any, such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility. The Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds. In the event that on any optional tender date or mandatory tender date under and as provided in the Indenture, Bonds are tendered

and not remarketed by the Remarketing Agent, and remarketing proceeds are not available for the purpose of paying the purchase price of such Bonds, the Borrower will cause to be paid, under and subject to the terms of the Credit Facility and the Reimbursement Agreement to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds tendered and not remarketed, together with interest accrued to the mandatory tender date or optional tender date, as the case may be. The Borrower acknowledges that it is required to pay Freddie Mac an amount calculated in accordance with the provisions of the Freddie Mac Reimbursement Agreement upon a prepayment of the Bond Mortgage Loan during the period beginning on the Conversion Date and ending on the fifteenth (15th) anniversary of the Conversion Date. The Borrower acknowledges that Purchased Bonds will be purchased by the Trustee for and on behalf of, and registered in the name of, the Borrower and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

Principal Reserve Fund

The Borrower will make payments to the Servicer for remittance to the Trustee for deposit into the Principal Reserve Fund on the second Business Day preceding the first day of each calendar month following Conversion in accordance with the Principal Reserve Schedule. Amounts on deposit in the Principal Reserve Fund will be applied as provided in the Indenture.

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

Alternate Credit Facility

The Borrower, with the prior written consent of the Construction Phase Credit Facility Provider and the Credit Facility Provider (provided there has been no Wrongful Dishonor), but without the consent of the Trustee or the Bondholders, may, on any Interest Payment Date during a Variable Period (but no later than 17 days prior to the expiration date of the Credit Facility unless an irrevocable commitment to extend the Credit Facility has been delivered to the Trustee satisfying the requirements of the Indenture, if applicable), arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to in this paragraph as “credit support”) and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in accordance with the Indenture (referred to in this paragraph as “liquidity support”); provided that, without the consent of the Borrower (and without the consent of the Issuer, the Trustee or the Bondholders), the Credit Facility Provider may provide any other form of “credit support” or “liquidity support” (or combination thereof) issued by the Credit Facility Provider in substitution for then existing Credit Facility if (A) the conditions of the Indenture are satisfied or (B)(i) the Rating Agency confirms in writing that such substitution will not adversely affect the current rating on the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of counsel satisfying the requirements of paragraph (c) below and (iii) such substitute “credit support” or “liquidity support”(or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Borrower. Any Alternate Credit Facility will satisfy the following conditions, as applicable:

(a) An Alternate Credit Facility may be issued to provide only credit support or only liquidity support so long as a separate Credit Facility provides, at all times while such Alternate Credit Facility is in effect, complementary credit support or liquidity support, as the case may be, so that at all times while any of the Bonds bear interest at the Variable Rate or the Reset Rate such Bonds will be entitled to credit support and to the liquidity support required by such mode; provided, that in no event

will Freddie Mac be obligated to provide only liquidity or credit support if any Person other than Freddie Mac provides either liquidity or credit support.

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

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

Tax Compliance

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

Events of Default and Remedies

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

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

(b) failure by the Borrower to pay any amounts due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage at the times and in the amounts required by the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage, subject to any applicable grace of cure period;

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

(d) the occurrence of an “Event of Default” under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement. The occurrence of a Event of Default by the Borrower under the Financing Agreement shall in the discretion of the Credit Facility Provider constitute a default under the Bond Mortgage Loan Documents and the Reimbursement Agreement.

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

Remedies on Default

Subject to certain rights of the Credit Facility Provider described in the Financing Agreement and the provisions of the Intercreditor Agreement, whenever any Event of Default under the Financing Agreement shall have occurred and be continuing, any one or more of the following remedial steps may be taken:

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

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

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

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

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

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

SUMMARY OF THE TAX REGULATORY AGREEMENT

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

The following terms have the meanings provided below:

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

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

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

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

with respect to the Project is outstanding; or (3) the first date (on or after the closing date of the Bond Mortgage Loan) on which all assistance provided with respect to the Project under Section 8 has terminated.

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

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

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

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

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

SUMMARY OF THE CONSTRUCTION PHASE FINANCING AGREEMENT

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

The Initial Construction Phase Credit Facility Provider, the Servicer, the Borrower and Freddie Mac will enter into a Construction Phase Financing Agreement, dated as of September 1, 2008, which governs the rights of the Construction Phase Credit Facility Provider and Freddie Mac during the period from the Delivery Date to the earlier of (i) the Conversion Date and (ii) the Forward Commitment Maturity Date (such period being the “Construction Phase”).

Delivery of the Credit Enhancement Agreement

The Construction Phase Credit Facility Provider will deliver the Construction Phase Financing Agreement to the Trustee in connection with the issuance of the Bonds. Upon satisfaction of the following conditions and those conditions set forth in the Forward Commitment, Freddie Mac will, on the

Conversion Date, issue the Credit Enhancement Agreement in substitution for the Initial Construction Phase Credit Facility:

(a) Freddie Mac has received from the Architectural Consultant a certificate to the effect that the Borrower has completed the improvements to the Project in a good and workmanlike manner and in compliance with the terms set forth in the Construction Phase Financing Agreement.

(b) The identity of the Borrower under the Bond Mortgage Loan has not changed (except as specifically permitted in the Construction Phase Financing Agreement) and the Borrower continues to be an eligible Borrower under the Guide.

(c) Certification by the Borrower and the Servicer and proof that physical occupancy of the Project under Acceptable Leases (as defined in the Construction Phase Financing Agreement) for the preceding three calendar months has been at least 90%.

(d) Based upon the formula set forth in the Forward Commitment, Freddie Mac has determined the actual mortgage loan amount to be effective upon the Conversion Date.

(e) Information as required by the Guide is provided pursuant to the Construction Phase Financing Agreement to establish the actual annualized Effective Gross Income produced by the Project in each of the three months during the Stabilization Period.

(f) The Servicer has received a current as built survey of the Project meeting the requirements of the Guide.

(g) The Servicer has received an original Title Policy or commitment to issue the Title Policy naming Freddie Mac as the insured and meeting other such requirements as set forth in the Construction Phase Financing Agreement.

(h) Freddie Mac has completed all necessary real estate due diligence regarding the Project.

(i) Freddie Mac has approved the equity investor and the form of the Borrower's operating agreement.

(j) Freddie Mac has approved the Manager of the Project.

(k) No event of default has occurred and is continuing under any credit facility document.

(l) All special conditions to delivery set forth in the Construction Phase Financing Agreement or the Forward Commitment have been satisfied.

(m) The following documents (each as defined in and attached as an exhibit to the Construction Phase Financing Agreement) dated as of the Conversion Date have been finalized and agreed by the parties to be delivered into escrow to the Servicer: the Assignment of Rights and Interests; the Certificate of Borrower; the Freddie Mac Reimbursement Agreement; Freddie Mac Pledge, Security and Custody Agreement; the Replacement Reserve Agreement; the Limited Guaranty; the Amended and Restated Mortgage, Assignment of Rents and Security Agreement; the Swap Credit Enhancement Agreement and the Principal Reserve Fund Schedule. Upon

satisfaction of the Conditions to Conversion, the above documents will be released from escrow and become effective simultaneously with delivery of the Credit Enhancement Agreement to the Trustee by Freddie Mac on the Conversion Date.

(n) The Borrower has agreed to execute an allonge to the Note in the form required by Freddie Mac to reflect any change in terms to be in effect from and after the Conversion Date.

(o) The Trustee and the Borrower have agreed to sign an acknowledgement of the terms of the Construction Phase Credit Facility Assignment.

(p) The Remarketing Agent is under contract to remarket the Bonds, from and after the Conversion Date, must be acceptable to Freddie Mac, in its sole and absolute discretion, pursuant to a Remarketing Agreement acceptable to Freddie Mac, in its sole and absolute discretion.

(q) Freddie Mac and the Servicer have received a final form of an opinion of counsel to the Borrower in form and substance acceptable to Freddie Mac and the Servicer.

(r) The Trustee and Issuer have received a final form of a then current opinion of Bond Counsel to the effect that the substitution of the Credit Enhancement Agreement for the Initial Construction Phase Credit Facility and the occurrence of Conversion is permitted by the Indenture and will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest payable on the Bonds.

(s) Any guaranty of completion, executed by the Borrower and the guarantors named in that guaranty have terminated.

In addition, the following conditions must also be satisfied:

(a) The actual mortgage loan amount to be effective upon the Conversion Date must be equal to or greater than the outstanding principal amount of the Bond Mortgage Loan.

(b) The Borrower has provided assurance acceptable to the Servicer that any gap or bridge financing provided to the Borrower has been or will be, as of the Conversion Date, paid in full and all liens imposed on the Borrower in connection with such financing have been or will be released as of the Conversion Date, including, but not limited to, the release from record of all related liens on the Project.

(c) The Borrower has provided assurance acceptable to Freddie Mac that all (i) equity contributions to be made to the Borrower after the Closing Date and on or before the Conversion Date, (ii) cash required to be invested in the Project on or before the Conversion Date and (iii) Approved Subordinate Financing (as defined in the Freddie Mac Commitment), have been or will be received by the Borrower and have been properly invested in, or otherwise applied to, the Project.

(d) The Hedge delivered at the Closing Date will be in full force and effect, be in conformance with the requirements of the Freddie Mac Commitment and no event of default shall have occurred thereunder or the Borrower must have purchased a Hedge in accordance with the requirements of the Freddie Mac Reimbursement Agreement and the Freddie Mac Commitment.

(e) No event has occurred and is continuing and no event will result from Conversion to the Permanent Phase, which event is, or would constitute, an Event of Default under any Credit Facility Document to be in effect from and after the Conversion Date or a default under any Approved Subordinate Financing in each case but for the requirement that notice be given or time elapse or both.

Unless otherwise agreed to in writing by Freddie Mac, the Conversion Date must (i) if occurring during a Variable Period (as defined in the Indenture) be the first day of a Variable Interest Accrual Period (as defined in the Indenture), (ii) occur following the Stabilization Period (as defined in the Construction Phase Financing Agreement) and (iii) occur on or before the Forward Commitment Maturity Date.

If the Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied (or to the extent not satisfied, are waived by Freddie Mac) on or before the Forward Commitment Maturity Date, the Servicer will issue the Notice of Conversion (as defined in the Construction Phase Financing Agreement) not less than 12 days before the Forward Commitment Maturity Date and the Conversion Date. Provided such Notice of Conversion is timely given and the documents listed in the Construction Phase Financing Agreement have been fully executed and delivered, Conversion will occur on the Conversion Date, and on such date Freddie Mac will deliver the Credit Enhancement Agreement to the Trustee. IF THE NOTICE OF CONVERSION IS NOT ISSUED ON OR BEFORE THE FORWARD COMMITMENT MATURITY DATE (AS SUCH DATE MAY BE EXTENDED FROM TIME TO TIME BY FREDDIE MAC IN ITS SOLE DISCRETION), NO MATTER THE REASON, CONVERSION WILL NOT OCCUR, THE CONSTRUCTION PHASE CREDIT FACILITY PROVIDER WILL HAVE NO OBLIGATION TO DELIVER THE CONSTRUCTION PHASE CREDIT FACILITY ASSIGNMENT, FREDDIE MAC WILL HAVE NO OBLIGATION TO DELIVER THE CREDIT ENHANCEMENT AGREEMENT TO THE TRUSTEE, AND FREDDIE MAC WILL HAVE NO OBLIGATION WITH RESPECT TO THE BONDS OR THE BOND MORTGAGE LOAN AND THE CONSTRUCTION PHASE FINANCING AGREEMENT WILL TERMINATE.

The Forward Commitment Maturity Date is October 1, 2010, but is subject to one extension of six months to be provided by Freddie Mac in its sole discretion. Any extension of the Forward Commitment Maturity Date will be conditional upon an extension of the expiration date of the Initial Construction Phase Credit Facility, or confirmation that the Initial Construction Phase Credit Facility will be in effect through the Forward Commitment Maturity Date, as extended.

SUMMARY OF THE INTERCREDITOR AGREEMENT

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

Under the terms of the Intercreditor Agreement, the Issuer, the Trustee, Freddie Mac and the Initial Construction Phase Credit Facility Provider have agreed, among other things, that, until either (a) Freddie Mac or the Initial Construction Phase Credit Facility Provider, as applicable, fails to honor a draw properly presented in accordance with the terms of the Initial Construction Phase Credit Facility or the Credit Enhancement Agreement, as applicable (a “Wrongful Dishonor”) or (b) the Initial Construction Phase Credit Facility or the Credit Enhancement Agreement, as applicable, terminates in accordance with

its terms, certain of the rights and remedies of the Issuer and the Trustee, under certain of the Bond Financing Documents, including (without limitation) the rights and remedies of the Trustee, as beneficiary of the Bond Mortgage under its terms, may be exercised solely at the written direction of Freddie Mac or the Initial Construction Phase Credit Facility Provider, as applicable, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Financing Documents pertaining to the Borrower.

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

UNDERWRITING

The Bonds are being purchased on a negotiated basis by Merrill Lynch, Pierce, Fenner & Smith, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price equal to the principal amount thereof. The Underwriter will receive a fee of \$53,778.22 relating to its purchase of the Bonds. The Bond Purchase Agreement among the Administration, the Borrower and the Underwriter, dated on or about September 16, 2008 (the “Bond Purchase Agreement”), provides that the Underwriter will purchase all but not less than all of the Bonds. The Underwriter’s obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter. The Underwriter may offer and sell any of the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL ADVISOR

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

CONTINUING DISCLOSURE

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

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

TAX MATTERS

Opinion of Bond Counsel

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

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

In addition, in the opinion of Bond Counsel, under existing statutes, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes. See “Miscellaneous” below for a discussion of certain litigation that may relate to this Maryland tax exemption.

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

New Housing Legislation and Administration Program Requirements

The Housing and Economic Recovery Act of 2008 (the “2008 Housing Act”) amends various provisions of the 1986 Code pertaining to housing bonds. The 2008 Housing Act is generally effective for bonds issued after the date the President approved the 2008 Housing Act (July 30, 2008, the “date of enactment”).

The 2008 Housing Act provides that housing bonds issued after the effective date are exempt from alternative minimum tax (“AMT”), provided they do not refund outstanding bonds issued prior to the date of enactment. The AMT exemption under the 2008 Housing Act applies both to the AMT provisions relating to “tax preference items” and also to the provisions imposing AMT on 75% of the amount by which the “adjusted current earnings” of a corporate taxpayer exceeds its alternative minimum taxable income. The Series 2008 E Bonds in the current offering are issued under the new exemption and therefore will not be subject to either individual or corporate AMT.

Certain Ongoing Federal Tax Requirements and Covenants

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

Low Income Set-Aside Requirements under the Code

The Bonds are subject to the low income set-aside and other requirements for qualified residential rental projects under the Code which are described briefly in this subsection. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide “qualified residential rental projects.” The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Bonds be continuously occupied during the “qualified project period” by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Administration will make elections on the applicable low income set-aside requirements with respect to

the Project prior to the issuance date of the Bonds. In addition, all of the units in the Project must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or (iii) the date upon which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A unit generally will meet the continuing low income set aside requirement so long as the tenant’s income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant’s income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the Project must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Certain Collateral Federal Tax Consequences

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

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

Bond Premium

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

taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

RATINGS

Moody's (the "Rating Agency") has assigned the ratings to the Bonds as shown on the cover page of this Official Statement. The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may be obtained directly from the Rating Agency. There is no assurance that the current ratings will continue for any given period of time or that the current ratings will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so

warrant. Any such downward revision or withdrawal of the rating the Bonds may have an adverse effect on the market price of the Bonds.

CERTAIN LEGAL MATTERS

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

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

Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins, Delafield & Wood LLP, Washington, D.C.

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

NO LITIGATION

The Borrower

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

The Issuer

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

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Financing Agreement, the Tax Regulatory Agreement, Initial Construction Phase Credit Facility, the Credit Enhancement Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided may not be readily available or may be

limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

MISCELLANEOUS

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

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

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

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

**COMMUNITY DEVELOPMENT
ADMINISTRATION**

By: /s/ Frank B. Coakley
Frank B. Coakley, Director

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

**MONTEVERDE HOUSING LIMITED
PARTNERSHIP, a Maryland limited partnership**

By: MonteVerde Housing Associates LLC,
a Maryland limited liability company,
its sole General Partner

By: Greater Baltimore AHC Inc.,
a Maryland corporation,
its sole member and manager

By: /s/Walter D. Webdale
Walter D. Webdale,
President

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS

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

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

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

“*Alternate Credit Facility*” means a letter of credit, surety bond, insurance policy, standby purchase agreement, guaranty, mortgage-backed security or other credit facility, collateral purchase agreement or similar agreement issued by a financial institution (including without limitation Freddie Mac) which provides security for the payment of (a) (i) the principal of and interest on the Bonds (but in no case less than all of the Outstanding Bonds when due) or (ii) the Bond Mortgage Loan in an amount not less than the Guaranteed Payment, and (b) the Purchase Price of the Bonds, which Alternate Credit Facility is provided in accordance with the Financing Agreement. Neither the Initial Construction Phase Credit Facility nor the Credit Enhancement Agreement is an Alternate Letter of Credit.

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

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

“*Authorized Officer*” means (a) when used with respect to the Issuer, the Secretary and the Deputy Secretary of the Department, the Director and the Deputy Directors of the Issuer, and any Director of any program or division of the Issuer or any other person duly authorized by the Secretary of the Department to perform such act or discharge such duty, and such additional person or persons, if any, duly designated by the Issuer in writing to act on its behalf, (b) when used with respect to the Borrower, any manager of the general partner of the Borrower (or manager or officer of such manager) and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, any Person or Persons, if any, duly designated by the Servicer in writing to act on its behalf, (e) when used with respect to the Remarketing Agent, any Person or Persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf, (f) when used with respect to the Tender Agent, any authorized signatory of the Tender Agent and such additional Person or Persons, if any, duly designated by the Tender Agent in writing to act on its behalf, and (g) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider.

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

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

“Bond Fee Component” means that portion of the regular, ongoing fees from time to time of the Issuer, the Trustee, the Remarketing Agent, the Tender Agent and the Custodian that is expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

“Bond Financing Documents” means, collectively, the Indenture, the Bonds, the Financing Agreement, the Remarketing Agreement, the Tax Certificate and the Bond Mortgage Loan Documents and any other agreements and documents relating to the Bonds.

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

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

“Bond Mortgage” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of September 1, 2008, together with all riders and addenda thereto, from the Borrower to the Issuer, securing payment of the Bond Mortgage Loan, as such Bond Mortgage may from time to time be amended, modified or supplemented and as such Mortgage has been assigned by the Issuer to the Trustee.

“Bond Mortgage Loan” means the loan made by the Issuer to the Borrower in the original principal amount of \$15,200,000 pursuant to the Bond Mortgage Loan Documents.

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

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

“Bond Mortgage Note” means the Bond Mortgage Note dated the Delivery Date, from the Borrower to the Issuer, including all riders and addenda thereto, granting a first priority mortgage and security interest in the Project from the Borrower to the Issuer, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, supplemented or restated from time to time, which Bond Mortgage Note will be delivered to the Issuer and endorsed by the Issuer to the Trustee.

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

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

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

“Bonds” means the Community Development Administration Variable Rate Demand Multifamily Development Revenue Bonds (MonteVerde Apartments) Series 2008 E issued pursuant to the provisions of the Indenture.

“Bond Year” means the period of twelve consecutive months ending on December 31 in any year in which Bonds are Outstanding, provided that the first Bond Year shall commence on the Delivery Date and end on December 31, 2008.

“Borrower” means MonteVerde Housing Limited Partnership, a Maryland limited partnership, or any of its permitted successors or assigns, as owner of the Project.

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

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

“Closing Date” means the Delivery Date.

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

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

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

“Construction Phase Credit Assignment” means the Assignment of Rights and Interests, dated as of the Conversion Date, from the Initial Construction Phase Credit Facility Provider to the Freddie Mac, and acknowledged and agreed to by the Borrower and the Trustee, as it may be amended, supplemented or restated from time to time. The Construction Phase Credit Assignment shall be in substantially the form of Exhibit I to the Construction Phase Financing Agreement.

“Construction Phase Credit Documents” means, individually and collectively, the Construction Phase Financing Agreement, the Construction Phase Credit Facility, the Initial Construction Phase Credit Reimbursement Agreement, and all other documents evidencing, securing or otherwise relating to the

Construction Phase Credit Facility, including all amendments, modifications, supplements and restatements of such documents.

“Construction Phase Credit Facility” means the Initial Construction Phase Credit Facility or any Alternate Credit Facility in effect prior to the Conversion Date.

“Construction Phase Credit Facility Provider” means (a) the Initial Construction Phase Credit Facility Provider and its successors and assigns, or (b) so long as an Alternate Credit Facility is effect prior to the Conversion Date, the Alternate Credit Facility Provider then obligated under such Alternate Credit Facility.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement, dated as of September 1, 2008, by and among Freddie Mac, the Servicer, the Borrower and the Initial Construction Phase Credit Facility Provider, as such agreement may be amended, modified, supplemented or restated from time to time.

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

“Conversion Date” means the date specified as such in the Conversion Notice, which date must be at least 15 days following the date on which the Conversion Notice is issued, and during any Variable Period, which date must be the beginning date of a Variable Interest Accrual Period.

“Conversion Notice” means a written notice by the Servicer to the Issuer, the Trustee, the Borrower, the Initial Construction Phase Credit Facility Provider, the Remarketing Agent and Freddie Mac given prior to the Forward Commitment Maturity Date (a) stating that each of the Conditions to Conversion has been satisfied prior to the Forward Commitment Maturity Date or, if any Condition to Conversion has not been satisfied prior to the Forward Commitment Maturity Date, has been waived in writing by Freddie Mac prior to the Forward Commitment Maturity Date, and (b) specifying the Conversion Date.

“Cost,” “Costs” or “Costs of the Project” means costs paid with respect to the Project that are (a) properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations Section 1.103-8(a)(1), (b) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (c) are paid after the earlier of 60 days prior to the date of a resolution of the Issuer to reimburse costs of the Project with proceeds of Bonds or the date of issue of the Bonds, and (d) if the Costs of the Project were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (i) costs of issuance of the Bonds, (ii) preliminary capital expenditures (within the meaning of United States Treasury Regulations Section 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed 20% of the issue price of the Bonds (as defined in United States Treasury Regulations Section 1.148-1), or (iii) were capital expenditures with respect to the Project that are reimbursed no later than 18 months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three years after the expenditure is paid).

“Costs of Issuance” means (i) the fees, costs and expenses (excluding ongoing fees, costs and expenses) of (a) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, (b) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (c) Bond

Counsel, (d) the Trustee and the Trustee's counsel, (e) the Servicer and the Servicer's counsel, if any, (f) the Credit Facility Provider and the Credit Facility Provider's counsel, (g) the Borrower's counsel and the Borrower's financial advisor, if any, and (h) the Rating Agency, (ii) costs of printing the offering documents relating to the sale of the Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

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

"Counterparty" has the meaning given that term in the Initial Permanent Phase Reimbursement Agreement.

"Credit Enhancement Agreement" means the Credit Enhancement Agreement dated as of the Conversion Date between Freddie Mac and the Trustee, as the same may from time to time be amended or supplemented.

"Credit Facility" means the Initial Construction Phase Credit Facility, the Credit Enhancement Agreement, or any Alternate Credit Facility then in effect.

"Credit Facility Provider" means, (a) so long as the Initial Construction Phase Credit Facility is in effect, the Initial Construction Phase Credit Facility Provider, (b) so long as the Credit Enhancement Agreement is in effect, Freddie Mac, or (c) so long as any Alternate Credit Facility is in effect, the Alternate Credit Facility Provider then obligated under such Alternate Credit Facility.

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

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

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

"Delivery Date" means September 17, 2008, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

"DTC" means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds pursuant to the Indenture or its successors.

"Eligible Funds" means (a) remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Borrower, any general partner, member or guarantor of the Borrower or the Issuer), (b) proceeds received pursuant to the Credit Facility, (c) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds (including any Bond proceeds deposited to the Bond Mortgage Loan Fund on the Delivery Date), (d) proceeds from the investment or reinvestment of money described in clauses (a), (b) and (c) above, or (e) money delivered to the Trustee

and accompanied by a written opinion of nationally recognized counsel experienced in bankruptcy matters acceptable to the Rating Agency to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such money to holders of the Bonds would not constitute an avoidable preference under Section 547 of the Bankruptcy Code and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Bonds.

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

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

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

“Financing Agreement” means the Financing Agreement dated as of September 1, 2008, among the Borrower, the Issuer and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

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

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

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

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

“Forward Commitment” means the commitment letter between Freddie Mac and the Servicer pursuant to which Freddie Mac has agreed to provide credit enhancement of the Bond Mortgage Loan and liquidity support for the Bonds effective as of the Conversion Date upon satisfaction of the terms and conditions set forth therein as it may be amended, modified or supplemented from time to time.

“Forward Commitment Maturity Date” means March 1, 2011, subject to extension by Freddie Mac as provided in the Forward Commitment and otherwise in its sole discretion.

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

“Freddie Mac Credit Enhancement Fee” shall have the meaning given to that term in the Initial Permanent Phase Reimbursement Agreement.

“Freddie Mac Reimbursement Amount” shall have the meaning given to that term in the Reimbursement Agreement.

“Government Obligations” means investments meeting the requirements of clauses (a) or (b) of the definition of “Qualified Investments” in the Indenture.

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

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

“Hedge Agreement” means any interest rate cap agreement, swap agreement or similar instrument required to be maintained for the benefit of the Credit Facility Provider under the terms of the Reimbursement Agreement.

“Hedge Fee Escrow” has the meaning given that term in the Reimbursement Agreement.

“Indenture” means this Trust Indenture, as the same may have been from time to time amended or modified, together with any other indentures supplemental thereto.

“Index Rate” means a rate equal to the index of the weekly index rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or any successor to such index.

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

“Initial Construction Phase Credit Facility” means the Irrevocable Direct Draw Letter of Credit provided by the Initial Construction Phase Credit Facility Provider on or before the Delivery Date pursuant to the Construction Phase Financing Agreement.

“Initial Construction Phase Credit Facility Provider” means SunTrust Bank in its capacity as the provider of the Initial Construction Phase Credit Facility and its successors and assigns.

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

“Initial Permanent Phase Pledge Agreement” means that certain Pledge, Security and Custody Agreement, dated as of the Conversion Date, by and between the Custodian as Collateral Agent for Freddie Mac and the Borrower, as modified or amended from time to time.

“Initial Permanent Phase Reimbursement Agreement” means, the Reimbursement and Security Agreement, dated on or before the Conversion Date, between the Borrower and Freddie Mac, as the same may be amended or supplemented from time to time.

“Intercreditor Agreement” means the Intercreditor Agreement dated as of September 1, 2008, among the Issuer, the Trustee, the Initial Construction Phase Credit Facility Provider and Freddie Mac, as the same may be amended or supplemented.

“Interest Payment Date” means October 1, 2008, and thereafter (i) for interest accrued during any Variable Period, the first Business Day of each month, (ii) for interest accrued during any Reset Period, March 1 and September 1 of each year, commencing on the March 1 or September 1 next following the applicable Reset Adjustment Date, (iii) for interest accrued on and after the Fixed Rate Adjustment Date, March 1 and September 1 of each year, commencing on the March 1 or September 1 next following the Fixed Rate Adjustment Date, (iv) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date and the maturity date of the Bonds, and (v) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption).

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

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

“Issuer Fee” means the Issuer’s annual fee equal to 0.25% of the outstanding principal amount of the Bond Mortgage Loan payable in installments on each Interest Payment Date, commencing October 1, 2008. The Issuer Fee shall accrue and be calculated (i) during any Variable Period on the basis of a 365/366-day year for the actual number of days elapsed and (ii) during any Reset Period or Fixed Rate Period on the basis of a 360-day year consisting of twelve 30 day months.

“Liquidity Advance” means an advance by the Credit Facility Provider pursuant to the terms of the Credit Facility to pay the Purchase Price of any Bonds tendered optionally by Bondholders pursuant to the Indenture which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and the Indenture and, therefore, with respect to which there are no proceeds of remarketing.

“Market Risk Event” means (a)(i) legislation enacted by the Congress, (ii) a final non-appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any Bondholder (other than a Bondholder who is a “substantial user” of the Project or a “related person” of a substantial user (each within the meaning of Section 147(a) of the Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation; or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or any other “security,” as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or (c) any event shall have occurred or shall exist which, in the reasonable judgment of the

Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in a reoffering circular or other disclosure document distributed in connection with the Fixed Rate Adjustment or Reset Adjustment Date or is not or was not reflected in such reoffering circular or other disclosure document but should be or should have been reflected in the Indenture in order to make the statements or information contained in the Indenture not misleading in any material respect; or (d) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State authorities.

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

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

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

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

“Official Statement” means this Official Statement dated September 11, 2008, relating to the sale and issuance of the Bonds, as the same may be supplemented or amended.

“Ordinary Servicing Fees and Expenses” means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan, payable monthly in arrears on the first day of each month and in an amount as provided in the Forward Commitment.

“Ordinary Trustee’s Fees and Expenses” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under the Indenture as Trustee during each twelve month period, which fee is equal to (and shall not exceed) \$4,250 and shall be payable annually in advance on the Delivery Date and each September 24 thereafter.

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

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

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

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

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

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

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

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

"Pledge Agreement" means (a) so long as the Initial Construction Phase Credit Facility is in effect, the Initial Construction Phase Pledge Agreement, (b) so long as the Initial Permanent Phase Pledge Agreement is in effect, the Initial Permanent Phase Pledge Agreement, or (c) so long as any Alternate Credit Facility is in effect, any similar agreement executed in connection with such Alternate Credit Facility, as originally executed or as amended or modified from time to time.

"Pre-Conversion Loan Equalization Payment" has the meaning given to that term in the Initial Permanent Phase Reimbursement Agreement.

"Principal Office of the Credit Facility Provider" means the office of Freddie Mac located at 8100 Jones Branch Drive, McLean, Virginia 22102 or such other office or offices as Freddie Mac may

designate from time to time, or the office of any Alternate Credit Facility Provider where it principally conducts its business of serving as credit facility provider under indentures pursuant to which municipal or governmental obligations are issued, or such other office or offices as the Alternate Credit Facility Provider may designate from time to time.

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

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

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

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

“Principal Reserve Requirement” means, on and after the Conversion Date, 20% of the principal amount of the Bonds Outstanding immediately following the Conversion Date (or such other amount as shall be specified in writing by the Credit Facility Provider and filed with the Issuer and the Trustee), less the amount on deposit in any collateral or sinking fund held by the Trustee or certified by the Borrower as being held as security for, or to pay, the obligations of the Borrower relating to debt service on the Bond Mortgage Loan; provided that such other amount shall only constitute the Principal Reserve Requirement if there shall also be filed with the Issuer and the Trustee an opinion of Bond Counsel to the effect that such change in the Principal Reserve Requirement under the Indenture will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

“Principal Reserve Schedule” means the Principal Reserve Schedule calculated in accordance with, and attached as Exhibit A to, the Initial Permanent Phase Reimbursement Agreement, as the same may be amended from time to time.

“Principal Reserve Schedule Payments” means the payments to be made by the Borrower in accordance with the Principal Reserve Schedule as set forth in the Initial Permanent Phase Reimbursement Agreement.

“Project” means the land and 301 residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as MonteVerde Apartments in Baltimore, Maryland, including the real estate described in the Bond Mortgage.

“Purchase Price,” means the principal amount of such Bond plus interest accrued thereon to the Settlement Date except with respect to any Bond to be purchased in lieu of redemption, in such case meaning the principal amount of such Bond plus any redemption premium due thereon plus interest accrued thereon to the Settlement Date.

“Purchased Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of the Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any Person other than the Credit Facility Provider, the Borrower, any general partner, member or guarantor of the Borrower or the Issuer. All Purchased Bonds are to be held in certificated form under and pursuant to the Pledge Agreement.

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

“Rating Agency” means each national rating agency then maintaining a rating on the Bonds, or any successor or assign thereof if such successors and assigns will continue to perform the functions of a credit rating agency.

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

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

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

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

“Reimbursement Agreement” means (a) so long as the Initial Construction Phase Credit Facility is in effect, the Initial Construction Phase Credit Reimbursement Agreement, (b) so long as the Credit Enhancement Agreement is in effect, the Initial Permanent Phase Reimbursement Agreement, or (c) so long as any Alternate Credit Facility is in effect, any similar agreement between the Borrower and the Alternate Credit Facility Provider then obligated under such Alternate Credit Facility pursuant to which the Borrower agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended or supplemented.

“Reimbursement Mortgage” means (a) prior to Conversion, the Indemnity Construction Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated as September 1, 2008, from the Borrower to the Initial Construction Phase Credit Facility Provider and to be assigned to Freddie Mac on the Conversion Date, as the same may be amended, restated or supplemented from time to time, and (b) from and after the Conversion Date, the Amended and Restated Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing, dated as of the date of the Conversion Date, from the Borrower to Freddie Mac, as the same may be amended or supplemented from time to time.

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

“Remarketing Agreement” means the Remarketing Agreement dated as of September 1, 2008, among the Issuer, the Remarketing Agent and the Borrower, or any similar agreement between the Remarketing Agent and the Borrower, in each case as originally executed or as it may be amended or supplemented from time to time in accordance with its terms.

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

“Requisition” means, with respect to the Bond Mortgage Loan Fund, the requisition required to be submitted in connection with disbursements from the Bond Mortgage Loan Fund and, with respect to the Cost of Issuance Fund, the requisition required to be submitted in connection with disbursements from the Cost of Issuance Fund.

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

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

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

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

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

“Revenues” means (a) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage (except Principal Reserve Schedule Payments), including all casualty or other insurance benefits and condemnation awards paid in connection therewith (subject in all events to the interests of the Credit Facility Provider in the Indenture under the terms of the Credit Facility and the Reimbursement Agreement), (b) payments made by the Credit Facility Provider pursuant to the Credit Facility and (c) all money and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding money or securities in the Cost of Issuance Fund, the Bond Purchase Fund, the Principal Reserve Fund and the Rebate Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments shall not constitute Revenues under the Indenture.

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

“Servicer” means, prior to Conversion, the Initial Construction Phase Credit Facility Provider, and thereafter, the eligible servicing institution designated by Freddie Mac from time to time (which may be Freddie Mac if Freddie Mac elects to service the Bond Mortgage Loan), or its successor, as servicer of the Bond Mortgage Loan. Initially, the Servicer shall be Wells Fargo Bank, National Association.

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

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

“State” means the State of Maryland.

“Substitution Date” means the date established for the mandatory tender and purchase of the Bonds in connection with the delivery to the Trustee of an Alternate Credit Facility pursuant to the Indenture. The Conversion Date is not a Substitution Date.

“Tax Certificate” means the Issuer’s Tax Certificate executed by the Issuer on the Delivery Date.

“Tax Regulatory Agreement” means the Declaration of Restrictive Covenants and Regulatory Agreement dated as of September 1, 2008, between the Issuer and the Borrower.

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

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

“Trustee” means Manufacturers and Traders Trust Company, a New York banking corporation with trust powers and having a corporate trust office in Baltimore, 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.

“Unassigned Rights” means all of the rights of the Issuer and its directors, officers, commissioners, elected officials, attorneys, accountants, employees, agents and consultants to be held

harmless and indemnified, to be paid its fees and expenses, to give or withhold consent to amendments, changes, modifications and alterations, to receive notices and the right to enforce such rights.

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

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

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

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

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

“Wrongful Dishonor” means the failure of the Credit Facility Provider to honor a draw made in accordance with the terms of the Credit Facility (which strictly complies with and conforms to the terms and conditions of the Credit Facility).

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APPENDIX B
FORM OF BOND COUNSEL OPINION

September __, 2008

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

\$15,200,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Variable Rate Demand Multifamily Development Revenue Bonds
(MonteVerde Apartments)
Series 2008 E

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 \$15,200,000 aggregate principal amount of its Variable Rate Demand Multifamily Development Revenue Bonds (MonteVerde Apartments), Series 2008 E (the “Bonds”).

The Bonds are being issued under and pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (previously Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland) (the “Act”) and in accordance with the terms and provisions of a Trust Indenture dated as of September 1, 2008 (the “Indenture”), by and between the Administration and Manufacturers and Traders Trust Company, as Trustee. The Director of the Administration determined, pursuant to Section 4-245(a) of the Act, that the issuance of the Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of Housing and Community Development. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Indenture or the Act.

Applicable Federal tax law establishes certain requirements which must be met subsequent to the delivery of the Bonds in order to assure that interest on the Bonds will be and will remain excludable from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). The Administration has covenanted in the Indenture to at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest on the Bonds will be and will remain excludable from gross income for Federal income tax purposes.

The Administration has also delivered a certificate dated the date of this opinion containing representations, provisions, and procedures relating to compliance with the requirements of the Code. Noncompliance by the Administration with such provisions and procedures may require the inclusion of interest on the Bonds in gross income for Federal income tax purposes retroactive to the date of issuance, regardless of when such noncompliance occurs or is discovered. In rendering this opinion, we have assumed compliance by the Administration with the aforementioned covenant and representations, provisions, and procedures set forth in the aforementioned certificate.

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

- (1) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as an agency in the Division of Development Finance of the Department with such political and corporate powers as set forth in the Act and with good, right and lawful authority, among other things, to issue the Bonds to provide funds to finance the acquisition, construction, rehabilitation and equipping of the Project 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 proceeds of the Bonds or a "related person" within the meaning of Section 147(a) of the Code. Furthermore, interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.
- (5) Under existing statutes, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except, that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

The foregoing opinion is qualified only to the extent that the enforceability of the Bonds and the Indenture may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of

any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Very truly yours

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APPENDIX C

FORM OF INITIAL CONSTRUCTION PHASE CREDIT FACILITY

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FORM OF LETTER OF CREDIT

CUSIP 57419P

[Letterhead of Bank]

IRREVOCABLE LETTER OF CREDIT NO. F852867

September 17, 2008

Manufacturers and Traders Trust Company,
as Trustee
25 South Charles Street
Baltimore, Maryland 21201
Attention: Corporate Trust Department

Dear Sirs:

1. At the request and for the account of MonteVerde Housing Associates LLC, a limited liability company organized and existing under the laws of the State of Maryland (the "Account Party"), we hereby establish in your favor, as Trustee for the benefit of the Bondholders under the Trust Indenture by and between the Community Development 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 (the "Issuer") and you dated as of September 1, 2008, as amended and supplemented (as amended and supplemented, the "Indenture"), our Irrevocable Letter of Credit No. F852867 (the "Letter of Credit") in the amount of \$15,374,904.11 (as more fully described below) (the "Letter of Credit Amount"), effective immediately and expiring at 5:00 p.m. on October 1, 2010 or, if such day is not a Business Day, on the next succeeding Business Day (the "Stated Expiration Date"), unless, at our option, we deliver to you a written amendment signed by one of our authorized signers (specifically referring to "SunTrust Bank Irrevocable Letter of Credit No. F852867") extending the Stated Expiration Date to the date set forth in such amendment, in which case this Letter of Credit shall expire on such extended Stated Expiration Date unless further extended, it being understood that we shall be under no obligation herein to grant any such extension. This Letter of Credit is subject to automatic termination as provided in paragraph 8 hereof. Pursuant to the Indenture, the Issuer has issued \$15,200,000 aggregate principal amount of Community Development Administration, Maryland Department of Housing and Community Development, Variable Rate Demand Multifamily Development Revenue Bonds, (MonteVerde Apartments), Series 2008E (the "Bonds").

2. We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions hereinafter set forth, by one or more demands for payment, an aggregate amount not exceeding FIFTEEN MILLION THREE HUNDRED SEVENTY FOUR THOUSAND NINE HUNDRED FOUR AND 11/100 DOLLARS (\$15,374,904.11) (as reduced and reinstated from time to time in accordance with the provisions hereof, the "Letter of Credit Amount"), of which (i) an aggregate amount not exceeding \$15,200,000 (as reduced and reinstated from time to time in accordance with the provisions hereof, the "Principal Component") may be drawn upon with respect to principal of the Bonds and (ii) an aggregate amount not exceeding \$174,904.11 (calculated on the basis of 35 days' interest on the Bonds Outstanding and a 365/366-day year for actual days elapsed, at an assumed maximum interest rate of 12% per annum, as reduced and reinstated from time to time in accordance with the provisions hereof, the "Interest Component") may be drawn upon with respect to interest accrued on the Bonds. The Principal Component shall not be available to pay amounts corresponding to the interest on the Bonds,

and the Interest Component shall not be available to pay amounts corresponding to principal of the Bonds.

3. Subject to the foregoing and the further provisions of this Letter of Credit, a demand for payment may be made by you by presentation to us, at our office at SunTrust Bank, 25 Park Place, 16th Floor, Atlanta, Georgia 30303, Attn: Standby Letter of Credit Department, or such other office of ours that we hereafter designate by written notice to you, of an executed:

(a) Certificate for Interest Drawing, appropriately completed, in the form attached hereto as Annex 1 and made a part hereof (any such drawing being herein called an "Interest Drawing");

(b) Certificate of Tender Drawing, appropriately completed, in the form attached hereto as Annex 2 and made a part hereof (each such drawing being herein called a "Tender Drawing");

(c) Certificate of Redemption Drawing and Reduction of Stated Amount, appropriately completed, in the form attached hereto as Annex 3 and made a part hereof (each such drawing being herein called a "Redemption Drawing").

If we receive your Interest Drawing or a Redemption Drawing, in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 12:00 noon, on a Business Day, we will honor the same in accordance with your payment instructions by 12:00 noon on the Business Day immediately following the Business Day on which you present to us your applicable certificate; and if we receive your Interest Drawing or Redemption Drawing, in strict conformity with the terms and conditions of this Letter of Credit, after 12:00 noon, on a Business Day, we will honor the same in accordance with your payment instructions by 12:00 noon on the second Business Day immediately following the Business Day on which you present to us your applicable certificate. If we receive your Tender Drawing, in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 10:30 a.m., on a Business Day, we will honor the same in accordance with your payment instructions by 2:00 p.m. on the Business Day on which you present to us your applicable certificate; and if we receive your Tender Drawing, in strict conformity with the terms and conditions of this Letter of Credit, after 10:30 a.m., on a Business Day, we will honor the same in accordance with your payment instructions by 2:00 p.m. on the Business Day immediately following the Business Day on which you present to us your applicable certificate. For purposes of this Letter of Credit, we shall be deemed to have "honored" a demand for payment at the time at which we commence a wire transfer of immediately available funds in accordance with your instructions.

In lieu of delivery to us at our designated office of any certificate described above, you may present to us, by means of telecopier, such certificate; provided that the original certificate must be promptly delivered to us at our designated office after your drawing hereunder. We shall have no responsibility for any discrepancies between the telecopied and original versions of certificates presented hereunder. Any such telecopied certificate shall be directed to us at telephone number 404.588.8129 (reference Letter of Credit No. F852867) (or at such other telephone number as we shall have advised you in writing).

4. As used herein the term "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banking institutions in Atlanta, Georgia or in any other city where your principal corporate trust office or our office at which drafts are to be presented under this Letter of Credit is located are required or authorized or obligated by law (including executive order) to close or on which either such office is closed for a reason not related to financial condition, or (iii) a day on which the New York Stock Exchange is closed. References to any time of day in this Letter of Credit shall refer to Eastern time or Eastern daylight saving time, as appropriate.

5. Each drawing honored by us hereunder shall reduce the Letter of Credit Amount and the respective Principal and Interest Components thereof by the respective amounts of such drawing and the corresponding components of such drawing. In addition, the Letter of Credit Amount and the respective Principal and Interest Components thereof shall be reduced automatically, without notice to you, upon our receipt from you of a certificate in the form of Annex 3 or Annex 5 attached hereto appropriately completed and executed, each such reduction to be (i) in the amounts necessary to reduce the Letter of Credit Amount and the Principal and Interest Components thereof to the respective amounts specified by you in such certificate and (ii) effective on the Business Day on which we receive such certificate from you. No drawing hereunder honored by us shall exceed the Letter of Credit Amount at the time of such drawing, as the Letter of Credit Amount has been reduced and reinstated in accordance with the terms hereof, and no component of any such drawing corresponding to principal or interest on the Bonds shall exceed the corresponding Principal and Interest Component of the Letter of Credit Amount as such Component has been reduced and reinstated in accordance with the terms hereof.

6. On the opening of business on the first calendar day following the date of an Interest Drawing under this Letter of Credit, the Letter of Credit Amount and the Interest Component shall be automatically reinstated by an amount equal to the amount of such drawing.

7. Following any Tender Drawing under this Letter of Credit, the Letter of Credit Amount and the Principal and Interest Components thereof shall be reinstated with respect to such drawing automatically when and to the extent that both (i) we have received reimbursement for such drawing in immediately available funds and (ii) you have delivered to us a certificate in respect of such reinstatement in the form of Annex 4 attached hereto appropriately completed and executed, which may be sent by telecopier in the manner, to the numbers described in paragraph 3 of this Letter of Credit.

8. This Letter of Credit shall automatically terminate upon the first to occur of: (a) the Stated Expiration Date (as such date may have been extended), (b) the date on which we receive a certificate from you in the form of Annex 5 attached hereto, appropriately completed and executed, to the effect that there are no Bonds Outstanding (as defined in the Indenture) other than Bonds bearing interest at a Fixed Rate or a Reset Rate (each as defined in the Indenture) or secured by an Alternate Credit Facility or by the Credit Enhancement Agreement (each as defined in the Indenture), (c) the date on which the final drawing available hereunder is honored or (d) 60 days after the date you receive our Annex 7 certification or, if such day is not a Business Day, on the next succeeding Business Day. Any Annex 7 certification will be delivered to you at the address indicated above or, if we have received a transfer certificate from you in the form of Annex 6, to your transferee at the address set forth in such Annex 6. This Letter of Credit shall be promptly surrendered to us by you upon such termination.

9. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who you certify to us has succeeded you as Trustee under the Indenture, and may be successively transferred. Transfer of this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Annex 6 attached hereto appropriately completed and executed and payment of any applicable transfer fee.

10. Only you (or a transferee permitted by the terms of this Letter of Credit) may make drawings under this Letter of Credit. Upon the payment to you or your account of the amount specified in a draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit with respect to such draft.

11. This Letter of Credit sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit relates, except only the certificates referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement, except such certificates. Payment of all drawings honored under this Letter of Credit will be made with our own funds.

12. This Letter of Credit is subject to the provisions of the International Stand-By Practices 1998 (ISP 98), ICC Publication No. 590 (the "ISP"). This Letter of Credit shall be deemed to be issued under the laws of the State of Maryland and shall, as to matters not governed by the ISP, be governed by and construed in accordance with the laws of the State of Maryland, without regard to principles of conflicts of law.

Very truly yours,

SUNTRUST BANK

By: _____

Name:

Title:

ANNEX 1 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

To: SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Department

CERTIFICATE FOR INTEREST DRAWING OF ACCRUED INTEREST ON
COMMUNITY DEVELOPMENT ADMINISTRATION, MARYLAND
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, VARIABLE
RATE DEMAND MULTIFAMILY DEVELOPMENT REVENUE BONDS,
(MonteVerde Apartments), SERIES 2008E (THE "BONDS")

The undersigned, a duly authorized officer or authorized signatory of Manufacturers and Traders Trust Company, Trustee (the "Trustee") under the Trust Indenture by and between the Issuer and the Trustee dated as of September 1, 2008, as amended and supplemented (the "Indenture") under which the Bonds have been issued, hereby certifies, with reference to Irrevocable Letter of Credit No. F852867 (the "Letter of Credit") issued by SunTrust Bank (the "Bank") in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.
2. The Bonds have been issued as "Bonds" under the Indenture.
3. **DEMAND IS HEREBY MADE UNDER THE LETTER OF CREDIT FOR**
\$_____.
4. This Trustee is making a drawing under the Letter of Credit in respect of the payment of accrued interest on the Bonds, which payment is due on _____. Payment of such draft must be made to _____.
5. The Trustee has not received a notice (which has not otherwise been rescinded as provided for in the Letter of Credit) from the Bank that reinstatement of the Letter of Credit in respect of any Interest Drawing shall not occur.
6. The amount demanded by this Certificate (i) is being drawn against the Interest Component of the Letter of Credit Amount and does not exceed the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit, or the Interest Component, as reduced and reinstated in accordance with the terms of the Letter of Credit, (ii) was computed in accordance with the terms and conditions of the Bonds and the Indenture, (iii) does not include any amount in respect of interest on Bonds which was included in any Interest Drawing, Tender Drawing or Redemption Drawing presented and not dishonored on or prior to the date of this Certificate, and (iv) shall be applied pursuant to the provisions of the Bonds and the Indenture to the payment of accrued interest on the Bonds.
7. If this Certificate is initially presented by telecopier, the original of this Certificate on the Trustee's letterhead manually signed by one of its officers is being mailed to you concurrently by first-class United States mail.

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

MANUFACTURERS AND TRADERS TRUST
COMPANY,
TRUSTEE

By: _____
Name:
Title:

ANNEX 2 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

To: SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Department

CERTIFICATE FOR TENDER DRAWING IN RESPECT OF PRINCIPAL AND
ACCRUED INTEREST ON CERTIFICATE FOR INTEREST DRAWING OF
ACCRUED INTEREST ON COMMUNITY DEVELOPMENT ADMINISTRATION,
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT, VARIABLE RATE DEMAND MULTIFAMILY DEVELOPMENT
REVENUE BONDS, (MonteVerde Apartments), SERIES 2008E (THE "BONDS")

The undersigned, a duly authorized officer or authorized signatory of Manufacturers and Traders Trust Company, Trustee (the "Trustee") under the Trust Indenture by and between the Issuer and the Trustee dated as of September 1, 2008, as amended and supplemented (the "Indenture") under which the Bonds have been issued, hereby certifies, with reference to Irrevocable Letter of Credit No. F852867 (the "Letter of Credit") issued by SunTrust Bank. (the "Bank") in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.
2. The Bonds have been issued as "Bonds" under the Indenture.
3. **DEMAND IS HEREBY MADE UNDER THE LETTER OF CREDIT FOR**
\$_____.
4. The Trustee is making a drawing under the Letter of Credit in respect of the payment of the purchase price of Bonds, corresponding to the principal thereof and accrued interest thereon, tendered for purchase pursuant to the provisions of the Indenture, the purchase price of which has not been received by 10:00 a.m. on the date of this Certificate. Such Bonds are herein called "Tendered Bonds." The purchase price payment for the Tendered Bonds is due on _____. None of the Tendered Bonds is presently a Purchased Bond as defined in the Indenture.
5. The amount demanded by this Certificate is equal to the sum of (i) \$_____ being drawn against the Principal Component of the Letter of Credit Amount in respect of the payment of the portion of the purchase price of the Tendered Bonds corresponding to the principal thereof and (ii) \$_____ being drawn against the Interest Component of the Letter of Credit Amount in respect of the portion of the purchase price of the Tendered Bonds corresponding to accrued interest thereon.
6. The amount demanded by this Certificate does not exceed the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit. Neither of the components of the amount of the draft set forth in paragraph 4 of this Certificate exceeds the corresponding component of the Letter of Credit Amount as reduced and reinstated in accordance with the terms of the Letter of Credit. The amount demanded by this Certificate (i) was computed in accordance with the terms and conditions of the Bonds and the Indenture, (ii) does not include any amount in respect of principal of or interest on the Bonds which was included in any Interest Drawing, Tender Drawing or Redemption Drawing presented and not dishonored on or prior to the date of this Certificate and (iii) shall be applied pursuant to the provisions of the Bonds and the Indenture, to the payment of purchase price of the Tendered Bonds.

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

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

MANUFACTURERS AND TRADERS TRUST
COMPANY,
TRUSTEE

By: _____
Name:
Title:

ANNEX 3 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

To: SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Department

CERTIFICATE FOR REDEMPTION AND REDUCTION OF STATED AMOUNT
OR FINAL PAYMENT DRAWING IN RESPECT OF PRINCIPAL AND ACCRUED
INTEREST ON COMMUNITY DEVELOPMENT ADMINISTRATION, MARYLAND
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, VARIABLE
RATE DEMAND MULTIFAMILY DEVELOPMENT REVENUE BONDS,
(MonteVerde Apartments), SERIES 2008E (THE "BONDS")

The undersigned, a duly authorized officer or authorized signatory of Manufacturers and Traders Trust Company, Trustee (the "Trustee") under the Trust Indenture by and between the Issuer and the Trustee dated as of September 1, 2008, as amended and supplemented (the "Indenture") under which the Bonds have been issued, hereby certifies, with reference to Irrevocable Letter of Credit No. F852867 (the "Letter of Credit") issued by SunTrust Bank (the "Bank") in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.
2. The Bonds have been issued as "Bonds" under the Indenture.
3. **DEMAND IS HEREBY MADE UNDER THE LETTER OF CREDIT FOR**
\$_____.
4. The Trustee is making a drawing under the Letter of Credit in respect of the payment of principal of and accrued interest on Bonds upon the applicable event indicated in paragraph 5 of this Certificate, which payment is due on _____.
5. The Trustee is presenting this Certificate in connection with (check and complete one):
 - ☐ An optional redemption of the Bonds in the principal amount of \$_____ pursuant to Section 3.01(a) of the Indenture. After such redemption, \$_____ principal amount of the Bonds will remain Outstanding.
 - ☐ A mandatory redemption of the Bonds in the principal amount of \$_____ pursuant to Section 3.01(b) of the Indenture. After such redemption, \$_____ principal amount of the Bonds will remain Outstanding.
 - ☐ The payment of the Bonds upon acceleration of the maturity thereof pursuant to the Indenture.
 - ☐ The payment of the Bonds at final maturity thereof pursuant thereto.
6. The amount demanded by this Certificate is equal to the sum of (i) \$_____ being drawn against the Principal Component of the Letter of Credit Amount in respect of the

principal of Bonds and (ii) \$_____ being drawn against the Interest Component of the Letter of Credit Amount in respect of interest accrued on such Bonds.

7. The amount demanded by this Certificate does not exceed the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit. Neither of the components of the amount of the draft set forth in paragraph 5 of this Certificate exceeds the corresponding component of the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit. The amount demanded by this Certificate (i) was computed in accordance with the terms and conditions of the Bonds and the Indenture, (ii) does not include any amount in respect of principal of or interest on the Bonds which was included in any Interest Drawing, Tender Drawing or Redemption Drawing presented and not dishonored on or prior to the date of this Certificate, and (iii) shall be applied pursuant to the provisions of the Bonds and the Indenture to the payment of the principal of and accrued interest on Bonds which are not Purchased Bonds.

8. Pursuant to the terms of the Letter of Credit, the Bank is hereby directed to reduce the Letter of Credit Amount and the Principal and Interest Components thereof, effective on the Business Day on which you receive this Certificate, so that after such reduction the Letter of Credit Amount shall be \$_____, of which \$_____ shall be the Principal Component and \$_____ shall be the Interest Component (calculated on the basis of 35 days' interest on the Bonds Outstanding and a 365/366-day year for actual days elapsed, at an assumed maximum interest rate of 12% per annum.

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

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

MANUFACTURERS AND TRADERS TRUST
COMPANY,
TRUSTEE

By: _____
Name:
Title:

ANNEX 4 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

To: SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Department

CERTIFICATE FOR REINSTATING SUNTRUST BANK (THE "BANK")
IRREVOCABLE DIRECT DRAW LETTER OF CREDIT NO. F852867 (THE
"LETTER OF CREDIT") SUPPORTING COMMUNITY DEVELOPMENT
ADMINISTRATION, MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT, VARIABLE RATE DEMAND MULTIFAMILY
DEVELOPMENT REVENUE BONDS, (MonteVerde Apartments), SERIES 2008E
(THE "BONDS")

The undersigned, a duly authorized officer or authorized signatory of Manufacturers and Traders Trust Company, Trustee (the "Trustee") under the Trust Indenture by and between the Issuer and the Trustee dated as of September 1, 2008, as amended and supplemented (the "Indenture") under which the Bonds have been issued, hereby certifies, with reference to Irrevocable Letter of Credit No. F852867 (the "Letter of Credit") issued by SunTrust Bank (the "Bank") in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.
2. The Bonds have been issued as "Bonds" under the Indenture.
3. On the date of this Certificate \$_____ aggregate principal amount of Bonds are being purchased upon a remarketing thereof by the Remarketing Agent (as defined in the Indenture). All of such Bonds were heretofore purchased (or anticipated to be purchased) with the proceeds of one or more Tender Drawings in the total drawing amount of \$_____, of which proceeds \$_____ was drawn in respect of principal of such Bonds and \$_____ was drawn in respect of accrued interest on such Bonds. Prior to the date of this Certificate there has been no reinstatement of the Letter of Credit Amount with respect to amounts drawn by such Tender Drawings to purchase such Bonds.
4. The Trustee has received for immediate payment (or repayment) to the Bank in respect of the Bonds described in paragraph 3 of this Certificate the total amount of \$_____, consisting of \$_____ from the Remarketing Agent, \$_____ from or on behalf of the Account Party and \$_____ from the Bank. Such total amount is being paid to the Bank at the above address with reference to Letter of Credit No. _____, as reimbursement for amounts drawn under the Letter of Credit by the Tender Drawings described in paragraph 3 of this Certificate.
5. Of the total amount referred to in paragraph 4 of this Certificate, \$_____ represents the aggregate principal amount of Bonds described in paragraph 3 of this Certificate and \$_____ represents accrued interest on such Bonds.
6. Payment of the total amount referred to in paragraph 4 of this Certificate, together with other amounts heretofore paid to the Bank by or on behalf of the Account Party, represents reimbursement for the entire outstanding balance of all amounts drawn in respect of the Bonds described in paragraph 3 of this Certificate. The foregoing certification is made in reliance upon representations by the Account Party and/or the Bank to the Trustee that, upon payment of such amounts, the Bank will be fully reimbursed for all Tender Drawings (or allocable portions thereof) presented to the Bank to purchase such Bonds. No Certification is made by the

Trustee as to the payment of interest accrued pursuant to the Reimbursement Agreement described in Annex 7 to this Letter of Credit on the amounts drawn by such Tender Drawing.

7. Pursuant to paragraph 8 of the Letter of Credit, the Letter of Credit Amount shall be automatically reinstated by an amount equal to \$_____ (which does not exceed the aggregate amount of the Tender Drawings, or allocable portions thereof, paid by the Bank to purchase such Bonds), of which \$_____ (which does not exceed the aggregate amount of such Tender Drawings, or allocable portions thereof, drawn against the Principal Component) shall be applied to the Principal Component and \$_____ (which does not exceed the aggregate amount of such Tender Drawings, or allocable portions thereof, drawn against the Interest Component) shall be applied to the Interest Component.

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

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

MANUFACTURERS AND TRADERS TRUST
COMPANY,
TRUSTEE

By: _____
Name:
Title:

ANNEX 5 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

To: SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Department

CERTIFICATE FOR REDUCING OR TERMINATING SUNTRUST BANK (THE "BANK") IRREVOCABLE DIRECT DRAW LETTER OF CREDIT NO. F852867 (THE "LETTER OF CREDIT") SUPPORTING COMMUNITY DEVELOPMENT ADMINISTRATION, MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, VARIABLE RATE DEMAND MULTIFAMILY DEVELOPMENT REVENUE BONDS, (MonteVerde Apartments), SERIES 2008E (THE "BONDS")

The undersigned, a duly authorized officer or authorized signatory of Manufacturers and Traders Trust Company, Trustee (the "Trustee") under the Trust Indenture by and between the Issuer and the Trustee dated as of September 1, 2008, as amended and supplemented (the "Indenture") under which the Bonds have been issued, hereby certifies, with reference to Irrevocable Letter of Credit No. F852867 (the "Letter of Credit") issued by SunTrust Bank. (the "Bank") in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.
2. The Bonds have been issued as "Bonds" under the Indenture.
3. Pursuant to the Indenture, either [check and complete one]:

☐ the Letter of Credit shall be terminated on the date the Bank receives this Certificate, and the Trustee is herewith surrendering the Letter of Credit for cancellation, because no Bonds remain Outstanding other than Bonds bearing interest at a Fixed Rate or a Reset Rate or Bonds secured by an Alternate Credit Facility or the Credit Enhancement Agreement; or

☐ a portion of the Bonds in the principal amount of \$_____ is being converted to a Fixed Rate or the Reset Rate on the date the Bank receives this Certificate, and the Bank is hereby directed to reduce the Letter of Credit Amount and the Principal and Interest Components thereof, effective on the Business Day on which you receive this Certificate, so that after such reduction the Letter of Credit Amount shall be \$_____, of which \$_____ shall be the Principal Component and \$_____ shall be the Interest Component (calculated on the basis of 35 days' interest on the Bonds Outstanding and a 365/366-day year for actual days elapsed, at an assumed maximum interest rate of 12% per annum.

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

MANUFACTURERS AND TRADERS TRUST
COMPANY,
TRUSTEE

By: _____
Name:
Title:

ANNEX 6 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

To: SunTrust Bank
25 Park Place, 16th Floor
Atlanta, Georgia 30303
Attention: Standby Letter of Credit Department

Re: SunTrust Bank
Irrevocable Direct Draw Letter of Credit No. F852867

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under the above Letter of Credit in its entirety. Said transferee has succeeded to the undersigned as Trustee under the Trust Indenture by and between the Issuer and the Trustee dated as of September 1, 2008, as amended and supplemented (the "Indenture").

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, 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 beneficiary.

The original of such Letter of Credit is returned herewith, and in accordance therewith we ask you to endorse the transfer on the reverse side thereof, and forward it directly to the transferee with your customary notice of transfer.

Very truly yours,

SIGNATURE AUTHENTICATED

TRUSTEE

(Authorized Signature)

By _____

Name _____

Title _____

ANNEX 7 to SunTrust Bank
Irrevocable Letter of Credit No. F852867

_____, _____

(Notice of Event of Default under Reimbursement Agreement)

To: Beneficiary under our Letter of Credit No. F852867
(the "Letter of Credit")

Re: Event of Default under Reimbursement Agreement

Ladies and Gentlemen:

We hereby certify to you that:

1. An Event of Default has occurred under the Reimbursement Agreement dated as of September 1, 2008, between SunTrust Bank and MonteVerde Housing Associates LLC (the "Reimbursement Agreement").

2. Pursuant to Section 3.01(b)(ii) of the Indenture (as such term and all other capitalized terms are used in the Reimbursement Agreement), the Bonds are to be redeemed upon Trustee's receipt of notice from SunTrust Bank of the occurrence of an Event of Default under the Reimbursement Agreement and a request to redeem from the Bank.

3. The Bank hereby requests you redeem the Bonds immediately and, in connection therewith, to draw on the Letter of Credit to pay for such redemption.

4. Unless it expires earlier in accordance with its terms, the Letter of Credit will expire on _____, ____ [insert date that is 60 days from date of this notice or, if such day is not a Business Day, the next succeeding Business Day].

IN WITNESS WHEREOF, we have executed and delivered this certificate as of this _____ day of _____, ____.

Very truly yours,

SUNTRUST BANK

By: _____

Name: _____

Title: _____

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APPENDIX D

FORM OF CREDIT ENHANCEMENT AGREEMENT

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Freddie Mac Loan No.: 487793439

CREDIT ENHANCEMENT AGREEMENT

between

FEDERAL HOME LOAN MORTGAGE CORPORATION

and

MANUFACTURERS AND TRADERS TRUST COMPANY
as Trustee

Relating to a
Bond Mortgage Loan
Securing

\$15,200,000

Community Development Administration
Maryland Department of Housing and Community Development
Variable Rate Demand Multifamily Development Revenue Bonds
(MonteVerde Apartments)
Series 2008 E

Dated as of [Conversion Date]

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CREDIT ENHANCEMENT AGREEMENT

THIS CREDIT ENHANCEMENT AGREEMENT (this “**Agreement**”) made and entered into as of [____], by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“**Freddie Mac**”), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **MANUFACTURERS AND TRADERS TRUST COMPANY** (the “**Trustee**”), a state banking corporation, duly organized and existing under the laws of the State of New York, in its capacity as Trustee under a Trust Indenture dated as of September 1, 2008 (the “**Indenture**”), between the Community Development Administration, an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the “**Issuer**”) and the Trustee,

WITNESSETH:

WHEREAS, pursuant to the Indenture, the Issuer has issued its Variable Rate Demand Multifamily Development Revenue Bonds (MonteVerde Apartments) Series 2008 E (the “**Bonds**”) in the original principal amount of \$15,200,000, of which \$_____ is currently outstanding; and

WHEREAS, pursuant to a Financing Agreement dated as of September 1, 2008 (the “**Financing Agreement**”) among the Issuer, the Trustee and MonteVerde Housing Limited Partnership, a Maryland limited partnership (the “**Borrower**”), the Issuer used the proceeds of the sale of Bonds to make a mortgage loan (the “**Bond Mortgage Loan**”) to the Borrower to finance the Project described therein; and

WHEREAS, the Borrower has used the proceeds of the Bond Mortgage Loan to provide for the acquisition, construction and equipping of the Project; and

WHEREAS, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated September 11, 2008 (together with all riders and addenda thereto, the “**Bond Mortgage Note**”) from the Borrower to the Issuer, as such has been assigned by the Issuer to the Trustee; and

WHEREAS, to secure the Borrower’s obligations under the Bond Mortgage Note, the Borrower has executed and delivered for the benefit of the Issuer a Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated as of September 1, 2008 (the “**Bond Mortgage**”) with respect to the Project, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture; and

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

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

WHEREAS, to secure the Borrower's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Construction Phase Credit Facility Provider has assigned to Freddie Mac an Indemnity Construction Deed of Trust, Assignment of Rents and Security Agreement dated as of September 1, 2008 which Borrower has previously executed and delivered for the benefit of the Construction Phase Credit Facility Provider and the Borrower is executing and delivering an Amended and Restated Multifamily Deed of Trust, Assignment of Rents and Security Agreement contemporaneously with the execution and delivery hereof in favor of Freddie Mac (together the "**Reimbursement Mortgage**") with respect to the Project; and

WHEREAS, the rights of the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac to enforce remedies under the Bond Mortgage, the Construction Mortgage and the Reimbursement Mortgage, respectively, are governed by an Intercreditor Agreement dated as of September 1, 2008 among the Issuer, the Trustee, the Construction Phase Credit Facility Provider and Freddie Mac; and

WHEREAS, Wells Fargo Bank, National Association (the "**Servicer**") will act as initial servicer for the Bond Mortgage Loan;

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

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

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

"*Available Amount*" means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (on the date hereof, \$[____]) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or

366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months plus an amount equal to the accrued but unpaid Issuer Fee, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a) (iv) and 3.1(b) (iv).

“Bonds” means the Issuer’s Variable Rate Demand Multifamily Development Revenue Bonds (MonteVerde Apartments) Series 2008 E issued in the original principal amount of \$15,200,000, of which \$[_____] is outstanding on the Closing Date.

“Bond Mortgage” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of September 1, 2008, together with all riders and addenda thereto, from the Borrower granting a first priority mortgage and security interest in the Project to the Issuer to secure the repayment of the Bond Mortgage Loan, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“Bond Mortgage Loan” means the loan in the original amount of \$15,200,000 by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

“Bond Mortgage Note” means the promissory note from the Borrower to the Issuer in the original principal amount of \$15,200,000, of which \$[_____] is outstanding on the Closing Date, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

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

“Borrower” means Monte Verde Housing Limited Partnership, a Maryland limited partnership, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

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

located are authorized or obligated by law or executive order to be closed or (b) the New York Stock Exchange is closed.

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

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

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

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

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

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

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

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

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

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

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

“Indenture” means that certain Trust Indenture dated as of September 1, 2008 between the Issuer and the Trustee pursuant to which the Bonds are issued and secured, as the same may be amended, supplemented or restated from time to time.

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

“*Issuer*” means the Community Development Administration, an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development, and its successors.

“*Issuer Fee*” means the Issuer’s annual fee equal to 0.025% of the outstanding principal amount of the Bond Mortgage Loan payable in installments on each Interest Payment Date, commencing []. The Issuer Fee shall accrue and be calculated (i) during any Variable Rate Period on the basis of a 365/366 day year for the actual number of days elapsed and (ii) during any Reset Period or Fixed Rate Period on the basis of a 360 day year consisting of twelve 30 day months.

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

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

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

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

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

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

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

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

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

portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

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

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

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

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

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

“*State*” means the State of Maryland.

“*Termination Date*” means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date the Bonds shall have been purchased in accordance with the provisions of Section 3.2 of this Agreement, (c) [September 6, 2028], (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

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

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

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

ARTICLE II

REPRESENTATIONS

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

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

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

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

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

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

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

ARTICLE III

CREDIT ENHANCEMENT AND LIQUIDITY

Section 3.1 *Credit Enhancement Payments and Liquidity Payments.*

(a) (i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds

Outstanding (on the date hereof, \$[____]) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the sum of (x) accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount), and (y) the accrued but unpaid Issuer Fee, is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in **Exhibit A-1** hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D. C. time) on the second succeeding Business Day.

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

(iii) To the extent there are Purchased Bonds, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement

Payment with respect to that portion of the Required Bond Mortgage Payments allocable to amounts owed on Purchased Bonds.

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

(b) (i) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A) shall have timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture, and (B) shall have received not later than 11:00 a.m., Washington D.C. time, on the Settlement Date, (1) a Draw Request, and (2) an e-mail from the Trustee to the Freddie Mac Trustee E-mail Account notifying Freddie Mac that the Draw Request on such date is made pursuant to the Liquidity Commitment. Such Draw Request shall be made using the Wire Request System until Freddie Mac provides the Trustee with written or electronic notice to the contrary. If, for any reason, the Trustee is unable to deliver such Draw Request electronically using the Wire Request System, the Trustee shall immediately notify Freddie Mac via both the Freddie Mac Trustee Hotline and the Freddie Mac Trustee E-mail Account, and shall deliver such Draw Request, instead, in the form of **Exhibit A-2** by facsimile or electronic transmission, immediately confirmed by overnight delivery service, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing). In no event shall the amount payable pursuant to this Section 3.1(b) exceed the Available Amount, nor shall any amounts payable hereunder be used to purchase Purchased Bonds.

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

(iii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds to the Tender Agent until the tendered Bonds have been received by the Tender Agent. The Trustee shall, on the

Settlement Date, on behalf of the Borrower, cause Purchased Bonds to be registered in the name of the Custodian, until remarketed or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

(iv) The obligation of Freddie Mac to pay the Purchase Price of tendered Bonds shall be reinstated (a) automatically, when and to the extent that (1) Freddie Mac has received reimbursement in immediately available funds for the amount provided pursuant to this Agreement to pay all or a portion of the Purchase Price of tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Freddie Mac as reimbursement for the amount provided to pay all or a portion of the Purchase Price of tendered Bonds, and (2) the Tender Agent has delivered to Freddie Mac, by facsimile at (571) 382-4798 or electronic transmission via the Freddie Mac Trustee E-mail Account or to such other facsimile number, e-mail address, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent (with confirmation of the facsimile or electronic transmission by (A) telephone call to the Freddie Mac Trustee Hotline or to such other number, office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent and (B) concurrently mailed original by first class mail, postage fully prepaid, to Multifamily Loan Accounting or to such other office or Freddie Mac employee as Freddie Mac shall designate by written notice to the Tender Agent), a certificate in the form attached to this Agreement as **Exhibit B**, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Freddie Mac, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Freddie Mac shall have no obligation to grant any such reinstatement except as provided in clause (a).

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

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

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

(d) Amounts held in the Revenue Fund, the Redemption Fund and the Bond Fund established under the Indenture (representing Freddie Mac Credit Enhancement Payments, investment earnings thereon and other amounts permitted under the Indenture to be deposited in said Funds) shall be invested and reinvested by the Trustee, with the prior written consent of Freddie Mac, in accordance with the provisions of Section 4.08 of the Indenture. In the absence of Freddie Mac's prior written consent, the Trustee shall invest such amounts in Qualified Investments of the type described in clause (a), (b) or (g) of the definition of such term contained in the Indenture, which Qualified Investments in all events shall mature or be redeemable at par on the earlier of (a) six months from the date of investment (or such shorter period as may be required by the Indenture) or (b) the date such moneys are needed for the purposes for which they are held. Notwithstanding the foregoing or anything else contained in this Agreement or in the Indenture, Freddie Mac shall have no obligation to the Issuer, the Trustee or any holder of any Bond with respect to the failure to receive any payment under any investment made by the Trustee or any investment loss with respect to any such investment (irrespective of whether or not Freddie Mac shall have consented to such investment).

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

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

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

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

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity

designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

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

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

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

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

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

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

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

ARTICLE IV

FREDDIE MAC REIMBURSEMENTS

Section 4.1 *Reimbursements.*

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

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

ARTICLE V

COVENANTS

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

Section 5.2 *Notice of Certain Events.* The Trustee shall promptly give notice by facsimile or electronic transmission to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission, of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, (ii) all notices required under Article X of the Indenture to be provided to Freddie Mac in connection with the remarketing of Bonds and (iii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

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

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

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

Manufacturers and Traders Trust Company	
Location of Bank (City and State)	Baltimore, MD
ABA Routing Number:	022-0000-46
Account Number:	3088001950200
FBO Account Number:	GBR00099
Reference:	MonteVerde Apartments
Attention:	Pamela Hazelip
Telephone:	(410) 545-2135

ARTICLE VI

DEFAULT AND REMEDIES

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

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

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

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

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

- (1) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and
- (2) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

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

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

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

ARTICLE VII

MISCELLANEOUS PROVISIONS

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

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

Section 7.3 *No Individual Liability.* No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or

the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

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

To Freddie Mac:	Federal Home Loan Mortgage Corporation 8100 Jones Branch Drive Mail Stop B4F McLean, Virginia 22102 Attention: Director of Multifamily Loan Servicing Facsimile: (703) 714-3003 Telephone: (703) 903-2000
with a copy to:	Federal Home Loan Mortgage Corporation 8200 Jones Branch Drive McLean, Virginia 22102 Attention: Associate General Counsel – Multifamily Legal Department Facsimile: (703) 903-2885 Telephone: (703) 903-2000
with a copy to:	Federal Home Loan Mortgage Corporation 8100 Jones Branch Drive Mail Stop B4Q McLean, Virginia 22102 Attention: Director of Multifamily Loan Accounting Facsimile: (571) 382- 4798 Telephone: (703) 714-4177
To the Trustee:	Manufacturers and Traders Trust Company Mail Code MD2-CS58 25 South Charles Street Baltimore, Maryland 21201 Attention: Corporate Trust Department Facsimile: 410-244-4236 Telephone: 410-545-2066

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

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

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

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

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

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

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

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

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

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

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the

performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

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

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

[Signatures follow]

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

**FEDERAL HOME LOAN MORTGAGE
CORPORATION**

By: _____
Lynn P. Extein
Manager, Affordable Housing Group

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

By: _____
Nancy E. Hagner
Trust Officer

EXHIBIT A-1

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

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

Project Name: MonteVerde Apartments

Related Bonds: \$15,200,000 Community Development Administration, Maryland
Department of Housing and Community Development Variable Rate
Demand Multifamily Development Revenue Bonds (MonteVerde
Apartments) Series 2008 E

CUSIP Number: [CUSIP NUMBER OF RELATED BONDS]

Loan No.: 487793439

Date of Notice: _____

CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT

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

Bond Mortgage Payment Date: _____, ____

Guaranteed Payment: \$ _____

NOTICE is hereby given that on the Bond Mortgage Payment Date set forth above, a Freddie Mac Credit Enhancement Payment in the amount equal to the Guaranteed Payment, of which amount \$ _____ represents the Interest Component and \$ _____ represents the Principal Component, is due. The amount of the Guaranteed Payment has been determined pursuant to the above-referenced Credit Enhancement Agreement.

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

MANUFACTURERS AND TRADERS TRUST COMPANY, as Trustee

Authorized Signature: _____

Name: _____

Title: _____

EXHIBIT A-2

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

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

Project Name: MonteVerde Apartments

Related Bonds: \$15,200,000 Community Development Administration, Maryland
Department of Housing and Community Development Variable Rate
Demand Multifamily Development Revenue Bonds (MonteVerde
Apartments) Series 2008 E

CUSIP Number: [CUSIP NUMBER OF RELATED BONDS]

Loan No.: 487793439

Date of Notice: _____

DEFICIENCY NOTICE

**under Section 3.1(b)(i) of Credit Enhancement Agreement
between Freddie Mac and the undersigned, as trustee, dated as
of [Conversion Date] relating to the Bond Mortgage Loan
securing the Bonds referenced above**

Settlement Date: _____, ____

Tendered Bonds for Purchase:

\$ _____

Remarketing Proceeds Held by Tender Agent:

(_____)

**Amount of "REQUIRED PURCHASE PRICE
PAYMENT DEFICIENCY":**

\$ _____

CREDIT ENHANCEMENT PAYMENT DATE: _____, ____

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

REQUEST is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment at or prior to 2:00 p.m., Washington, D.C. time, on the Credit Enhancement Payment Date.

MANUFACTURERS AND TRADERS TRUST COMPANY, as Trustee

Authorized Signature: _____

Name: _____

Title: _____

EXHIBIT B

CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, Virginia 22102
Attention: Multifamily Loan Accounting

\$15,200,000

**Community Development Administration
Maryland Department of Housing and Community Development
Variable Rate Demand Multifamily Development Revenue Bonds
(MonteVerde Apartments)
Series 2008 E**

The undersigned, a duly authorized officer of Manufacturers and Traders Trust Company, as Tender Agent (the “**Tender Agent**”) under the Trust Indenture (the “**Indenture**”) dated as of September 1, 2008, between the Community Development Administration, Maryland Department of Housing and Community Development and Manufacturers and Traders Trust Company, as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the “**Credit Enhancement Agreement**”), dated as of [Conversion Date], between Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) and the Trustee, as applicable):

1. The Tender Agent is the Tender Agent under the Indenture for the holders of the Bonds.
2. On the date of this Certificate \$_____ aggregate principal amount of Bonds are being sold to purchasers upon a remarketing of such Bonds by the Remarketing Agent. All of such Bonds were previously purchased with moneys provided by Freddie Mac under the Credit Enhancement Agreement in the total amount of \$_____, of which \$_____ was provided in respect of principal of the Purchased Bonds and \$_____ was provided in respect of accrued interest on the Purchased Bonds. [Prior to the date of this Certificate there has been no reinstatement of the Available Amount with respect to amounts provided by Freddie Mac.]
3. The Tender Agent has received for immediate payment to [the Trustee for the account of] Freddie Mac in respect of the Bonds described in paragraph 2 of this Certificate the total amount of \$_____, consisting of \$_____ from the Remarketing Agent and \$_____ from the Borrower. Such total amount is being paid to Freddie Mac at the above address with reference to the Credit Enhancement Agreement, as reimbursement for amounts provided by Freddie Mac under the Credit Enhancement Agreement.

4. Of the total amount referred to in paragraph 3 of this Certificate, \$_____ represents the aggregate principal amount of Bonds described in paragraph 2 of this Certificate and \$_____ represents accrued interest on such Bonds.

5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts previously paid to Freddie Mac by or on behalf of the Borrower, represents reimbursement for the entire outstanding balance of all amounts provided in respect of the Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in reliance upon representations by the Borrower and/or Freddie Mac to the Tender Agent that, upon payment of such amounts, Freddie Mac will be fully reimbursed for the amount provided under the Credit Enhancement Agreement.

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

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

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

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Tender Agent

By: _____
Name:
Title:

EXHIBIT C

FREDDIE MAC MULTIFAMILY

BOND WIRE INSTRUCTION CHANGE REQUEST FORM

Freddie Mac Internal Use:

Loan Accounting Approval

Date

MF Operations Approval

Date

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

A. Trustee's Prior Wire Instructions:

Bond Property Name: _____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

B. Trustee's New Wire Instructions:

Bond Property Name: _____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

Effective Date of Notice: _____, *which date is at least five (5) Business Days after the date of this notice.*

As of the Effective Date set forth above, all wires of funds to the Trustee for the above-referenced Freddie Mac loan number(s) pursuant to the Wire Request System shall be transmitted using the new wire instructions set forth in this notice.

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

Trustee Authorized Signature:

The undersigned hereby represents and warrants to Freddie Mac that he/she is a duly appointed officer of the Trustee who is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System, all of which is evidenced by either (i) resolutions (in full force and effect on the date of the execution of this form) of the board of directors of the Trustee, a true, complete and correct copy of which is attached hereto, or (ii) an Incumbency Certificate (in full force and effect on the date of the execution of this form) in the form attached hereto as Schedule 1, which has been signed and sealed by the Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

Trustee Name

Signatory's Printed Name

()

Signatory's Phone Number

Signature

Date

Signatory's Title

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

SCHEDULE 1
to
Bond Wire Instruction Change Request Form

INCUMBENCY CERTIFICATE

The undersigned hereby certifies to the Federal Home Loan Mortgage Corporation (“**Freddie Mac**”) that I am the [Secretary / Assistant Secretary] of Manufacturers and Traders Trust Company (the “**Trustee**”), a state banking corporation, duly organized and existing under the laws of the State of New York, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that the following person, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that such person is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System:

Name: _____ Title: _____

WITNESS the official seal of the Trustee and the signature of the undersigned this ____ day of _____, 20__.

[Corporate Seal]

Print Name: _____

Title: [Secretary / Assistant Secretary]

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