

RESOLUTION NO. 20091210-AHFC003

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN—ELM RIDGE APARTMENTS) SERIES 2010; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; AND AUTHORIZING REPRESENTATIVES OF THE AUSTIN HOUSING FINANCE CORPORATION TO EXECUTE DOCUMENTS.

WHEREAS, Austin Housing Finance Corporation (Corporation) has been duly created and organized by action of the City Council of Austin, Texas (Sponsoring Governmental Unit) under the provisions of the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code (Act), to finance the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices they can afford; and

WHEREAS, the Act authorizes the Corporation to issue bonds to defray, in whole or in part, the development costs of a residential development; and

WHEREAS, the Board of Directors of the Corporation (Board) has determined to authorize the issuance of the Corporation's Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Elm Ridge Apartments) Series 2010 (Bonds), in accordance with the terms of a Trust Indenture (Indenture) by and between the Corporation and the trustee named in the Trust Indenture (Trustee), to obtain funds to finance the Project (defined below), in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Corporation desires to use the proceeds of the Bonds to fund a mortgage loan to Elm Ridge Affordable Partners, Ltd.(Borrower), in order to finance the costs of acquisition and rehabilitation of a residential rental project containing units occupied by persons of low and moderate income, as determined by the Corporation, as required by Section 142(d) and 145 of the Code, and described in Exhibit D attached to this resolution (Project) located within the City of Austin; and

WHEREAS, the Corporation, the Borrower, the Trustee and the lender named herein (the "Lender") will execute and deliver a Loan Agreement (Loan Agreement) pursuant to which the Corporation agrees to lend funds to the Borrower to enable the Borrower to finance the Project; and

WHEREAS, it is also anticipated that the Borrower will execute and deliver a mortgage, as defined in the Indenture, pursuant to which the Borrower will grant a lien upon and security interest in the Project in favor of the Lender as security for, among other things, the repayment of the Loan; and

WHEREAS, the Board has further determined that the Corporation will enter into a Bond Purchase Agreement, with Merchant Capital, LLC, or an affiliate (Underwriter) and the Borrower; and

WHEREAS, the Board has determined that the Corporation, the Trustee and the Borrower will execute a Regulatory Agreement, defined in the Indenture, for the Project which will be filed of record in the real property records of the county in which the Project is located; and

WHEREAS, the Board has further determined that the Corporation will sell the Bonds to the Underwriter, pursuant to the terms in the Indenture and the Bond Purchase Agreement; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to approve the use and distribution in the public offering of the Bonds of, a Preliminary Official Statement (the "Official Statement"); and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Bond Purchase Agreement and the Regulatory Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained to be true, correct and complete; and has determined to authorize the issuance of the Bonds, the

execution and delivery of the documents and the taking of such other actions as may be necessary or convenient in connection with this transaction;

NOW THEREFORE,

BE IT RESOLVED BY THE BOARD OF THE AUSTIN HOUSING FINANCE CORPORATION:

Section 1.1 - Issuance, Execution and Delivery of the Bonds. The issuance of the Bonds is authorized in accordance with the conditions in the Indenture, and, upon execution and delivery of the Indenture, the authorized representatives of the Corporation named in the Resolution each are authorized to execute and attest to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and the Trustee for authentication (to the extent required in the Indenture), and then to deliver the Bonds to the Underwriter. The interest rate for the Bonds will not exceed the maximum amount allowed under Texas law and the aggregate principal amount will not exceed \$6,000,000.

Section 1.2 - Approval, Execution and Delivery of the Indenture. The form and substance of the Indenture are approved, and the authorized representatives of the Corporation named in this Resolution each are authorized to execute and attest to the Indenture and to deliver the Indenture to the Trustee.

Section 1.3 - Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. The form and substance of the Loan Agreement and the Regulatory Agreement are approved, and the authorized representatives of the Corporation named in this Resolution each are authorized to execute, attest to and to affix the Corporation's seal to the Loan Agreement and the Regulatory Agreement.

Section 1.4 - Approval, Execution, and Delivery of the Bond Purchase Agreement. The sale of the Bonds is approved, the form and substance of the Bond Purchase Agreement are approved solely with respect to the Bonds, and the authorized representatives of the Corporation named in this resolution each are authorized to execute and attest to the Bond Purchase

Agreement, and to deliver the Bond Purchase Agreement to the Borrower and the Underwriter.

Section 1.5 - Approval of Use and Distribution of the Official Statement. That the use and distribution of the Official Statement by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved; and that the authorized representatives of the Corporation named in this Resolution are hereby severally authorized to confirm the accuracy of the information in the Official Statement describing the Corporation and the status of litigation, and deem the Official Statement "final" (as to that information) for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

Section 1.6 - Execution and Delivery of Other Documents. The authorized representatives of the Corporation named in this Resolution each are authorized to execute, attest to, and to affix the Corporation's seal to such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.7 - Exhibits Incorporated. All the terms and provisions of each of the documents listed below as an exhibit are incorporated into and made a part of this Resolution for all purposes:

- Exhibit A - Indenture
- Exhibit B - Loan Agreement
- Exhibit C - Regulatory Agreement
- Exhibit D - Official Statement
- Exhibit E - Bond Purchase Agreement

Section 1.8 - Power to Revise Form of Documents. The authorized representatives of the Corporation named in this Resolution each are authorized to make or approve such revisions in the form of the exhibits as, in the judgment of the authorized representative, and in the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Corporation, may be necessary or convenient to carry out, or assist in carrying out, the purpose

of this Resolution, the approval to be evidenced by the execution of the documents by the authorized representatives of the Corporation named in this Resolution.

Section 1.9 - Authorized Representatives. The President, Vice President, Treasurer, Secretary and Manager are named as authorized representatives of the Corporation for purposes of executing, attesting to, affixing the Corporation's seal to, and delivering the documents and instruments referred to in this Resolution.

Section 1.10 - Meeting. The meeting was held on December 10, 2009 and a quorum was present. The meeting was held in accordance with the Corporation's bylaws.

ADOPTED: December 10, 2009

ATTEST:

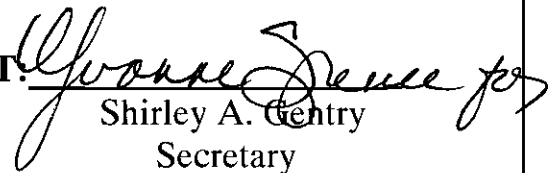

Shirley A. Gentry
Secretary

Exhibit A

The Indenture is included in the Transcript of Proceedings

TRUST INDENTURE

BETWEEN

**AUSTIN HOUSING FINANCE CORPORATION,
AS ISSUER**

AND

**REGIONS BANK,
AS TRUSTEE**

SECURING

**\$ _____
AUSTIN HOUSING FINANCE CORPORATION MULTIFAMILY HOUSING REVENUE BONDS
(GNMA COLLATERALIZED MORTGAGE LOAN—ELM RIDGE APARTMENTS)
SERIES 2010**

DATED AS OF _____, 2010

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TRUST INDENTURE

THIS TRUST INDENTURE, made and dated as of the 1st day of _____, 2010 by and between the Austin Housing Finance Corporation, a housing finance corporation organized and existing under the laws of the State of Texas, particularly Chapter 394 of the Texas Local Government Code, as amended (the “Issuer”), and Regions Bank, an Alabama banking corporation organized and existing under the laws of the State of Alabama, as trustee (the “Trustee”),

WITNESSETH:

WHEREAS, the Issuer has been duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Texas Housing Finance Corporations Act, Chapter 394 of the Texas Local Government Code, as amended (the “Act”), which authorizes the Issuer to issue revenue bonds for the purpose of financing the development of multifamily rental housing for persons of low and moderate income; and

WHEREAS, the Issuer desires to make a loan in the aggregate principal amount of \$ _____ (the “Loan”) to Elm Ridge Affordable Partners, Ltd., an Alabama limited partnership (the “Borrower”), to provide financing for the Development (as hereinafter defined), located within the City of Austin, Texas (the “City”), all for the public purpose of assisting persons of low and moderate income within the State of Texas to afford the costs of decent, safe and sanitary housing; and

WHEREAS, the Issuer has determined to issue its Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Elm Ridge Apartments) Series 2010 in the aggregate principal amount of \$ _____ (the “Bonds”), and to provide the proceeds thereof for the benefit of the Borrower pursuant to a Loan Agreement dated as of _____, 2010 (the “Loan Agreement”) among the Issuer, the Borrower, the Trustee, and Rockport Mortgage Corporation. (the “Lender”), through the purchase of certain mortgage-backed securities (the “Ginnie Mae Certificates”) issued by the Lender in connection with the financing of the Development; and

WHEREAS, upon satisfaction of the conditions set forth herein, the Trustee shall disburse the proceeds of the Bonds to the Lender in exchange for Ginnie Mae Certificates, which will be guaranteed as to the timely payment of principal and interest by the Government National Mortgage Association (“Ginnie Mae”) pursuant to the National Housing Act (as hereinafter defined) and the regulations promulgated thereunder, and the Lender shall use such proceeds received from the Trustee to reimburse advances made by the Lender on the Mortgage Loan (as hereinafter defined); and

WHEREAS, to secure the payment of the principal of the Bonds and the premium, if any, and interest thereon, the Issuer has assigned its rights, title and interests in (except the Unassigned Issuer Rights), and delegated its duties under, the Loan Agreement, without recourse, to the Trustee and has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Issuer, authenticated and delivered by the Bond Registrar, and duly issued, the valid, binding and legal obligations of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, to secure the payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby bargain, sell, convey, mortgage, assign, pledge and grant, without recourse, all of the Issuer's right, title and interest (whether now or hereafter existing) in and to the Trust Estate and a security interest in the following described property to the Trustee and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Issuer hereinafter set forth:

1. all right, title and interest of the Issuer in the Loan Agreement (except for the Unassigned Issuer Rights);
2. all right, title and interest of the Issuer in the Ginnie Mae Certificates, including all payments with respect thereto and any interest, profits and other income derived from the investment thereof;
3. the Funds, including money and investments therein, held by the Trustee pursuant to the terms of this Indenture excluding funds held in the Expense Fund and the Rebate Fund and excluding rebatable arbitrage whether or not deposited in the Rebate Fund;
4. all other property of any kind mortgaged, pledged or hypothecated at any time as and for additional security hereunder by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive all such property at any time and to hold and apply it subject to the terms hereof; and
5. to the extent not covered above, all proceeds of all of the foregoing.

To Have and To Hold all the same, whether now owned or hereafter acquired, with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its successors in such trust and their assigns forever.

In Trust Nevertheless upon the terms and conditions set forth herein, for the equal and proportionate benefit and security and protection of all present and future Owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any other Bonds, except as expressly provided herein.

Provided, However, that if the Issuer, its successors or its assigns shall well and truly pay, or cause to be paid, the principal of and premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and as provided in Article VII according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article IV, or shall provide, as permitted hereby, for the payment thereof in accordance with Article VII, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof and of the Financing Documents, then upon such final payments or deposits as provided in Article VII, this Indenture and the rights hereby granted shall, except as otherwise provided herein, cease, terminate and

be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to evidence the discharge hereof.

This Indenture Further Witnesseth, that the Issuer covenants to and agrees with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01 Definitions. Unless the context requires otherwise, the terms defined in this Section shall, for all purposes of this Indenture and of any certificate, opinion or other document mentioned herein, have the meaning set forth below or as defined in the Loan Agreement or the Regulatory Agreement.

“Accountant” means any firm of independent certified public accountants selected by the Issuer.

“Acquisition Fund” means the Acquisition Fund established by Section 4.01.

“Act” means Chapter 394, Texas Local Government Code, as amended.

“Act of Bankruptcy” means notice to the Trustee that the Borrower has become insolvent or has failed to pay its debts generally as such debts become due or has admitted in writing its inability to pay any of its indebtedness or has consented to or has petitioned or applied to any agency for the appointment of a receiver, liquidator, trustee or similar official for itself or for all or any substantial part of its properties or assets or that any such trustee, receiver, liquidator or similar official has been appointed or that insolvency, reorganization or liquidation proceedings (or similar proceedings) have been instituted by or against the Borrower.

“Arbitrage Consultant” means any accountant, law firm or consultant experienced in the calculation of arbitrage rebate selected by the Borrower.

“Arbitrage Consultant’s Fee” means the fees charged or incurred by the Arbitrage Consultant in fulfillment of its obligations pursuant to the Loan Agreement and this Indenture, which fee shall be payable pursuant to the Loan Agreement.

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

“Authorized Representative” means, with respect to the Trustee, any trust officer thereof; with respect to the Issuer, any member of the governing body of the Issuer and any other officer or employee of the Issuer designated by certificate of any such member as authorized by the Issuer to perform a specified act or sign a specified document; and with respect to the Borrower, any officer of the Borrower or any other Person or Persons designated to act on behalf of the Borrower by a certificate of the Borrower filed with the Issuer and the Trustee.

“Available Money” means payments under the Ginnie Mae Certificates or any money with respect to which the Trustee has received an opinion of nationally recognized bankruptcy counsel to the effect that the use by the Trustee of such money in accordance with this Indenture would not constitute an avoidable preference or be subject to the automatic stay provisions of Sections 547 and 362(a), respectively, of the United States Bankruptcy Code or similar laws of the United States of America or the State in the event a petition in bankruptcy is filed by or against the entity depositing such money.

“Bonds” means the Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Elm Ridge Apartments) Series 2010 in the original aggregate principal amount of \$_____.

“Bond Counsel” means McCall, Parkhurst & Horton L.L.P. or any other firm of nationally recognized bond counsel experienced in tax exempt private activity bond financing selected by the Issuer.

“Bond Fund” means the Bond Fund established pursuant to Section 4.01.

“Bond Purchase Agreement” means the Bond Purchase Agreement among the Issuer, the Borrower, the Underwriter and any other party as set forth therein.

“Bond Register” means the books for registration of the Bonds kept for the Issuer by the Bond Registrar as provided in Section 2.05.

“Bond Registrar” means the paying agent and bond registrar for the Bonds (initially the Trustee having its operations office located in Houston, Texas, or other office designated by the Trustee), which will be utilized to perform payments and transfers.

“Bond Year” means each one year period that ends at the close of business on the day selected by the Borrower. The first and last Bond Years may be short periods. If no day is selected by the Borrower before the earlier of the Maturity Date or the date that is five years after the Closing Date, then Bond Years end on each anniversary of the Closing Date and on the Maturity Date.

“Bondholder” or “Bondowner” or “Holder” or “Owner” means, when used with respect to the Bonds, the owner of a Bond then outstanding under the Indenture as shown on the registration books maintained by the Trustee pursuant to the Indenture.

“Borrower” means Elm Ridge Affordable Partners, Ltd., an Alabama limited partnership, or its successor and assigns.

“Borrower’s Tax Certificate” means the Borrower’s Tax Letter of Representation delivered to the Issuer by the Borrower on the Closing Date in which the Borrower certifies to various facts relating to the Development that bear on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

“Business Day” means any day, other than a Saturday or a Sunday, on which banking institutions are open in the State of Texas and in the states in which the principal corporate trust and payment offices of the Trustee and any of the offices of the Bond Registrar designated from time to time by the Bond Registrar for the transfer or exchange of Bonds are located.

“Capitalized Interest Account” means the Capitalized Interest Account of the Acquisition Fund established pursuant to Section 4.01.

“Carryover Amount” means, as of any Payment Date, the cash flow carryover requirement set forth as the minimum Bond Fund balance for such Payment Date as set forth in the Schedule attached to this Indenture as Exhibit C (or such other amount approved by the Rating Agency).

“City” means Austin, Texas.

“Closing Date” means the date upon which the Bonds are issued and delivered in exchange for the proceeds representing the purchase price of the Bonds paid by the original purchasers thereof, being _____, 2010.

“Code” or “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder, or any successor to the Internal Revenue Code of 1986, as amended. Reference to any particular Code section shall, in the event of such successor Code, be deemed to be reference to the successor to such Code section.

“Comptroller” means the Texas Comptroller of Public Accounts.

“Computation Date” means each Installment Computation Date and the Final Computation Date.

“Condemnation” or the phrase “eminent domain” as used herein shall include the taking or requisition by governmental authority or by a person, firm or corporation acting under governmental authority or a conveyance made under threat of such taking or requisition, and “Condemnation Award” shall mean payment for property condemned or conveyed under Condemnation or threat of Condemnation.

“Construction Loan Certificate” means any Ginnie Mae Certificate, other than the Project Loan Certificate, which represents an amount of proceeds of the Mortgage Loan advanced by the Lender to the Borrower.

“Costs of Issuance” shall have the meaning given to such term in the Regulatory Agreement.

“Costs of Issuance Fund” means the Costs of Issuance Fund established by Section 4.01.

“Dated Date” means _____, 2010.

“Delivery Date” means the date on which the Project Loan Certificate is delivered to the Trustee or its nominee, which shall be on or before _____, unless extended in accordance with Section 4.02(6). If the Project Loan Certificate is not delivered to the Trustee or its nominee on or before _____ or, if applicable, such date to which delivery has been extended in accordance with Section 4.02(6), the Delivery Date shall be deemed to be _____ or, if applicable, such date to which delivery has been extended.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of _____, 2010 among the Borrower, the Dissemination Agent (as defined therein) and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Development” shall have the meaning given to such term in the Regulatory Agreement.

“DTC” means The Depository Trust Company, New York, New York.

“Eligible Tenants” shall have the meaning given to such term in the Regulatory Agreement.

“Expense Fund” means the Expense Fund established pursuant to Section 4.01.

“Event of Default” means, with respect to this Indenture, any of the events enumerated in Section 8.01 of this Indenture and, with respect to the Loan Agreement, any of the events enumerated in Section 6.1 of the Loan Agreement.

“Favorable Opinion of Bond Counsel” means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds).

“FHA” means the Federal Housing Administration of HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

“FHA Insurance” means the insurance of the Mortgage Note by FHA pursuant to Section 221(d)(4) of the National Housing Act.

“Final Computation Date” means the date on which the final payment in full of all Outstanding Bonds is made.

“Financing Documents” means the Loan Agreement, the Indenture, the Regulatory Agreement, the Bonds, the Bond Purchase Agreement, the Continuing Disclosure Agreement and any other instrument or document executed in connection with the Bonds, together with all modifications, extensions, renewals and replacements thereof, but excluding the Ginnie Mae Documents and the Mortgage Loan Documents.

“Funds” means the Funds created and established pursuant to this Indenture, including, but not limited to, the Bond Fund, the Acquisition Fund, the Costs of Issuance Fund and the Expense Fund, but excluding the Rebate Fund.

“Ginnie Mae” means the Government National Mortgage Association, an organizational unit within HUD, or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD and his representatives or agents.

“Ginnie Mae Certificate” means a Construction Loan Certificate or the Project Loan Certificate, as the case may be, each being a mortgage-backed security issued by the Lender and guaranteed as to timely payment of interest, in the case of a Construction Loan Certificate, or of principal and interest, in the case of the Project Loan Certificate, by Ginnie Mae pursuant to the National Housing Act, and the regulations promulgated thereunder and backed by the Mortgage Loan.

“Ginnie Mae Documents” means the commitments issued by Ginnie Mae to the Lender to guaranty the Ginnie Mae Certificates and all other documents, certifications and assurances executed and delivered by the Lender, Ginnie Mae or the Borrower in connection with the Ginnie Mae Certificates.

“Government Obligations” means bonds, notes and other evidences of indebtedness of the United States of America or of any agency or instrumentality thereof backed by the full faith and credit of the United States of America.

“Gross Proceeds” means any Proceeds and any Replacement Proceeds of the Bonds.

“Gross Revenues” means, for the applicable period:

(a) all rents, income, receipts, royalties, revenues, issues, profits, damages and other income of any nature now due or which may become due to the Borrower or to which the Borrower may now or hereafter (including any income of any nature becoming due during any redemption period) become

entitled to, or make demand or claim for, arising or issuing from or out of the leases or from or out of the lease, occupancy or license of the use of the Development, or any part thereof, including but not limited to, rent or payments derived from all leases of the Development, or any part thereof (provided, that any security or other refundable deposits held under leases shall be held and utilized by the Borrower in accordance with the terms of the leases), now or hereafter entered into, and all bonuses, royalties, parking or common area maintenance contributions, tax or insurance contributions, deficiency rents and liquidated damages following default in any lease, excluding any gifts, grants, bequests, donations and contributions made to the Borrower, security deposits of tenants not applied to rent or other charges and disbursements to the Borrower from any Fund held under this Indenture, which disbursements are not subject to the lien and security interest of this Indenture;

(b) investment income with respect to any money held by the Trustee in the funds and accounts established hereunder (except the Rebate Fund); and

(c) all amounts realized by the Trustee pursuant to the exercise of the rights and remedies under the Mortgage.

“Housing Act” shall have the meaning given to such term in the Regulatory Agreement.

“HUD” shall have the meaning given to such term in the Regulatory Agreement.

“HUD Regulatory Agreement” means the Regulatory Agreement between the Borrower and HUD with respect to the Development.

“Indenture” means this Trust Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Information Services” means Financial Information, Inc.’s Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Service’s Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service Municipal and Government, 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor’s Corporation Called Bond Record, 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, or, as the Issuer may designate in a request of the Issuer delivered to the Trustee, to no such services.

“Initial Bond” means the initial bond registered by the Comptroller and subsequently canceled and replaced by definitive bonds pursuant to this Indenture.

“Initial Construction Loan Certificate” means the Construction Loan Certificate backed by the first advance under the Mortgage Loan issued by the Lender to the Trustee or its nominee in an amount not less than \$_____, or such lesser amount if the Trustee receives confirmation of the rating then outstanding on the Bonds from the Rating Agency.

“Initial Construction Loan Certificate Delivery Date” means _____, unless extended pursuant to Section 4.02(9). If the Initial Construction Loan Certificate is not delivered to the Trustee or its nominee on or before _____ or, if applicable, such date to which delivery has been extended in accordance with Section 4.02(9), the Initial Construction Loan Certificate Delivery Date shall be deemed to be _____ or, if applicable, such date to which delivery has been extended.

“Initial Endorsement” means the initial endorsement of the Mortgage Note by FHA for FHA Insurance.

“Installment Computation Date” means the last day of the fifth and each succeeding fifth Bond Year.

“Investment” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Investment Agreement” means the Investment Agreement, effective as of the Closing Date, between the Trustee, at the written direction of the Borrower, and the Investment Agreement Provider providing for investment of money in one or more Funds established herein, and any substitute agreement for the investment of such money, having substantially the same terms, with or guaranteed by an entity the unsecured long-term debt obligations of which are rated by the Rating Agency at least as high as the rating on the Bonds and, upon a downgrading of such rating will provide collateral at a level required by the Rating Agency to maintain a rating of “AAA” on the Bonds or remit such investment to the Trustee and as to which the Trustee has received the confirmation from the Rating Agency required by Section 6.07(5). For Investment Agreements with durations of three years or less, entities having unsecured short-term debt obligations rated “A-1+” by the Rating Agency shall qualify as an eligible investment agreement provider.

“Investment Agreement Provider” means _____.

“Investor Limited Partner” means _____, and its permitted successors and assigns.

“Issuer” means the Austin Housing Finance Corporation, together with its successors and assigns.

“Issuer Compliance Fee” means the annual prorated amount payable June 20 of each year beginning June 20, 2010 to the Issuer for its ordinary monitoring fees and expenses under the Indenture during the Qualified Project Period in an amount equal to not less than the greater of (a) .0003 times the amount of Bonds Outstanding on January 20, (b) \$12 times the number of units in the Project, or (c) \$1,200 per year.

“Lender” means Rockport Mortgage Corporation., a _____ corporation, or its successors and assigns or, if any such entity loses its status as an FHA approved mortgagee, any other mortgagee approved by FHA, and their respective successors or assigns.

“Lender Commitment” means the commitment letter relating to the Mortgage Loan from the Lender to the Borrower.

“Letter of Representations” means the Blanket Issuer Letter of Representations provided by the Issuer to DTC.

“Loan Agreement” means the Loan Agreement dated as of _____, 2010, among the Issuer, the Borrower, the Trustee and the Lender, and any amendments thereto.

“Low-Income Tenants” shall have the meaning given to such term in the Regulatory Agreement.

“Maturity Date” means the final maturity date of the Bonds.

“Mortgage” means the Deed of Trust under which the Borrower is grantor and the Lender is beneficiary, and any amendments thereto.

“Mortgage Loan” means the loan from the Lender to the Borrower evidenced by the Mortgage Note and secured by the Mortgage.

“Mortgage Loan Documents” means the Mortgage, Mortgage Note, HUD Regulatory Agreement and all other documents required by the Lender and/or HUD in connection with the Mortgage Loan.

“Mortgage Note” means the Deed of Trust Note of the Borrower payable to the order of the Lender in the principal amount of \$_____ and any riders thereto or amendments thereof.

“National Housing Act” means the National Housing Act (12 U.S.C. § 1701), as amended, and the applicable regulations thereunder.

“Net Proceeds” means any Net Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

“Net Sale Proceeds” means the Sale Proceeds less any Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund.

“No-Arbitrage Certificate” means the No-Arbitrage Certificate executed and issued by the Issuer, dated the Closing Date.

“Nonpurpose Investments” means any “investment property,” within the meaning of Section 148(b) of the Code, that is not a purpose investment acquired to carry out the governmental purpose of the Bonds.

“Operating and Maintenance Expenses” means, in the aggregate, for any period, all current expenses of the ownership, operation and maintenance of the Development for such period, as determined on an accrual basis, including but not limited to (a) any trustee, servicing, administration and other fees due in connection with the Bonds, developer fee and Investor Limited Partner asset management fee, and (b) all deposits to the reserves established under the Indenture, but excluding, however, depreciation, amortization and other non-cash expenses with respect to such period.

“Opinion” means a written opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel to but shall not be a full time employee of the Issuer, the Borrower or the Trustee.

“Outstanding”, as applied to the Bonds, means, as of the applicable date, all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except the following:

- (a) Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption, on or prior to such date;
- (b) Bonds described in Section 7.01; and
- (c) Bonds in lieu of which others have been executed and authenticated under Section 2.06 or 2.07;

provided that Bonds that are owned by the Issuer, the Borrower or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or the Borrower shall be deemed not to be Outstanding for purposes of determining whether the Owners of the requisite percentage of Bonds have concurred in any demand, direction, request, notice, consent, waiver or other action under this Indenture, except that for purposes of determining whether the Trustee shall be protected

in relying on any such concurrence of Owners, only Bonds known by the Trustee to be so owned shall be deemed not to be Outstanding. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for such purposes, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or the Borrower. In case of a dispute as to such right, the Trustee shall be fully protected in relying on an Opinion of counsel. At the time of any such determination, the Issuer shall furnish the Trustee a certificate of an Authorized Representative of the Issuer, upon which the Trustee may rely, describing all Bonds held by the Issuer so to be excluded.

"Payment Date" means the 20th day of each June and December, commencing June 20, 2010. In the case of payment of defaulted interest, "Payment Date" also means the date of such payment established pursuant to Section 2.02.

"Permitted Investments" means, to the extent permitted by law, any of the following:

- (a) Government Obligations;
- (b) Federal Housing Administration's debentures;
- (c) Federal Home Loan Mortgage Corporation's participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts), which guarantee full and timely payment of principal and interest and senior debt obligations;
- (d) Farm Credit Banks' (Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system wide bonds and notes;
- (e) Federal Home Loan Banks' consolidated debt obligations;
- (f) Fannie Mae's mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) and senior debt obligations;
- (g) Resolution Funding Corp.'s debt obligations;
- (h) Federal funds, certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having original maturities of not more than 365 days) of any bank (including the Trustee or any affiliate of the Trustee), the unsecured short term obligations of which are rated "A-1+" by the Rating Agency;
- (i) deposits that are fully insured by the Federal Deposit Insurance Corp. with a banking institution rated "A-1+" by the Rating Agency;
- (j) debt obligations rated "AAA" by the Rating Agency (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);
- (k) commercial paper (having original maturities of not more than 90 days) rated "A-1+" by the Rating Agency;
- (l) shares of a money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the

federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of AAAm or AAAmG by the Rating Agency, which only invests in obligations listed in (a) hereof, and repurchase agreements and reverse repurchase agreements relating to such securities, including money market mutual funds from which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund;

(m) shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of AAAm or AAAmG by the Rating Agency, for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund;

(n) repurchase agreements with any institution the unsecured, uninsured and unguaranteed debt obligations of which are rated “AAA” by the Rating Agency if the term is greater than three months, or commercial paper of which is rated “A-1+” by the Rating Agency;

(o) any Investment Agreement; and

(p) any and all other obligations of investment grade and having a national recognized market including, but not limited to, rate guarantee agreements, guaranteed investment contracts, or other similar arrangements offered by any firm, agency, business, governmental unit, bank, insurance company, or other entity, provided that each such obligation shall permit moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys.

“Person” shall have the meaning given to such term in the Regulatory Agreement.

“Principal Office” means the corporate trust office of the Trustee situated in the city in which the Trustee is described as being located or such other corporate trust office designated by the Trustee as its Principal Office for purposes of this Indenture. The Principal Office of the initial Trustee shall be the address designated in Section 12.04.

“Project Loan Certificate” means the Ginnie Mae Certificate issued after the Mortgage Loan is finally endorsed for FHA Insurance which for purposes hereof may be either a Ginnie Mae permanent security with a “PN” designation or a “PLC”.

“Qualified Project Costs” shall have the meaning given to such term in the Regulatory Agreement.

“Qualified Project Period” shall have the meaning given to such term in the Regulatory Agreement.

“Rating Agency” means Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Reasonably Required Reserve or Replacement Fund” means any fund described in Section 148(d) of the Code provided that the amount thereof allocable to the Bonds invested at a Yield materially higher than the Yield on the Bonds does not exceed at any time the least of (a) 10% of the stated principal amount of the Bonds (or Sale Proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Bonds), (b) the

maximum annual principal and interest requirements of the Bonds, or (c) 125 percent of average annual principal and interest requirements of the Bonds, within the meaning of Section 148(d) of the Code.

“Rebate Amount” has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with Section 1.148-3 of the Regulations. In the case of any Temporary Period Issue, the “Rebate Amount” as of any Computation Date shall be limited to the “Rebate Amount” attributable to any Reasonably Required Reserve or Replacement Fund.

“Rebate Analyst Fee” means the annual fee of the Rebate Analyst during the term of this Indenture, if any, for its rebate calculation services, in an amount not to exceed \$1,000 per year, that is due and payable every five (5) years, commencing on the fifth anniversary of the Closing Date and every five (5) years thereafter; provided, however, in the event of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates (other than prepayment in accordance with the scheduled amortization of the Mortgage Loan), the maximum amount of such Rebate Analyst Fee payable from moneys withdrawn from the Bond Fund pursuant to Section 4.03 hereof in any year shall be reduced (from the aforesaid maximum amount per year of \$1,000) by the same fraction that the monthly payment on the Ginnie Mae Certificates is reduced, and the Borrower will be responsible to pay the remaining amount of the Rebate Analyst Fee pursuant to Section 4.1(b) of the Loan Agreement.

“Rebate Fund” means the fund of that name, the creation of which is provided for in Section 4.01.

“Record Date” means the 15th day preceding each Payment Date whether or not a Business Day.

“Regulations” shall have the meaning given to such term in the Regulatory Agreement.

“Regulatory Agreement” means the Regulatory and Land Use Restriction Agreement dated as of the date hereof, among the Borrower, the Issuer and the Trustee, together with any amendments and supplements thereto permitted thereby.

“Related Party” shall have the meaning given to such term in Section 1.150-1(b) of the Regulations.

“Replacement Proceeds” has the meaning set forth in Section 1.148-1(c) of the Regulations.

“Resolution” means the Resolution of the Issuer adopted on November 5, 2009, authorizing the issuance of the Bonds and approving the documents related thereto.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4191; Midwest Securities Trust Company, Capital Structures - Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax (312) 663-2343; Pacific Securities Depository Trust Company, Pacific and Company, P.O. Box 7041, San Francisco, California 94120, Fax (415) 393-4128; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496-5058; or, in accordance with the then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories or, as the Issuer may designate in a request of the Issuer delivered to the Trustee, to no such depositories.

“Sinking Fund Redemption Date” means each June 20 and December 20 in each of the years specified in Section 3.01(3).

“Sinking Fund Redemption Requirements” shall mean the aggregate principal amount of the Bonds required to be redeemed on each Sinking Fund Redemption Date pursuant to Section 3.01(3).

“Special Mandatory Redemption Account” means the Special Mandatory Redemption Account established in the Bond Fund.

“Special Projects” mean projects located in the City of Austin, Texas or projects that directly benefit residents of the City of Austin, Texas and which receives the written approval of the Issuer. The definition may also include: (a) first-time homeowners counseling, (b) first-time down payment and closing cost assistance, (c) single and multi-family rental developments, (d) social service, educational and counseling services for Borrower residents in Austin, Texas, (e) actions taken to prevent Events of Default, and (f) actions taken to maintain or enhance the value of the Development or (g) programs to aid and assist low-income tenants. Projects listed in the second sentence hereof do not require the written approval of the Issuer.

“Special Projects Funds” mean, with respect to a fiscal year, the amount equal to 9.5% times the difference of Gross Revenues from the sum of (1) Operating and Maintenance Expenses, (2) resident services expenses and (3) payments on Borrower's equity investment, and/or promissory note scheduled payments of principal and interest on indebtedness.

"Special Projects Statement"- Has the meaning set forth in Section 3.9 of the Agreement.

“Special Record Date” means the date established by the Trustee pursuant to Section 2.02 as a record date for the payment of defaulted principal of or interest on the Bonds.

“State” means the State of Texas.

“State Restrictive Period” shall have the meaning given to such term in the Regulatory Agreement.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Issuer and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

“Tax Certificates” means, together, the Borrower's Tax Certificate and the No-Arbitrage Certificate.

“Temporary Period Issue” means any issue of bonds that meets either the six-month exception or the 18-month exception set forth in Section 1.148-7 of the Regulations.

“Treasury Regulations” shall have the meaning of the term “Regulations” set forth in the Regulatory Agreement.

“Trust Estate” means the trust estate pledged by the Issuer and described in the Granting Clauses of this Indenture.

“Trustee” means Regions Bank, an Alabama banking corporation organized and existing under the laws of the State of Alabama, or its successor, as Trustee hereunder.

“Trustee Fees” means the amount payable by the Borrower to the Trustee pursuant to Section 4.1(b) of the Loan Agreement for its ordinary services hereunder, in an amount equal to \$3,500, payable annually in advance in an annual installment on each June 20, commencing June 20, 2010; provided, however, in the event of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates (other than prepayment in accordance with the scheduled amortization of the Mortgage Loan), the maximum amount of such Trustee Fees payable from moneys withdrawn from the Bond Fund pursuant to Section 4.03(b) hereof in any year shall be reduced (from the aforesaid maximum amount per year of \$3,500) by the same fraction that the monthly payment on the Ginnie Mae Certificates is reduced, and the Borrower will be responsible to pay the remaining amount of the Trustee Fees pursuant to Section 4.1(b) of the Loan Agreement. Such amount includes the fees of the Trustee in its capacity as Dissemination Agent under the Continuing Disclosure Agreement.

“Unassigned Issuer Rights” means (a) all of the Issuer’s right, title and interest in and to all reimbursement and indemnification rights of the Issuer, (b) the right to receive notices and to make any determination and to grant any approval or consent to anything in the Financing Documents requiring the determination, consent or approval of the Issuer, (c) all rights of the Issuer to enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Borrower’s Tax Certificate and in the Regulatory Agreement, (d) any and all rights, remedies and limitations of liability of the Issuer set forth in the Financing Documents regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act and in the Financing Documents, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of the Financing Documents, and (g) any and all rights required for the Issuer to comply with Section 2306.186 of the Act.

“Underwriter” means Merchant Capital, L.L.C.

“Yield” shall have the meaning given to such term in the Regulatory Agreement.

Section 1.02 Interpretation. Unless otherwise clear from the context of the terms, words or phrases, the following principles govern the interpretation of terms, words and phrases used in this Indenture:

1. The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

2. All references herein to “Articles”, “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

3. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not limit or otherwise affect the meaning, construction or effect of this Indenture or describe the scope or intent of any provisions hereof.

4. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

5. Every “request”, “order”, “demand”, “application”, “appointment”, “notice”, “statement”, “certificate”, consent”, or similar action hereunder by any party shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature.

6. Words importing any gender include masculine, feminine and neuter genders, where applicable.

7. Unless the context indicates otherwise, all references to rating categories shall be deemed to be without regard to any refinement or gradation of such categories by numerical modifiers or otherwise.

8. If any provision of this Indenture provides for the approval or consent of any party or any waiver by any party and if a basis for such party granting such approval, consent or waiver is not otherwise stated, then it is understood and agreed that such approval or consent will be given by such party in its discretion. Whenever any party shall have the right or option in this Indenture to exercise any discretion, to determine any matter, to accept any presentation or to approve any matter, such exercise, determination, acceptance or approval shall, without exception, be in such party’s sole and absolute discretion.

9. References to the Bonds as “tax-exempt” or to the tax-exempt status of the Bonds are to the exclusion of interest on the Bonds (other than Bonds held by a “substantial user” of the Development or a “related person” within the meaning of Section 147(a) of the Code) from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

Section 1.03 Content of Certificates and Opinions. Every certificate or opinion provided for in this Indenture with respect to compliance with any provision hereof made or given by an Authorized Representative of the Issuer or the Borrower may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion or representation given by counsel or an accountant, unless such Authorized Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement is based is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters with respect to which information is in the possession of the Issuer or the Borrower, as applicable, upon a certificate or opinion of or representation by an officer of the Issuer or the Borrower, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such certificate, opinion or representation is based is erroneous. The same representative of the Issuer or the Borrower, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel or accountants may certify to different matters.

ARTICLE II THE BONDS

Section 2.01 Authorization of Bonds. The Bonds of the Issuer, designated “Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Elm Ridge Apartments) Series 2010” are hereby authorized. The aggregate principal amount of Bonds that may be issued and Outstanding under this Indenture shall not exceed \$_____. This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions contained herein.

Section 2.02 Denominations, Maturity, Interest Rates and Payment of Bonds; Book-Entry Form. The Bonds shall be fully registered in Authorized Denominations and shall initially be numbered consecutively from R-1 upward. The Bonds shall be dated _____, 2010, and shall mature on each of the dates and in each of the years, in the aggregate principal amounts and shall bear interest from the Dated Date of the Bonds at the rates set forth below:

Series 2010 Bonds

Stated Maturity	Principal Amount (\$)	Interest Rate (%)
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The Bonds shall be subject to redemption as provided in Article III.

1. The principal of and interest on the Bonds are payable in lawful money of the United States of America. Payments of interest on each Bond shall be paid by the Bond Registrar on each Payment Date by check mailed by first class mail, postage prepaid, on the Payment Date to the Owner of such Bond as shown on the Bond Register at the close of business on the applicable Record Date at the address of the Owner as it appears on the Record Date in the Bond Register or, at the written request, risk and expense of the Owner, by wire transfer of immediately available funds to an account within the United States designated in writing by the Owner not less than 15 days prior to the Record Date. Payments of principal of any Bond shall be made upon presentation and surrender of the Bond to an office of the Bond Registrar designated by the Bond Registrar for that purpose. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee, payment of principal, premium, if any, and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

Interest on the Bonds shall be computed on the basis of a 360-day year consisting of twelve, 30-day months. Interest on the Bonds from the Dated Date or from the most recent date to which interest has been paid shall be payable on each Payment Date until the Bonds mature or are duly called for redemption prior to maturity. Any principal or interest not punctually paid or duly provided for hereunder shall forthwith cease to be payable to the Owners as of the applicable Record Date and shall be paid to the Persons in whose names the Bonds are registered at the close of business on a Special Record Date for the payment of such defaulted principal or interest, such Special Record Date and the date of such payment to be fixed by the Trustee in its sole discretion and notice thereof to be given by or on behalf of the Trustee to the Owners not less than 10 days prior to such Special Record Date.

The interest payable on each Payment Date shall be that interest which has accrued through the last day preceding the Payment Date or, in the case of the maturity or redemption of the Bonds, the last day preceding the date of such maturity or the date fixed for redemption, as the case may be.

2. The Bonds initially shall be registered in the name of CEDE & CO., as the nominee of DTC. The Bonds so registered shall be held in fully-immobilized form by DTC as depository. For so long as any Bonds are held in fully-immobilized form, DTC or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominees and shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except to any successor of DTC or its nominee, if that

successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; to any substitute depository appointed by the Issuer or such substitute depository's successor; or to any Person as provided if the Bonds are no longer held in immobilized form.

While the Bonds are registered in the name of CEDE & Co. as nominee of DTC, neither the Issuer nor the Trustee shall have any responsibility or obligation to any direct or indirect participant in DTC, any Person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other Person which is not shown on the Bond Register as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any such participant; (ii) the payment by DTC or any such participant of any amount in respect of the principal or redemption price of or interest on the Bonds; (iii) the delivery to any participant or to any other Person, other than the Owners as shown on the Bond Register, of any notice with respect to the Bonds, including any notice of redemption; (iv) the selection of DTC or any such participant of any Person to receive payment in the event of a partial redemption of the Bonds; or (v) any consent given or other action taken by DTC as Owner.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the Issuer that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Issuer may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Issuer determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any Person as herein provided, and the Bonds no longer shall be held in fully immobilized form.

3. The Initial Bond shall be numbered I-1 and upward, shall be registered by the Comptroller, and shall be payable to CEDE & CO. Such Initial Bond shall be identical to the form of Bond attached hereto as Exhibit A, except that the second to the last paragraph on the last page before the execution page shall read as follows:

“THIS BOND SHALL NOT BE VALID OR BECOME OBLIGATORY for any purpose or be entitled to any benefit or security under the Indenture unless the Comptroller's Registration Certificate hereon has been executed by an authorized representative of the Comptroller of Public Accounts of the State of Texas by manual signature.”

In lieu of the Certificate of Authentication of the Bond Registrar, the Initial Bond shall contain the following certificate:

“REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	
	§	REGISTER NO. _____
THE STATE OF TEXAS	§	

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)”

The provisions of Exhibit A may be rearranged or re-ordered for purposes of the Initial Bond.

Section 2.03 Form, Execution and Authentication of Bonds; Limited Obligations.

1. The Bonds, including the Initial Bond to be delivered hereunder, shall be in Authorized Denominations and in substantially the form attached hereto as Exhibit A, with such variations, omissions and insertions as are permitted or required by this Indenture. The Bonds, including the Initial Bond to be delivered hereunder, shall be executed on behalf of the Issuer by the manual or facsimile signature of the President of the governing board of the Issuer and attested by the manual or facsimile signature of the Secretary to the governing board of the Issuer and shall bear the Issuer’s seal or a facsimile thereof. Any facsimile signatures shall have the same force and effect as if said officers had manually signed the Bonds. The Bonds may be typewritten, printed, engraved, lithographed or otherwise produced.

2. In case any officer of the Issuer whose signature or whose facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile thereof shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until authentication; and any Bond may be signed on behalf of the Issuer by such persons as are at the time of execution of such Bond proper officers of the Issuer, even though at the date of this Indenture, such person was not such officer.

3. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until such Bond has been (i) duly registered by the Comptroller by the execution of a registration certificate of the Comptroller substantially in the form as set forth in Section 2.02(4) herein and appearing on the Initial Bond or (ii) authenticated by the Trustee by the execution of the Trustee’s certificate of authentication substantially in the form set forth in Exhibit A to this Indenture and appearing on the Bonds, other than the Initial Bond. The registration certificate of the Comptroller shall be manually executed by said Comptroller (or a deputy designated in writing to act for said Comptroller) and the seal of the Comptroller shall be impressed, or placed in facsimile, on the registration certificate. The execution of the registration certificate shall be conclusive evidence that the Initial Bond has been duly issued under this Indenture and that the holder thereof is entitled to the benefits of this Indenture. Upon receipt of the Initial Bond by the Issuer, with the registration certificate thereon so executed and sealed as aforesaid, the Issuer shall deliver such Initial Bond to the Trustee. The Trustee, upon satisfaction of the conditions specified below in Section 2.04, shall cancel the Initial Bond and shall deliver the definitive Bonds to the initial purchasers thereof or their designee, in substitution of the Initial Bond. The certificate of authentication of the Trustee appearing on any Bond shall be deemed to have been duly executed by the Trustee if manually signed by an authorized signatory of the Trustee. It shall not be required that the same signatory of the Trustee sign the certificate of authentication on all of the Bonds.

4. NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THIS INDENTURE OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION HERewith WHICH SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THIS INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

5. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member, officer, employee or agent of the Issuer in his individual capacity, and neither the members of the Issuer nor any officer thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member, officer, employee or agent of the Issuer shall incur any personal liability with respect to any other action taken by him pursuant to this Indenture or the Act, provided such member, officer, employee or agent acts in good faith.

6. No agreements or provisions contained in this Indenture nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Development or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against the general credit of the Issuer, or shall obligate the Issuer financially in any way except as may be payable from the repayments by the Borrower under the Loan Agreement and the proceeds of the Bonds and other amounts pledged hereunder as part of the Trust Estate. No failure of the Issuer to comply with any term, condition, covenant or agreement herein or in any document executed by the Issuer in connection with the issuance and sale of the Bonds shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the repayments by the Borrower under the Loan Agreement or proceeds of the Bonds and other amounts pledged hereunder as part of the Trust Estate. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein, provided that no costs, expenses or other monetary relief shall be recoverable from the Issuer except as may be payable from the repayments by the Borrower or the proceeds of the Bonds and other amounts pledged hereunder as part of the Trust Estate.

7. No recourse shall be had for the payment of the principal of or premium or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture against any past, present or future officer, member, employee or agent of the Issuer, or of any successor public corporation to the Issuer, as such, either directly or through

the Issuer or any successor public corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees or agents, as such, is hereby expressly waived and released as a condition of, and consideration for, the execution of this Indenture and the issuance of such Bonds.

8. Anything in this Indenture to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that (i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer; (ii) the Issuer shall be under no obligation hereunder to perform any record keeping or to provide any legal services; and (iii) none of the provisions of this Indenture shall require the Issuer 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 hereunder, unless it shall first have been adequately indemnified to its satisfaction against the cost, expenses, and liability which may be incurred thereby.

9. None of the members of the Issuer, any officer of the Issuer or any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds are issued pursuant to the Act, and the Bonds shall so state on their face.

10. NONE OF THE UNITED STATES OF AMERICA, HUD, FHA, GINNIE MAE, OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA, NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES, HUD, FHA, GINNIE MAE OR ANY AGENCY OR INSTRUMENTALITY THEREOF.

Section 2.04 **Conditions Precedent to Delivery of Bonds.** The Trustee shall authenticate and deliver the Bonds at the written request of the Issuer when the Trustee shall have received the following:

1. a certified copy of the Resolution;
2. an original executed counterpart of this Indenture;
3. original executed counterparts of the Loan Agreement and the Tax Certificates;
4. a copy of the Regulatory Agreement and written instructions to the title company responsible for the recordation of the Regulatory Agreement directing such title company to record the Regulatory Agreement at such time as the Mortgage and HUD Regulatory Agreement are recorded;
- [5. the Investment Agreement;]
6. an opinion of Bond Counsel substantially to the effect that the Bonds constitute legal, valid and binding special limited obligations of the Issuer and that under existing statutes,

regulations, published rulings and judicial decisions, the interest on the Bonds is not includable in gross income for federal income tax purposes except with respect to the interest on any Bond for any period during which such Bond is held by a “substantial user” of the Development or a “related person,” as those terms are defined for purposes of Section 147(a) of the Code;

7. amounts that the Trustee is required to deposit pursuant to this Indenture;
8. a certificate of the appropriate official of the Issuer attesting to the incumbency of the members, officers or employees of the Issuer and to such other matters as Bond Counsel may require;
9. Internal Revenue Service Form 8038 completed by the Issuer with respect to the Bonds;
10. an opinion of counsel for the Borrower to the effect that the Financing Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower and are valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms subject to customary qualifications and exceptions;
11. a request and authorization to the Trustee on behalf of the Issuer and signed by an authorized representative of the Issuer to authenticate and deliver the Bonds in such specified denominations as permitted herein to the initial purchaser or purchasers, or at their direction, therein identified upon payment to the Trustee, but for the account of the Issuer, of a specified sum of money;
12. the opinion of the Attorney General of the State of Texas approving the Bonds;
13. the Initial Bond, including the certificate of registration from the Comptroller; and
14. any other documents or opinions which the Trustee, the Issuer or Bond Counsel may reasonably require, which requirement shall be deemed to be satisfied upon the delivery of the opinion of Bond Counsel on the Closing Date.

Section 2.05 Registration; Transfer of Bonds. The Issuer shall cause the Bond Register for the registration and transfer of the Bonds as provided in this Indenture to be kept by the Bond Registrar.

Upon surrender for transfer or exchange of any Bonds in certificated form at an office of the Bond Registrar designated by the Bond Registrar for that purpose, the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same maturity and interest rate, and for the aggregate principal amount the Owner is entitled to receive. No transfer of any Bond shall be binding upon the Bond Registrar, the Issuer or the Trustee unless made at such office and shown on the Bond Register.

Any Bond in certificated form presented for transfer or payment (if so required by the Bond Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for payment, in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by its attorney duly authorized in writing.

The costs of printing any new Bonds and any services rendered or expenses incurred by the Bond Registrar or the Issuer in connection with any exchange or transfer of Bonds (including the exchange or

transfer of a Bond redeemed only in part) shall be paid by the Borrower, except that as a condition to a transfer of a particular Bond, the Bond Registrar may require payment by the Bondowner of a sum sufficient to cover any tax, fee or other governmental charge that the Bond Registrar is required to pay in relation thereto.

Each Bond delivered upon transfer of or in lieu of any other Bond shall be a valid obligation of the Issuer evidencing the same debt as the Bond surrendered, and except as otherwise provided herein shall be entitled to all of the security and benefits hereof to the same extent as the Bond surrendered, shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond, and shall be so dated that neither gain nor loss of interest shall result from such transfer or exchange.

The Bond Registrar shall not be required to exchange or transfer any Bond or portion thereof that has been selected for redemption and also shall not be required to transfer or exchange any Bond or portion thereof during the period in which the Bond Registrar is selecting Bonds for redemption or during the 15 days preceding any principal payment or redemption date.

Section 2.06 Mutilated, Lost, Stolen and Destroyed Bonds: Cancellation of Bonds. In case any Bond issued hereunder shall become mutilated or be destroyed, stolen or lost, the Issuer shall cause to be executed and delivered a new Bond of like amount, interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of such mutilated Bond, or in lieu of and in substitution for such destroyed, stolen or lost Bond, upon payment by the Owner thereof of any applicable tax or governmental charge and the expenses and charges of the Issuer and the Bond Registrar in connection therewith, and in the case of a Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and furnishing the Issuer and the Bond Registrar with indemnity satisfactory to each of them. If the mutilated, destroyed, stolen or lost Bond already has matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

Section 2.07 Cancellation. All Bonds that have been redeemed pursuant to Article III shall be canceled and disposed of by the Bond Registrar in accordance with Section 2.09 and shall not be reissued.

Section 2.08 Ownership of Bonds. The Issuer, the Bond Registrar and the Trustee shall deem and treat the Person in whose name any Bond is then registered on the Bond Register or its nominee, whether or not such Bond shall be overdue, as the Owner of such Bond for the purpose of receiving payment of the principal of and premium, if any, and interest on such Bond and for all other purposes whatsoever, and the Issuer, the Bond Registrar and the Trustee shall not be affected by any notice to the contrary.

Section 2.09 Disposition of Bonds. Whenever any Bonds shall be delivered to the Bond Registrar for cancellation pursuant to this Indenture or if received by the Bond Registrar pursuant to Section 2.05, such Bonds shall be canceled promptly, held by the Bond Registrar for its retention period then in effect, and thereafter disposed of by the Bond Registrar in accordance with its general practices and procedures in effect from time to time after payment, if applicable, of the principal amount and premium, if any, and interest accrued thereon, in each case after a reasonable period of time, and counterparts of a certificate evidencing such disposition shall be furnished by the Bond Registrar to the Trustee and the Issuer from time to time upon request.

Section 2.10 Other Secured Obligations. Nothing contained in this Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Issuer from issuing, without regard to the provisions of this Indenture, bonds, notes, certificates, warrants or other evidences of indebtedness that are (1) payable as to principal and interest and redemption premium solely from revenues, proceeds and

earnings that are not part of the Trust Estate or Bond proceeds, and (2) not payable, in whole or in part, from money in any of the Funds or in the Rebate Fund.

ARTICLE III REDEMPTION OF BONDS

Section 3.01 Redemption of Bonds. The Bonds are subject to redemption prior to maturity as provided in this Section. On each redemption date the Trustee shall transfer to the Bond Registrar, but only from and to the extent of funds held by the Trustee hereunder available for such purpose, an amount sufficient to pay the redemption price of all Bonds or portions thereof to be redeemed on such redemption date. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

1. Optional Redemption of Bonds. In the event the Borrower exercises any option to prepay the Mortgage Note and amounts are paid to the Trustee under the Ginnie Mae Certificates representing such prepayments, the Bonds are subject to redemption prior to maturity as a whole or in part at any time on or after _____, on the first date after such prepayment for which timely notice of redemption can be given under Section 3.03, at a redemption price equal to the par amount thereof plus accrued interest to the redemption date.

2. Extraordinary Mandatory Redemption. The Bonds are required to be redeemed as follows:

(a) (i) in part, on the 15th day following the Delivery Date (as such date may be extended in accordance with Section 4.02(6)), in an amount equal to the remainder, if any, of (A) the aggregate principal amount of the Bonds then Outstanding less (B) the amount of the Construction Loan Certificates as delivered to the Trustee or its nominee, and (ii) in whole, on the maturity date of the Construction Loan Certificates (as such date may be extended in accordance with Section 4.02(6)), in each case, if the Project Loan Certificate is not delivered to the Trustee or its nominee on or before the Delivery Date (as the same may be extended), as provided in Section 4.02(6); or

(b) in part, on the 15th day following the Delivery Date (as such date may be extended in accordance with Section 4.02(6)), in an amount equal to the remainder, if any, of (i) the aggregate principal amount of the Bonds then Outstanding less (ii) the amount of the Project Loan Certificate delivered to the Trustee or its nominee; or

(c) in whole or in part in an amount equal to the corresponding payments on a Ginnie Mae Certificate, on the 15th day following receipt of such payments, if the Trustee receives payments on the Ginnie Mae Certificate exceeding regularly scheduled payments of principal and interest thereon on account of (i) payment of proceeds of the FHA Insurance, (ii) proceeds of any Condemnation Award or of any insurance recovery being applied to the prepayment of the Mortgage Note, (iii) a trustee in a bankruptcy proceeding with respect to the Borrower causing the Borrower to prepay the Mortgage Note without notice or premium, or (iv) any other reason (other than an optional prepayment of the Mortgage Note), including prepayment made by the Borrower following a determination by HUD that such prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the federal government; or

(d) in part, on the 15th day following the Initial Construction Loan Certificate Delivery Date (as such date may be extended pursuant to Section 4.02(9)) if the Initial

Construction Loan Certificate is not delivered to the Trustee or its nominee on or before the Initial Construction Loan Certificate Delivery Date in an amount equal to at least \$_____ in an amount equal to the remainder of (i) \$_____ less the amount of (ii) the Initial Construction Loan Certificate.

In the event of a redemption pursuant to this subsection, the Bonds shall be redeemed at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

3. Mandatory Sinking Fund Redemption.

(a) The Bonds are required to be redeemed in part at a redemption price equal to 100% of the principal amount thereof to be redeemed plus interest accrued to the Sinking Fund Redemption Date in the amounts and on the Sinking Fund Redemption Dates set forth below:

Bonds Maturing _____

<u>Redemption Date</u>	<u>Principal Amount</u>
------------------------	-------------------------

*Final maturity

Bonds Maturing _____

<u>Redemption Date</u>	<u>Principal Amount</u>
------------------------	-------------------------

*Final maturity

(b) After any partial redemption of the Bonds under Section 3.01(1) or 3.01(2), the Sinking Fund Redemption Requirements of the Bonds shall be reduced so that the resulting decrease in the Sinking Fund Redemption Requirements is proportional, as nearly as practical, to the decrease in payments under the Ginnie Mae Certificates, except that in the event of a partial redemption of Bonds pursuant to Section 3.01(2)(b), the portion, if any, of such redemption that is due to amortization of the Mortgage Loan shall be credited against the next succeeding Sinking Fund Redemption Requirement and applied on the next Sinking Fund Redemption Date and shall not be considered when calculating any decrease in the Sinking Fund Redemption Requirements. Such calculation shall be performed by or on behalf of the Borrower, and the Borrower shall submit revised Sinking Fund Redemption Requirements to the Trustee at the time of redemption.

(c) If the Project Loan Certificate is not delivered by the Delivery Date (as such date may be extended pursuant to Section 4.02(6)), no Bonds shall be redeemed pursuant to Section 3.01(3)(a).

(d) If the Trustee receives any payments from the Lender that exceed the regularly scheduled payments of principal and interest on the Mortgage Note, the Lender shall specify the nature of such payments to the Trustee upon delivery of such payments.

Section 3.02 Selection of Bonds for Redemption. In the event of a partial redemption of Bonds, the Bonds or portions thereof to be redeemed shall be selected by the Trustee randomly such that the resulting decrease in debt service on the Bonds of each maturity is proportional to the decrease in payments under the Ginnie Mae Certificates. Each portion of \$5,000 principal amount of the Bonds will be counted as one Bond for such purpose.

Section 3.03 Notice of Redemption.

1. The Trustee, or the Bond Registrar on behalf of the Trustee, shall give notice of redemption not less than 15 nor more than 30 days prior to the redemption date, except that (a) with respect to a redemption pursuant to Section 3.01(2)(a), the Trustee (or Bond Registrar) shall give such notice on the first Business Day following the Delivery Date or the Construction Loan Certificate maturity date, as appropriate; (b) with respect to a redemption pursuant to Section 3.01(2)(b), the Trustee (or Bond Registrar) shall give such notice on the date the Trustee accepts delivery of the Project Loan Certificate; (c) with respect to a redemption pursuant to Section 3.01(2)(c) the Trustee (or Bond Registrar) shall give notice promptly upon receipt of any prepayment of the Ginnie Mae Certificate; and (d) with respect to a redemption pursuant to Section 3.01(2)(d), the Trustee (or Bond Registrar) shall give such notice on the first Business Day following the Initial Construction Loan Certificate Delivery Date. Notice shall be given by first-class mail, postage prepaid, to each Owner of Bonds to be redeemed at the address of such Owner as it appears on the Bond Register and to the Rating Agency, if any, and to such other Persons as the Issuer shall specify to the Trustee in writing. The Trustee shall not send notice of any optional redemption pursuant to Section 3.01(1) unless the Trustee shall have received payment equal to the prepayment premium on the Mortgage Note, if any, plus the amount of principal with respect to the applicable Ginnie Mae Certificate(s). The failure of the Trustee to mail notice of redemption to Persons other than the Owners of Bonds to be redeemed shall not affect the sufficiency of the proceedings for redemption.

2. All official notices of redemption shall be dated, shall be given in accordance with the Letter of Representations if the Bonds are registered in the name of DTC or its nominee, and shall state (a) the redemption date; (b) the redemption price; (c) if less than all Outstanding Bonds are to be redeemed, the identification by letters, numbers or other distinguishing marks (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (d) that on the redemption date the redemption price of each such Bond will become due and payable to the extent of funds on deposit with the Trustee for that purpose, and that interest on the principal amount of each such Bond to be redeemed shall cease to accrue on such date; (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Bond Registrar office of the Trustee; and (f) such additional information as the Trustee or the Issuer shall deem appropriate.

3. In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the

information required above for an official notice of redemption and in addition (a) the complete official title, Closing Date, interest rate and maturity date of each Bond being redeemed, (b) the certificate and CUSIP number of each such Bond, and, in the case of a partial redemption, the amount of the principal represented by each such certificate that is being redeemed, (c) the date of mailing of official notice of redemption, (d) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Bond Registrar office of the Trustee, and (e) any other descriptive information needed to identify accurately the Bonds being redeemed. Further notices of redemption shall be sent by first class mail or overnight delivery service to any Owner owning, on the date such notice is sent, Bonds in the aggregate principal amount of \$1,000,000 or more at the address of such Owner as it appears on the Bond Register.

4. If the Bonds are not then being held under a book-entry system, each further notice of redemption (other than a redemption pursuant to Section 3.01(2)) shall be sent at least 30 days before the redemption date by first class mail or overnight delivery service to the Securities Depositories and to one or more Information Services.

5. A second notice of redemption shall be sent by the same means as the first such notice not later than 60 days after the redemption date to any Owner who shall not have presented for payment the Bond or Bonds called for redemption within 30 days after such date.

6. In the event the Bonds are called for redemption under circumstances resulting in discharge of this Indenture under Section 7.01 more than 90 days before the redemption date, additional official and further notice of redemption satisfying the requirements of this Section shall be given not less than 30 nor more than 60 days prior to such redemption date.

7. Failure to give any official or further notice or any defect therein shall not affect the validity of the proceedings for redemption of any Bond with respect to which no such failure or defect has occurred or exists.

8. Notice of any redemption of Bonds prior to the date the Project Loan Certificate is delivered to the Trustee shall be given to the Lender and the Underwriter in the same manner as such notice is given to the Owners.

Notice of redemption having been given as aforesaid, the principal amount of the Bonds so to be redeemed shall become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the Issuer shall default in the payment of the redemption price) such principal amount of the Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof to the extent that money is on deposit with the Bond Registrar for that purpose. Neither the failure of an Owner to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for such redemption.

If any Bond called for redemption shall not be so paid on the redemption date upon proper surrender of the Bond for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by the Bond immediately before the redemption date.

Notwithstanding the foregoing, with respect to optional redemption pursuant to Section 3.01(1), if the Bond Registrar does not have funds in its possession on the redemption date sufficient to pay the redemption price (including interest accruing to the redemption date) of all of the Bonds to be optionally redeemed for any reason (including, but not limited to, failure to issue any refunding obligations intended

for such purpose on or prior to the redemption date), then the purported optional redemption and such notice of redemption shall be void, and the Bond Registrar shall so notify the Trustee. Such event shall not constitute an Event of Default hereunder.

If any Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Bond Registrar so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the Owner thereof or its attorney duly authorized in writing) and the appropriate officers of the Issuer shall execute and the Bond Registrar shall authenticate and deliver to the Owner of such Bond, without service charge, a new Bond or Bonds of the same interest rate and of any Authorized Denomination or Authorized Denominations, as requested by such Owner, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

ARTICLE IV

APPLICATION OF BOND PROCEEDS; CREATION OF FUNDS AND ACCOUNTS

Section 4.01 Establishment of Funds. There are hereby established with the Trustee the following Funds and accounts therein, to be held in trust for the benefit of the Bondholders and maintained by the Trustee under this Indenture:

1. the Bond Fund (and the Special Mandatory Redemption Account therein);
2. the Costs of Issuance Fund;
3. the Acquisition Fund (and the Capitalized Interest Account therein);
4. the Rebate Fund; and
5. the Expense Fund.

Each Fund and account therein shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in this Indenture. All money deposited in the Funds and accounts created hereunder shall be used solely for the purposes set forth in this Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and account, and all disbursements therefrom, in accordance with its general practices and procedures in effect from time to time.

The Trustee shall, at the written direction of an Authorized Representative of the Issuer, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as the Issuer or the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that Fund and its accounts, or for the purpose of complying with the requirements of the Code, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of this Indenture with respect to a deposit or use of money in the Funds or the Rebate Fund, or result in commingling of funds not permitted hereunder.

Section 4.02 Deposits into Acquisition Fund: Use of Money in Acquisition Fund

1. Deposits. The Trustee shall deposit:
 - (a) into the Acquisition Fund, when and as received, \$_____ from the proceeds of the Bonds and \$_____ from moneys paid by the Underwriter (but not from proceeds of the Bonds); and
 - (b) into the Capitalized Interest Account of the Acquisition Fund \$_____ from moneys paid by the Underwriter (but not from proceeds of the Bonds) to pay interest on the Bonds, to pay accrued interest on the purchased Ginnie Mae Certificates or, with the written approval of the Rating Agency, to

pay costs incurred with obtaining an extension of the Delivery Date. In no event shall proceeds of the Bonds be deposited into the Capitalized Interest Account.

2. Disbursements Generally.

(a) Prior to the Delivery Date, moneys in the Acquisition Fund shall be applied to the acquisition of Ginnie Mae Certificates (including the payment of accrued interest on the Ginnie Mae Certificates). Upon the acquisition thereof, the Initial Construction Loan Certificate and all other Construction Loan Certificates shall be registered in the name of the Trustee or its nominee in and for the benefit of the Acquisition Fund; provided that, all money received from the Construction Loan Certificates and the Project Loan Certificate shall be deposited to the Bond Fund in accordance with Section 4.03(1)(b). On the Delivery Date, moneys in the Acquisition Fund will be disbursed as set forth in Section 4.02(7) hereof.

(b) Prior to the Delivery Date, the Capitalized Interest Account of the Acquisition Fund shall be applied to (i) pay interest on the Bonds, (b) pay accrued interest on the Ginnie Mae Certificates and (c) to the extent available and with the written approval of the Rating Agency, to effectuate any extension of the Delivery Date. On each Payment Date occurring prior to the Delivery Date, the Trustee shall transfer from the Capitalized Interest Account of the Acquisition Fund to the Bond Fund an amount which, together with money held in the Bond Fund (exclusive of money in the Special Mandatory Redemption Account, except to the extent such funds are to be used for the extraordinary mandatory redemption of Bonds), is equal to the interest on the Bonds due on such Payment Date; however, amounts transferred from the Capitalized Interest Account of the Acquisition Fund shall not be used to pay any principal of the Bonds. On the Delivery Date, moneys in the Capitalized Interest Account of the Acquisition Fund will be disbursed as set forth in Section 4.02(7) hereof.

(c) All income received from the investment of money on deposit in the Acquisition Fund and the Capitalized Interest Account therein shall be deposited to the Bond Fund.

3. Initial Construction Loan Certificate Advance. The Trustee shall disburse to the Lender (i) from the Acquisition Fund, an amount equal to the principal amount of the Initial Construction Loan Certificate and (ii) from the Capitalized Interest Account, accrued interest thereon from and including the first day of the month in which the Initial Construction Loan Certificate is delivered to the Trustee or its nominee to, but not including, the date the Initial Construction Loan Certificate is delivered to the Trustee or its nominee; provided that, the pass-through rate of the Initial Construction Loan Certificate shall be ____% per annum and the maturity date of the Initial Construction Loan Certificate is on or after the Delivery Date, but not later than _____, unless the Trustee receives a written confirmation of the existing rating on the Bonds from the Rating Agency.

The Trustee will transfer all money in the Acquisition Fund and the Capitalized Interest Account therein to the Bond Fund for mandatory redemption of the Bonds if the Initial Construction Loan Certificate is not delivered to the Trustee on or before the Initial Construction Loan Certificate Delivery Date; however, such transfer will be delayed if the Initial Construction Loan Certificate Delivery Date is extended pursuant to Section 4.02(9).

If the Trustee does not have the Initial Construction Loan Certificate by the 5th Business Day prior to the Initial Construction Loan Certificate Delivery Date, the Trustee shall notify the Borrower, the Lender, the Rating Agency and the Underwriter by telecopy on such day.

4. Construction Loan Certificates. Following the delivery to the Trustee or its nominee of the Initial Construction Loan Certificate, the Trustee shall from time to time disburse to the

Lender (i) from the Acquisition Fund, an amount equal to the principal amount of any Construction Loan Certificate and (ii) from the Capitalized Interest Account, accrued interest thereon from and including the first day of the month in which the Construction Loan Certificate is delivered to the Trustee or its nominee to, but not including, the date the Construction Loan Certificate is delivered to the Trustee or its nominee; provided that the pass-through rate of all Construction Loan Certificates held by the Trustee or its nominee shall be _____% per annum and the maturity date of all Construction Loan Certificates is on _____.

5. Project Loan Certificate. The Trustee shall disburse to the Lender (i) from the Acquisition Fund, an amount equal to the principal amount of the Project Loan Certificate minus the aggregate principal amount of all Construction Loan Certificates previously delivered to the Trustee or its nominee and (ii) from the Capitalized Interest Account, accrued interest thereon from and including the first day of the month in which the Project Loan Certificate is delivered to, but not including, the date the Project Loan Certificate is delivered to the Trustee or its nominee; of the Project Loan Certificate shall bear interest at the pass-through rate of _____% per annum and mature on _____ (or such later date as the Trustee receives a written confirmation of the existing rating on the Bonds from the Rating Agency) with prepayment provisions which correspond to the redemption provisions set forth in Sections 3.01(1)(a) and 3.01(2)(c).

If the Trustee or its nominee does not have the Project Loan Certificate by the 20th day prior to the Delivery Date, the Trustee shall notify the Borrower, the Lender, the Rating Agency and the Underwriter by telecopy on such day.

The Trustee shall deliver to the Lender all Construction Loan Certificates held by it or its nominee for delivery to Ginnie Mae in exchange for the Project Loan Certificate; however, the Construction Loan Certificates shall not be so released if the principal amount of the Mortgage Note as finally endorsed is less than the aggregate principal amount of such Construction Loan Certificates unless the Lender has paid to the Trustee or its nominee an amount equal to such difference as a partial redemption of such Construction Loan Certificates. Any amounts so received shall be deposited in the Special Mandatory Redemption Account in the Bond Fund and applied to the redemption of Bonds pursuant to Section 3.01(2)(b).

6. Redemption. If the Project Loan Certificate is not delivered to the Trustee or its nominee on or before the Delivery Date, the Trustee shall transfer money from the Acquisition Fund to the Special Mandatory Redemption Account of the Bond Fund in an amount that is equal to the difference between the aggregate principal amount of the Bonds then Outstanding and the principal amount of all Construction Loan Certificates delivered to the Trustee or its nominee; however, such transfer shall be delayed one or more times, but not to a date later than the maturity date of the Construction Loan Certificates (as such date may be extended with the consent of the Rating Agency, the Lender and, if required, Ginnie Mae), if the Trustee shall have received a timely request from the Borrower or the Lender for such delay accompanied by (a) a cash flow projection demonstrating that the sum of (i) the amounts in the Acquisition Fund and the Bond Fund, (ii) the investment earnings to accrue on the amounts held in the Acquisition Fund and/or the Bond Fund plus payments on any Construction Loan Certificates held by the Trustee scheduled to be received by the Trustee after the extended Delivery Date and prior to the Payment Date following the extended Delivery Date, (iii) any payments on the Project Loan Certificate scheduled to be received by the Trustee after the extended Delivery Date and prior to the Payment Date following the extended Delivery Date, assuming it is dated not earlier than the latest date on which it may be delivered to the Trustee pursuant to such extension request, and (iv) any additional sums paid to the Trustee by or on behalf of the Borrower or the Lender for deposit into the Acquisition Fund (either in the form of a letter of credit or money constituting Available Money) will be at least equal to the debt service on the Bonds through the date that is fifteen (15) days after the end of any such

extension period (including the redemption price of the Bonds, at par, and excluding any premium thereon) plus accrued and unpaid Trustee Fees, calculated through the date that is fifteen (15) days after the Delivery Date and (b) arrangements satisfactory to the Trustee for the making of the investments contemplated by the cash flow projection. The Trustee shall consent to the extension of the Delivery Date to a date not later than the maturity date of the Construction Loan Certificates held by it, as that maturity date may be extended from time to time, and shall consent to the extension of the maturity date of the Construction Loan Certificates to the last date on which the Project Loan Certificate may be delivered pursuant to any extension of the Delivery Date. In the event that the Trustee does not have the Project Loan Certificate on or before the Delivery Date (as the same may be extended), the Trustee shall consent to one or more further extensions of the maturity date of the Construction Loan Certificates. Notwithstanding the foregoing, the Trustee shall consent to the extension of the Delivery Date or the maturity date of the Construction Loan Certificates only upon receipt of written confirmation of the rating then outstanding on the Bonds from the Rating Agency and the Rating Agency's approval of the applicable cash flow projection meeting the requirements of Section 4.02(6) hereof. At the written direction of the Borrower or the Lender, provided that such cash flow projection prepared in connection with such extension took into account the payment of such costs, notwithstanding contrary instruction from the other, the Trustee shall apply moneys in the Capitalized Interest Account to pay any costs incurred with obtaining an extension of the Delivery Date or the maturity date of the Construction Loan Certificates pursuant to this Indenture.

In the event that the Delivery Date is not extended pursuant to this Section 4.02(6), the Lender may purchase from the Trustee all the Construction Loan Certificates then held by the Trustee at a price of par plus accrued interest on a date agreed to mutually by the Lender and the Trustee and not more than ten (10) days prior to the maturity date of the Construction Loan Certificates. The Trustee shall apply to proceeds of the sale to the redemption of the Bonds in the same manner as it would have applied the principal of the maturing Construction Loan Certificates pursuant to Section 3.01(2)(a)(ii) hereof.

7. Disbursement On Delivery Date. On the Delivery Date, but in no event later than the third anniversary of the Closing Date (as such anniversary date may be extended upon receipt of a Favorable Opinion of Bond Counsel), the Trustee shall apply any amount remaining in the Acquisition Fund (including the Capitalized Interest Account) in the following order of priority:

(a) first, deposit in the Bond Fund an amount such that the amount on deposit in the Bond Fund will be equal to the difference between (A) the sum of (1) the Carryover Amount for the next Payment Date (or such greater or lesser amount in the event the Delivery Date is extended as permitted by the Rating Agency, as evidenced by receipt of confirmation of the then outstanding rating on the Bonds), (2) the principal of and interest required to be paid on the Bonds on or before the next Payment Date, and (3) the Trustee Fees required to be paid on or before the next Payment Date, including any accrued but unpaid amounts, and (B) the sum of payments of principal and interest scheduled to be paid on the Project Loan Certificate on or before the next Payment Date and scheduled interest earnings under the Investment Agreement;

(b) second, if the amount of the Project Loan Certificate as delivered to the Trustee is less than the aggregate principal amount of the Bonds then Outstanding, transfer to the Special Mandatory Redemption Account an amount equal to the excess of the aggregate principal amount of the Bonds then Outstanding over the amount of the Project Loan Certificate as delivered to the Trustee;

(c) third, to the Lender, to the extent not previously paid, an amount equal to (A) all amounts provided by the Lender to effect any extension of the Delivery Date, the Initial Construction Loan Certificate Delivery Date and/or the maturity date of the Construction

Loan Certificates, as set forth in a certificate of the Lender, plus (B) all costs incurred by the Lender in effecting the issuance of any of the Ginnie Mae Certificates in certificated form, as set forth in a certificate of the Lender;

(d) fourth, to the Underwriter, its counsel or the Rating Agency, an amount equal to any costs incurred by the Underwriter in connection with obtaining an extension of the Delivery Date, the Initial Construction Loan Certificate Delivery Date and/or an extension of the maturity date of the Construction Loan Certificates; and

(e) fifth, to the Borrower to pay additional “development costs”, as defined in the Act and relating to the Development, upon receipt of a certification from the Borrower that the Borrower is in compliance with the provisions of the Loan Agreement.

8. [Reserved].

9. Extension of Initial Construction Loan Certificate Delivery Date. The Initial Construction Loan Certificate Delivery Date may be automatically extended one or more times if the Trustee shall have received a timely written request from the Borrower or the Lender for such delay accompanied by a cash flow projection demonstrating that the sum of (i) the amounts in the Acquisition Fund and the Bond Fund, (ii) the investment earnings to accrue on the amounts held in the Acquisition Fund and/or the Bond Fund plus payments on any Construction Loan Certificates held by the Trustee during the period ending 15 days after the end of any period of delay requested and (iii) any additional sums paid to the Trustee by or on behalf of the Borrower or the Lender for deposit into the Acquisition Fund (either in the form of a letter of credit or money constituting Available Money) will be at least equal to the debt service on the Bonds through the date which is 15 days after the end of any such extension period (including the redemption price of the Bonds, at par and excluding any premium thereon) plus accrued and unpaid Trustee’s Fees, calculated through the date that is fifteen days after the Initial Construction Loan Certificate Delivery Date. The Trustee shall consent to the extension of the Initial Construction Loan Certificate Delivery Date upon receipt of (i) written confirmation from the Rating Agency that such extension will not result in the downgrade or withdrawal of the rating then outstanding on the Bonds and (ii) written approval of Ginnie Mae. It shall be the responsibility of the Borrower to obtain the cash flow projection, confirmations and approval required by this Section 4.02(9).

Section 4.03 Deposits into Bond Fund; Use of Money in Bond Fund.

1. The Trustee shall deposit in the Bond Fund when and as received the following:

(a) amounts, if any, paid by the Underwriter as accrued interest on the Bonds;

(b) all income, revenues, proceeds and other amounts received from or in connection with the Project Loan Certificate and the Construction Loan Certificates; however, any amounts received by the Trustee prior to the date on which the Trustee acquires the Project Loan Certificate which, to the actual knowledge of the Trustee, represent principal amortization payments on the Mortgage Note, shall be returned to the Lender unless such payment by the Lender was required by the applicable rules of Ginnie Mae or FHA;

(c) all earnings and gains from the investment of money held in the Bond Fund and the Acquisition Fund;

(d) all amounts transferred to the Bond Fund pursuant to Section 4.02; and

(e) amounts paid by the Borrower pursuant to Section 4.1 of the Loan Agreement (other than the amounts provided for in clauses (4)(ii) and (8) of Section 4.1(b) of the Loan Agreement, which amounts shall be deposited in the Expense Fund pursuant to Section 4.07 herein) for deposit into a segregated account of the Bond Fund, additional security or any other amounts received by the Trustee which are subject to the lien and pledge of the Indenture for the benefit of the Owners.

2. All amounts in the Bond Fund, other than those in the Special Mandatory Redemption Account, shall be used by the Trustee in the following priority:

(a) on each Payment Date, for payment of principal of and premium, if any, and interest on the Bonds due on such Payment Date, and on each date on which Bonds are to be redeemed (other than pursuant to Section 3.01(2)) for payment of the redemption price of such Bonds;

(b) on each June 20, for transfer to the Expense Fund for payment of the Trustee Fees [Issuer Compliance Fee?] and the Rebate Analyst Fee, if due; and

3. Subject to the receipt of any approval required from HUD in accordance with applicable HUD requirements, which approval shall be obtained by the Borrower or the Lender and furnished to the Trustee, on or after the first Payment Date following the Delivery Date (the “Initial Disbursement Date”), the Trustee shall remit to the Borrower, within thirty (30) days after each Payment Date, commencing on the Initial Disbursement Date, and subject to the written approval of the Lender, any moneys in excess of the applicable Carryover Amount with respect to the respective Payment Date (as shown on Exhibit C hereto) remaining in the Bond Fund on such date after making the transfers described in paragraph 2 above; provided that the Borrower certifies to the Trustee that no Event of Default or event which with the passage of time or notice or both would constitute an Event of Default hereunder or under the Loan Agreement has occurred.

4. Upon acquisition of the Project Loan Certificate, such Project Loan Certificate shall be registered in the name of the Trustee or its nominee in and for the benefit of the Bond Fund.

Section 4.04 Special Mandatory Redemption Account. Amounts transferred to the Bond Fund from the Acquisition Fund pursuant to Section 4.02(6) or (7) or attributable to the receipt by the Trustee of payments under the Ginnie Mae Certificates exceeding regularly scheduled payments of principal and interest shall be deposited in the Special Mandatory Redemption Account and used by the Trustee solely to redeem Bonds pursuant to Section 3.01(2).

Section 4.05 Deposits into Costs of Issuance Fund. Use of Money in Costs of Issuance Fund. The Trustee shall deposit in the Costs of Issuance Fund, moneys from the Borrower in the amount of \$_____ for the purpose of paying Costs of Issuance of the Bonds and related costs. In no event shall proceeds of the Bonds be deposited in the Costs of Issuance Fund.

Any amounts deposited in the Costs of Issuance Fund pursuant to this Section shall be used on or after the Closing Date to pay Costs of Issuance of the Bonds.

Before each payment is made from the Cost of Issuance Fund by the Trustee, there shall be filed with the Trustee, a written requisition signed by an Authorized Representative of the Borrower in the form of Exhibit B attached hereto, accompanied by copies of appropriate invoices or other evidence of amounts due; provided that, the Trustee shall not be obligated to audit, review and/or reconcile any third-party invoices or statements attached as support for payment requests contained on any such written requisition.

Any money remaining in the Costs of Issuance Fund ninety (90) days following the Closing Date shall be transferred to the Borrower.

Section 4.06 Rebate Fund.

1. A special Rebate Fund is hereby established by the Borrower. Such fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation the Bondholders. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Regulations promulgated pursuant thereto. In furtherance of the foregoing, the Borrower will satisfy its obligations under Section 148(f) of the Code as set forth in subsections (b), (e) and (f) hereof, unless the Borrower certifies in writing to the Trustee that it is exempt from the requirements thereof because it has met or expects to meet one of the exceptions available under such section of the Code.

2. At the close of the fifth "Bond Year," the Borrower shall cause the Rebate Analyst to compute the amount of "Excess Earnings," if any, for the period beginning on the date of delivery of the Bonds and ending at the close of such "Bond Year" and transfer to the Trustee for deposit to the Rebate Fund an amount equal to the difference, if any, between the amount then in the Rebate Fund and the Excess Earnings so computed. The term "Bond Year" means with respect to the Bonds each five-year period ending on the anniversary of the date of delivery of the Bonds. If, at the close of any Bond Year, the amount in the Rebate Fund exceeds the amount that would be required to be paid to the United States of America under paragraph (d) below if the Bonds had been paid in full, such excess may be, upon written direction of the Borrower to the Trustee, transferred from the special Rebate Fund and paid to the Borrower to be used for such purposes for which, or to be redeposited to such fund from which, such amounts were originally derived.

3. In general, "Excess Earnings" or "Rebate Amount" for any period of time means the sum of

(i) the excess of –

(A) the aggregate amount earned during such period of time on all "Nonpurpose Investments," within the meaning of Section 1.148-1(b) of the Regulations (including gains on the disposition of such obligations) in which Gross Proceeds of the issue are invested (other than amounts attributable to an excess described in this subparagraph (c)(i)), over

(B) the amount that would have been earned during such period of time if the Yield on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (c)(i)) had been equal to the yield on the issue, plus

(ii) any income during such period of time attributable to the excess described in subparagraph (c)(i) above.

4. The Trustee shall pay to the United States of America from the Rebate Fund at least once every five years an amount that ensures that at least 90 percent of the Excess Earnings, as calculated by the Rebate Analyst, from the date of delivery of the Bonds to the close of the period for which the payment is being made will have been paid. The Trustee shall pay to the United States of America from the Rebate Fund not later than 60 days after the Bonds have been paid in full 100 percent of the amount then required to be paid under Section 148(f) of the Code as a result of Excess Earnings.

5. The amounts to be computed, paid, deposited or disbursed under this Section shall be determined by the Rebate Analyst acting on behalf of the Borrower within ten days after each successive anniversary date of the date of issuance of the Bonds. By such date, the Rebate Analyst shall also notify, in writing, the Trustee and the Borrower of the determinations the Borrower has made and the payment to be made pursuant to the provisions of this Section. Upon written request of any registered owner of Bonds, the Borrower shall furnish to such registered owner of Bonds a certificate (supported by reasonable documentation, which may include calculation by Bond Counsel or by some other service organization) showing compliance with this Section and other applicable provisions of Section 148 of the Code.

6. The Trustee shall maintain a record of the periodic determinations by the Borrower or Rebate Analyst of the tentative Rebate Amount for a period beginning on the first anniversary date of the issuance of the Bonds and ending on the date three years after the final retirement of the Bonds. Such records shall state each such anniversary date and summarize the manner in which the tentative Rebate Amount, if any, was determined. This provision shall not be applicable if all Gross Proceeds of the Bonds are expended within 180 days of the date of the delivery of the Bonds, which fact the Borrower shall confirm to the Trustee by its written certificate.

7. If the Trustee shall declare the principal of the Bonds and the interest accrued thereon immediately due and payable as the result of an Event of Default specified in the Indenture, or if the Bonds are optionally or mandatorily prepaid or redeemed prior to maturity as a whole in accordance with their terms, any amount remaining in the Bond Proceeds Subaccount of the Project Fund, the Interest Account of the Bond Fund, the Principal Account of the Bond Fund and the Redemption Fund shall be transferred to the special Rebate Fund to the extent that the amount therein is less than the tentative Rebate Amount computed by the Rebate Analyst as of the date of such acceleration or redemption, and the balance of such amount shall be used immediately by the Trustee for the purpose of paying principal of and interest on the Bonds when due. In furtherance of such intention, the Issuer hereby authorizes and directs the Authorized Issuer Representative, to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Section 4.07 Deposits into Expense Fund; Use of Money in Expense Fund. The Expense Fund shall be separate from any other Fund established and maintained under the Indenture.

1. The Trustee shall deposit into the Expense Fund only the amounts (a) transferred thereto pursuant to clauses 2(b) and 2(c) of Section 4.03 of this Indenture and (b) paid by the Borrower pursuant to clauses (4)(ii) and (8) of Section 4.1(b) of the Loan Agreement. In no event shall

the Trustee use any amounts representing payments on the Ginnie Mae Certificates to pay the Issuer Compliance Fee.

2. All amounts in the Expense Fund shall be disbursed by the Trustee as follows:

- (a) on each June 20, commencing June 20, 2010, for payment of the Issuer Compliance Fee;
- (b) Reserved;
- (c) on each June 20, commencing June 20, 20__, for payment of the Trustee Fees and the Rebate Analyst Fee, if due; and

To the extent that sufficient funds are not available to pay the expenses set forth above, the Trustee shall not use any other funds held under the Indenture to pay such expenses.

Section 4.08 **Disposition of Balance in Funds.** After the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer shall have ceased, terminated and become void and shall have been satisfied and discharged in accordance with this Indenture, and all fees, expenses and other amounts payable to the Trustee or the Issuer pursuant to any provision hereof or in the Loan Agreement shall have been paid in full, seventy-five percent (75%) of any money remaining in the Funds and Accounts, other than the Rebate Fund hereunder shall be paid or transferred to the Borrower upon its written request and twenty-five percent (25%) up to a maximum of \$250,000 (with the excess going to the Borrower) of any revenues in the Funds and Accounts, other than the Rebate Fund hereunder shall be paid or transferred to the Issuer provided that amounts on deposit in the Rebate Fund shall be retained therein to the extent required herein. Provided further, that any transfer of moneys pursuant to this section shall be subject to an opinion of Bond Counsel to the effect that such transfer will not adversely effect the tax-exempt status of the Bonds.

Section 4.09 **Segregation of Money.** All money paid to the Trustee pursuant to this Indenture for deposit and all investments purchased with money so deposited shall at all times be accounted for separately and shall not be commingled with any other funds of the Issuer and the Trustee, and shall be held in trust by the Trustee.

ARTICLE V

INVESTMENT OF FUNDS

Section 5.01 **Investment of Funds.**

1. Subject to the provisions of Sections 4.06 and 6.05, money on deposit in the Funds shall be invested and reinvested, to the extent practicable, by the Trustee in Permitted Investments, as directed in writing by an Authorized Representative of the Borrower. The Trustee may make Permitted Investments through its own or any affiliate's investment department. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments. If the Borrower fails to direct the Trustee to invest funds, the Trustee is hereby directed to invest such funds in a money market fund which meets the requirements of a Permitted Investment, including but not limited to a proprietary money market fund.

The Trustee is hereby directed to enter into the Investment Agreement. On the Closing Date, all money in the Fund or Funds specified in the Investment Agreement shall be invested at all times in the Investment Agreement, and shall be withdrawn as provided thereunder.

2. Pending application of the money in the Rebate Fund as required pursuant to Section 4.06, such money shall be invested and reinvested, without regard to yield, in Government Obligations maturing on or before the date the money invested therein is required to be paid to the United States of America pursuant to Section 4.06 as an Authorized Representative of the Borrower shall direct in writing. However, if no such investment is available or if no such direction is given, the Trustee shall hold such money uninvested.

3. The Trustee, in making any investment pursuant to this Section, shall not be required to verify that an investment is authorized by law, but may (but shall not have a duty or obligation to) at any time request, receive and rely upon the Opinion of Bond Counsel, addressed to the Trustee and the Issuer, to the effect that such investment will not cause the Bonds to become arbitrage bonds under the Code. Any fees and expenses incurred by the Trustee in obtaining such Opinion of Bond Counsel shall be an expense reasonably incurred by the Trustee and shall be charged to and paid by the Borrower.

Section 5.02 Allocation of Income and Losses.

1. The interest and income received with respect to the investments in any Fund or account held by the Trustee hereunder, and any profit or loss resulting from the sale of any such investments, shall be deposited and credited upon receipt, or charged, as follows:

(a) all interest, income and profit received from the investment of money in the Rebate Fund shall be deposited and credited, upon receipt, to the Rebate Fund; and

(b) all losses resulting from the sale of any investments in any specified Fund or account shall be charged to such Fund or such account, and all earnings received from the investment of money in any Fund or account shall be credited to such Fund or account, except as provided in this Indenture; provided that, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Indenture.

2. The Trustee may rely on the written instructions of the Borrower in investing money in any Fund or account, and shall not be accountable for any depreciation in the value of the investments made in accordance with the provisions of this Article or for any losses incurred upon any authorized disposition thereof. Unless otherwise confirmed in writing, an account statement delivered periodically by the Trustee to the Borrower shall be deemed written confirmation by the Borrower that the investment transactions identified therein accurately reflect the investment directions given to the Trustee by the Borrower unless the Borrower notifies the Trustee in writing to the contrary within thirty days of the date of such account statement.

Section 5.03 Commingling Investments. Investments in the Funds and the accounts therein may be commingled in a separate fund or funds for purposes of investment under this Article, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds and accounts to which they are credited and otherwise as provided in this Indenture.

Section 5.04 Limitations on Investment. Investment of money held in any Fund shall be limited to investment in Permitted Investments, which (other than the Investment Agreement) at the date of acquisition mature (or are subject to redemption at par at the option of the owner) not later than the

dates on which such money will be needed for the purposes for which such money is to be applied hereunder and in no event later than six months following their acquisition.

Section 5.05 Valuation of Investments. For the purpose of determining the amount on deposit to the credit of any Fund or any account therein, including but not limited to the reporting requirement of Section 6.07 hereof, obligations purchased as an investment of money therein shall be valued at the cost thereof, inclusive of accrued interest.

ARTICLE VI COVENANTS

Section 6.01 Payment of Bonds. The Issuer shall promptly pay when due the principal of (whether at maturity, by acceleration or call for redemption or otherwise) and premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof; however, the Bonds and the premium, if any, and interest thereon are special limited obligations of the Issuer payable solely from the revenues and receipts that have been pledged and assigned to the Trustee to secure payment thereof.

The Bonds are special limited obligations of the Issuer, payable solely out of the Trust Estate and the funds pledged for the payment thereof. No holder of any Bond has the right to compel the Issuer to pay the principal of, interest or redemption premium, if any, on the Bonds, except from the Trust Estate and funds pledged under this Indenture. The Bonds do not constitute a debt or liability of the Issuer, the State or any political subdivision thereof for which the faith and credit of the Issuer, the State or any political subdivision thereof are pledged.

The Bonds shall not constitute an indebtedness of the Issuer, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Issuer nor any person executing the Bonds are liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance.

Section 6.02 Role of the Issuer. The Issuer shall not be required to take any action not expressly provided for herein. In addition, the Issuer shall have no obligation to review, control or oversee the activities of the Trustee or any other person in connection with this Indenture or the Bonds. Furthermore, the Issuer shall not be obligated to take any action that might in its reasonable judgment involve it in any expense or liability unless it shall have been furnished with assurance of payment or reimbursement for any expense and with indemnity for liability of the Issuer, its members, officers, officials and employees.

The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and in any and every Bond executed, authenticated and delivered hereunder; however, the liability of the Issuer under any such covenant, condition or agreement for any breach or default by the Issuer thereof or thereunder shall be limited solely to the Trust Estate and the revenues and receipts held hereunder or derived from the Ginnie Mae Certificates.

The Issuer acknowledges and agrees that all covenants contained in this Indenture are with and for the benefit of all Bondowners and can be enforced by the Trustee, in its discretion or at the direction of the Bondowners as provided herein, or by the Bondowners, in accordance with the provisions of Article VII.

Section 6.03 Further Assurances. The Issuer shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging and assigning to the Trustee of all the rights assigned hereby and the revenues and receipts pledged hereby to the payment of the principal of and premium, if any, and interest on the Bonds. The Issuer shall cooperate with the Trustee and the Owners in protecting the rights and security of the Owners.

The Issuer and the Trustee each also covenants and agrees that it will not take any other action that (i) causes the Investment Agreement to fail to qualify as a Permitted Investment under the Indenture or (ii), after being advised in writing by the Investment Agreement Provider, might adversely affect the financial position of the Investment Agreement Provider or reduce its expected economic benefits to the Investment Agreement Provider with respect to the Investment Agreement without the prior consent of the Investment Agreement Provider; however, there is reserved the right to redeem any or all of the Bonds as permitted by the Indenture.

Section 6.04 Inspection of Books. All books and documents in the Trustee's possession relating to the Development or the Ginnie Mae Certificates, if any, shall be open to inspection during normal business hours at the offices of the Trustee by such agents as the Issuer, the Lender, the Borrower or the Owners of fifteen percent (15%) in aggregate principal amount of Bonds then Outstanding may from time to time designate.

Section 6.05 Tax Covenants.

1. **Issuer's Covenants.** The Issuer covenants and agrees that, until the final maturity of the Bonds and based upon covenants of the Borrower in Section 2.4 of the Loan Agreement and the Tax Certificates, it will not use any money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other source, in a manner that would cause the Bonds to be arbitrage bonds, within the meaning of Section 148 of the Code. In the event the Borrower determines and notifies the Issuer and the Trustee that it is necessary to restrict or limit the yield on the investment of moneys held by the Trustee pursuant to this Indenture, or to use such moneys in any certain manner to avoid the Bonds being considered arbitrage bonds, the Borrower shall deliver to the Trustee a written order containing appropriate instructions, in which event the Trustee shall take such action as so directed by the Borrower to restrict or limit the yield on such investment or to use such moneys in accordance with such order.

The Issuer shall not use or permit the use of any proceeds of the Bonds or any other funds of the Issuer within its control, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions which would result in any of the Bonds being treated other than as an obligation described in Section 103(a) of the Code.

The Issuer will not take any action which would result in all or any portion of the Bonds being treated as federally guaranteed within the meaning of Section 149(b)(2) of the Code.

For purposes of this Section 6.05(1) the Issuer's compliance shall be based solely on matters within the Issuer's control and no acts, omissions or directions of the Borrower, the Trustee or any other Persons shall be attributed to the Issuer.

Unless a Favorable Opinion of Bond Counsel is rendered, the Issuer hereby covenants that it will request the Borrower to:

(a) expend all proceeds of the Bonds and the investment income thereon (excluding amounts in the Rebate Fund) within three years of the date of issuance of the Series 2010 Bonds;

(b) invest all amounts held in the Acquisition Fund (including investment income) in taxable obligations having a yield not materially higher than the yield on the Bonds or in obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103(a) of the Code; and

(c) make the payments (but only from the sources and subject to the limitations described in Section 4.06 hereof), if any, required to be made to the United States pursuant to the Code in order to establish or maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation. In this regard, the Issuer will cause the Borrower to maintain books and records complying with any related requirements of the Code.

In complying with the foregoing covenants, the Issuer may rely from time to time upon an opinion of Bond Counsel to the effect that any action by the Issuer or reliance upon any interpretation of the Code or the Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

All members, officers, employees and agents of the Issuer are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Issuer as of the date of delivery of the Bonds. In complying with the foregoing covenants, the Issuer may rely from time to time upon an opinion of Bond Counsel to the effect that any action by the Issuer or reliance upon any interpretation of the Code or the Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

2. Trustee's Covenants. The Trustee agrees that it will invest funds held under this Indenture in accordance with the terms of the Loan Agreement, this Indenture, the Tax Certificate (this covenant shall extend throughout the term of the Bonds, to all Funds and accounts created under this Indenture and all moneys on deposit to the credit of any Fund or account) and the Investment Agreement. The Trustee covenants to and for the benefit of the Bondholders that, notwithstanding any other provisions of this Indenture or of any other instrument, it will not make or cause to be made any investment or other use of the moneys in the Funds or accounts which would cause the Bonds to be classified as "arbitrage bonds" within the meaning of Sections 103(b) and 148 of the Code or would cause the interest on the Bonds to be includable in gross income for federal income tax purposes; provided that the Trustee shall be deemed to have complied with such requirements and shall have no liability to the extent it reasonably follows the written directions of the Borrower, the Issuer or the Arbitrage Consultant. This covenant shall extend, throughout the term of the Bonds, to all Funds created under this Indenture and all moneys on deposit to the credit of any Fund. Pursuant to this covenant, with respect to the investments of the Funds and accounts under this Indenture, the Trustee obligates itself to comply throughout the term of the issue of the Bonds with the requirements of Sections 103(b) and 148 of the Code; provided that the Trustee shall be deemed to have complied with such requirements and shall have no liability to the extent it reasonably follows the written directions of the Borrower, the Issuer or the Arbitrage Consultant. The Trustee further covenants that should the Issuer or the Borrower file with the Trustee (it being understood that neither the Issuer nor the Borrower has an obligation to so file), or should the Trustee receive, an Opinion of Bond Counsel to the effect that any proposed investment or other use of proceeds of the Bonds would cause the Bonds to become "arbitrage bonds," then the Trustee will comply with any written instructions of the Borrower or Bond Counsel regarding such investment or use so as to prevent the Bonds from becoming "arbitrage bonds," and the Trustee will bear no liability to the Issuer, the Borrower or the Bondholders for investments made in accordance with such instructions.

3. Change in Law. To the extent that published rulings of the Internal Revenue Service, or amendments to the Code or the Regulations modify the covenants of the Issuer or the Trustee which are set forth in this Indenture or which are necessary for interest on any issue of the Bonds to be excludable from gross income for federal income tax purposes, the Trustee and the Issuer will comply with such modifications upon the direction of Bond Counsel specifying such modifications.

Section 6.06 No Disposition of Ginnie Mae Certificates. Without the consent of the Owners of 100% of the Bonds, neither the Issuer nor the Trustee shall sell or otherwise dispose of the Ginnie Mae Certificates (other than delivery of the Ginnie Mae Certificates to the Lender in accordance with its terms) after its acquisition for an amount less than an amount sufficient, together with other amounts then held under the Indenture and available for the payment of the Bonds, to defease the Bonds in accordance with Article VII on the first date following such sale on which the Bonds may be optionally redeemed pursuant to Section 3.01(1)(a).

Section 6.07 Reports and Notices by Trustee to Issuer, Lender, Rating Agency and Borrower.

1. On or before the 15th day of each month and at such other times as the Issuer, the Lender or the Borrower may reasonably request, the Trustee shall prepare and file with the Issuer, upon its request, the Lender, the Borrower and the Underwriter, a report setting forth for and as of the end of the preceding month or other period for which such report is prepared (a) amounts withdrawn from and deposited in each Fund and each account therein under this Indenture; (b) the balance on deposit in each Fund and each account therein; (c) a brief description of all obligations held as investments in each Fund; (d) the amount applied to the payment or redemption of Bonds and a description of the Bonds or portions thereof so paid or redeemed; and (e) prior to the date the Project Loan Certificate is delivered to the Trustee or its nominee, the aggregate amount of all Construction Loan Certificates held by the Trustee or its nominee.

2. The Trustee shall promptly, or at or within the time specified, give to the Rating Agency written notice of any of the following:

(a) delivery of the Initial Construction Loan Certificate and the Project Loan Certificate, within 15 days of such delivery;

(b) any change in the Trustee;

(c) any amendment of or supplement to this Indenture, the Bonds, the Loan Agreement or the Project Loan Certificate;

(d) any redemption, payment or defeasance of the Bonds as a whole or in part, and any discharge of this Indenture;

(e) any whole or partial prepayment of the Project Loan Certificate, together with, in the case of a partial prepayment, the Lender's certificate as to the effect of such prepayment on the stream of payments under the Project Loan Certificate provided for in the Loan Agreement;

(f) the occurrence of any Event of Default under this Indenture (of which the Trustee is required to take notice or deemed to have notice under Section 9.01(2)), or after the occurrence of any default (of which the Trustee has given notice pursuant to Section 8.10), which

with the passage of time or the giving of notice, or both, would constitute an Event of Default under this Indenture, promptly upon such occurrence; and

(g) any sale or other disposition of the Ginnie Mae Certificates.

3. The Trustee shall give to the Rating Agency 20-days advance written notice of any potential extension of the delivery date of the Project Loan Certificate or maturity date of the Construction Loan Certificates pursuant to Section 4.02(6) of which it has knowledge, and shall give immediate written notice to the Rating Agency of any such actual extension of which it has knowledge.

4. The Trustee shall deliver to the Rating Agency copies of any notices sent to the Lender, FHA or Ginnie Mae after the Trustee has become entitled to claim any benefits under the Project Loan Certificate.

5. The Trustee shall notify the Rating Agency of any proposed change in the identity of the provider of the Investment Agreement and shall not enter into any substitute for the Investment Agreement with such provider unless such Rating Agency shall confirm in writing that the rating assigned to the Bonds by such Rating Agency will not be reduced or withdrawn as a result of such substitution.

6. The Trustee shall provide to the Rating Agency such information as such Rating Agency may reasonably request from time to time in connection with its ongoing surveillance of its rating on the Bonds.

7. The Trustee shall furnish to any Owner upon request and payment by the Borrower of the Trustee's customary charges for copying and mailing any information and copies of any reports, audits, prescribed forms and other written materials furnished to the Trustee by the Borrower pursuant to Section 5.6 of the Loan Agreement.

8. The Trustee shall give written notice to the Owners within three (3) Business Days after the occurrence of any Event of Default (of which the Trustee is required to take notice or deemed to have notice under Section 9.01(2)) or after the occurrence of any default (of which the Trustee has given notice pursuant to Section 8.10), which with the passage of time or the giving of notice, or both, would constitute an Event of Default.

9. Any Owner shall, upon written request to the Trustee specifying a second address, and at the expense of the Owner, be entitled to have each notice or other communication sent to such Owner hereunder at his address appearing in the Bond Register sent as well to such second address.

Section 6.08 Rights under Loan Agreement and Ginnie Mae Certificates. Subject to the provisions of Article IX, the Trustee shall in its own name maintain and enforce all rights of the Issuer and all obligations of the Borrower and the Lender under and pursuant to the Loan Agreement, for and on behalf of the Owners, whether or not the Issuer is in default hereunder. The Trustee shall cooperate with the Lender and the Borrower in obtaining delivery of the Ginnie Mae Certificates as soon as possible following the execution of this Indenture and shall take all steps necessary to maintain and enforce its rights under the Ginnie Mae Certificates. Nothing herein shall be construed to require the Trustee to advance its own funds or to provide funds to pay the principal of, premium, if any, or interest on the Bonds except from the revenues and receipts derived from the Trust Estate, including the Ginnie Mae Certificates and the other security therefor. Anything in this Indenture to the contrary notwithstanding, no Owner of any Bond shall have or be deemed to have any rights to proceed to obtain the benefits of the

Ginnie Mae Certificates individually, such rights to be exercised solely by the Trustee for the equal benefit of the Owners of all Bonds then Outstanding.

Section 6.09 **Extensions of Payment of Bonds.** The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any Bond or the time of payment of the interest thereon without the consent of the Owner of such Outstanding Bond.

ARTICLE VII DISCHARGE OF INDENTURE

Section 7.01 **Defeasance of Bonds.** Following the Delivery Date, in the event that the Issuer or the Borrower has deposited or caused to be deposited, as trust funds in a special fund with the Trustee (the "Trust Account"), money and/or Government Obligations that are not subject to redemption prior to maturity sufficient in amount, together with known earned income from the investments thereof but without regard to reinvestment thereof, to pay the principal of and interest on the Bonds or such portion thereof as the same become due and payable and to refund or defease such then Outstanding Bonds and to pay the costs of such refunding or defeasance, and shall make irrevocable provisions for redemption of such Bonds, if applicable, then in such case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (collectively, the "Defeased Bonds") in the covenants of this Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void, except that such Owners shall have the right to receive payment of the principal of, premium, if any, and interest on the Defeased Bonds from the Trust Account and, in the event the funds in the Trust Account are not available for such payment, shall have the residual right to receive payment of the principal of, premium, if any, and interest on the Defeased Bonds from the Trust Estate (but only if this Indenture has not been discharged as described in Section 7.02) without any priority of lien or charge against the Trust Estate or those covenants with respect thereto except to be paid therefrom (except that such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of this Indenture shall continue in full force and effect). In such event, the Borrower shall cause an accounting for such period or periods to be prepared by an Accountant as shall be requested by the Issuer to be prepared and filed with the Issuer and the Trustee and, upon the request of the Issuer, the Trustee shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction. Notwithstanding the foregoing, upon such discharge the provisions of this Indenture relating to the Rebate Fund shall continue in effect. The Trustee shall, as it deems necessary, provide for the random selection of any Defeased Bonds that constitute less than all of the Bonds, for notice of the defeasance to be given to the Owners of the Defeased Bonds and to such other persons as the Trustee shall determine, and for any required replacement of Bond certificates for Defeased Bonds. After the establishment and full funding of such Trust Account, the Defeased Bonds shall be deemed to be discharged and the Trustee then may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to such lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding and the rights of the Issuer and the Trustee hereunder. Notwithstanding the foregoing, no Bonds shall be defeased unless the Trustee has received written confirmation from the Rating Agency, if any, that such defeasance will not result in a reduction or withdrawal of the rating on the Defeased Bonds. If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in accordance with the Letter of Representations.

The Trustee shall notify the Issuer and the Lender of the defeasance of any Bonds. The Issuer and the Lender may rely on any notice provided to it by the Trustee pursuant to this Section. However, the Trustee may in its discretion request that the Issuer provide to the Trustee, at the expense of the Borrower, (a) an Opinion of Bond Counsel stating that the Defeased Bonds are no longer deemed Outstanding under

this Indenture or (b) verification by an accountant or other qualified verification agent acceptable to the Trustee of the conformity of the Trust Account with the provisions of this Section.

Section 7.02 Discharge of Indenture. The obligations of the Trustee hereunder shall remain in effect with respect to all Bonds until the principal of, premium, if any, and interest on all Bonds shall have been paid in full or discharged, notwithstanding that the lien of this Indenture may have been discharged with respect to some of the Bonds pursuant to Section 7.01. Any money held by the Trustee after payment or discharge of principal of, premium, if any, and interest on all of the Bonds and all amounts due to the Trustee hereunder shall be free from the trust hereof and shall promptly thereafter be transferred to the Issuer to the extent certified to the Trustee by the Issuer as amounts owed to the Issuer under the Loan Agreement, and then to the Borrower, and the Trustee shall be released and discharged with respect thereto. Upon payment or discharge of the Bonds in full and payment in full of all fees and expenses of the Trustee, the Trustee shall assign all of its rights and interest in the Trust Estate to the Issuer if amounts are owed to the Issuer under the Loan Agreement.

Neither the Trustee nor the Bond Registrar shall be responsible for accounting for, or paying to, any Bondowner any return on or benefit from money held for the payment of unredeemed Bonds or outstanding checks, and no calculation of the same shall affect or result in any offset against fees and expenses due to the Trustee or the Bond Registrar under this Indenture.

Section 7.03 Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Bond shall have been paid to the Trustee for the benefit of the registered owner thereof, interest on such Bond shall cease to accrue and all liability of the Trustee to the registered owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee or the Paying Agent to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, such Bond. Any money still held by the Trustee for the payment of principal or redemption price of and interest or premium on any Bond after three years from the date on which payment thereof becomes due shall be paid in accordance with Title 6 of the Texas Property Code and all liability of the Issuer, the Paying Agent, the Trustee with respect to such funds shall cease; and the owner of such Bond shall thereafter be entitled to look only to the Borrower for payment (but only to the extent of such funds so received by the Borrower) and the Borrower shall not be liable for any interest thereon. The Trustee shall comply with the reporting requirements of Chapter 74 of the Texas Property Code.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 8.01 Events of Default. The following events shall be Events of Default under this Indenture:

- (a) default in the due and punctual payment of the principal of, premium, if any, or interest on any Bond when and as the same shall become due and payable, whether at maturity as expressed therein, by proceedings for redemption (except as otherwise provided in Section 3.03), by acceleration, or otherwise; or
- (b) default in the performance or observance of any other of the covenants, promises, stipulations, agreements or conditions on the part of the Issuer contained in this Indenture or in the Bonds and failure to remedy the same after notice thereof pursuant to Section 8.11.

A default under the Mortgage Loan Documents shall not constitute a default under this Indenture, and vice versa. Notwithstanding the occurrence of any Event of Default hereunder or under the Loan Agreement or an event of default under the Regulatory Agreement, the Trustee shall continue to purchase the Ginnie Mae Certificates from the Lender, provided that said Ginnie Mae Certificates are delivered to the Trustee not later than the maturity date of the Construction Loan Certificates, as the same may be extended pursuant to the Indenture and the funds on deposit in the Acquisition Fund and the Bond Fund shall remain available for such purpose.

Section 8.02 Acceleration of Maturity. If an Event of Default described in paragraph (a) of Section 8.01 shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall, if requested by the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Issuer, the Lender and the Borrower, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, but only from the revenues and receipts herein specifically pledged for such purpose, including, without limitation, amounts paid pursuant to the Ginnie Mae Certificates and amounts on deposit in the Bond Fund and accounts therein.

If an Event of Default described in paragraph (b) of Section 8.01 shall occur at any time after delivery of the Project Loan Certificate, then, and in each and every such case during the continuance of such Event of Default, the Trustee shall, if requested by the Owners of 100% of the aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Issuer, the Lender and the Borrower, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, but only from the revenues and receipts herein specifically pledged for such purpose, including, without limitation, amounts paid pursuant to the Ginnie Mae Certificates and amounts on deposit in the Bond Fund and accounts therein.

The Trustee shall give or cause to be given notice of any such declaration of acceleration to the respective Owners of the Bonds at their addresses appearing on the Bond Register. Notice of such declaration of acceleration having been given as aforesaid, anything to the contrary contained in this Indenture or in the Bonds notwithstanding, interest shall cease to accrue on such Bonds from and after the date established for payment of the Bonds pursuant to such declaration of acceleration if and to the extent that money to make such payment is on hand with the Trustee and available for such purpose in any of the Funds on that date.

Section 8.03 Remedies; Rights of Owners.

1. Upon the occurrence and during the continuance of an Event of Default under this Indenture the Trustee may proceed to protect and enforce its rights as the owner of the Ginnie Mae Certificates and the rights of the Owners by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement herein contained; however, no Event of Default under this Indenture shall be deemed to be a default by the Borrower under the Mortgage Note.

2. Upon the occurrence of an Event of Default under this Indenture, if requested to do so and upon written request by the Owners of the required percentage of the aggregate principal amount of the Bonds then Outstanding and if indemnified as provided in Section 9.06, the Trustee shall exercise such one or more of the rights and powers conferred by this Article as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Owners.

3. No remedy conferred by this Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity or by statute.

4. No delay or omission to exercise any right or power accruing upon any default or Event of Default under this Indenture shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default under this Indenture or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

5. No waiver of any default or Event of Default hereunder, whether by the Trustee pursuant to Section 8.10 or by the Owners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 8.04 Right of Owners to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, but subject to Section 9.06 and 12.03, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or any other proceedings hereunder; however, such written direction shall not be otherwise than in accordance with the provisions of law and of this Indenture and provided, further, that the Owners of the Bonds shall look solely to the Trustee for the benefits of the Ginnie Mae Certificates and any payment of any claim on the Ginnie Mae Certificates may be made to the Trustee without any liability or accountability to the Owners to see to the application of the benefits of the Ginnie Mae Certificates.

Section 8.05 Application of Money. All money received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such money, the expenses (including its counsel), liabilities and advances incurred or made by the Trustee and the fees of the Trustee and the Issuer Compliance Fees and expenses of the Issuer in carrying out this Indenture, be applied to the payment of the principal and interest then due and unpaid on the Bonds, without preference or priority of principal over interest or of interest over principal, or of any Bond over any other, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified therein.

Section 8.06 Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

Section 8.07 Limitation on Suits. Except to enforce the rights given under Section 8.08, no Owner of any Bond shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified in writing as provided in Section 9.01(2), or of which by such Section it is deemed to have notice, (b) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) the Owners have offered to the Trustee indemnity as provided in Section 9.06, (d) the

Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (f) notice of such action, suit or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and offer of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

Section 8.08 Unconditional Right to Receive Principal; Termination of Proceedings; Premium and Interest. Nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or (subject to the provisions of Section 8.02) on the same being declared due prior to maturity, as herein provided, or the obligation of the Issuer to pay each Bond issued hereunder to the respective Owners thereof at the time, place, from the source and in the manner expressed herein and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the Issuer, the Borrower, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.09 Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default hereunder and its consequences and rescind any acceleration of maturity of the Bonds, and shall do so at the written request of the Owners of (a) a majority of the aggregate principal amount of the Bonds then Outstanding in respect of which default in the payment of principal of, premium, if any, or interest exists, or (b) a majority of the aggregate principal amount of the Bonds then Outstanding in the case of any other default; however,

1. there shall not be waived without the consent of the Owners of all Bonds then Outstanding any Event of Default in the payment of the principal of any Outstanding Bonds at maturity, or any default in the payment when due of the premium, if any, or interest on any such Bonds unless, prior to such waiver or rescission,

(a) there shall have been paid or provided for all arrears of interest in respect of which such default shall have occurred, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default, and

(b) in case of any such waiver or rescission or in case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Issuer, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and

2. no acceleration of maturity under Section 8.02 made at the request of the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding shall be rescinded

unless requested by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding.

No such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

After any such waiver, the Trustee shall restore the balance in each fund or account to its level prior to the occurrence of the Event of Default from and to the extent of money transferred from such fund or account as a result of the occurrence of such Event of Default and not disbursed in accordance herewith.

Section 8.10 Notice of Certain Defaults; Opportunity of Issuer and Borrower to Cure Such Defaults. Anything herein to the contrary notwithstanding, no event described in Section 8.01(b) shall constitute an Event of Default until notice of such event shall be given (a) by the Trustee to the Issuer, the Lender the Borrower and the Investor Limited Partner or (b) by the Owners of not less than 25% in aggregate principal amount of all Bonds Outstanding to the Issuer, the Lender, the Borrower, the Investor Limited Partner and the Trustee, and, in either case, until the Issuer, the Lender, the Borrower and the Investor Limited Partner shall have had 60 days after receipt of such notice to correct such event or cause such event to be corrected and shall not have corrected such event or caused such event to be corrected within 60 days of the giving of such notice; however, if (i) such event is of such a nature that it cannot be corrected within such 60 day period or (ii) in the opinion of Bond Counsel, a longer cure period does not adversely affect the validity of the Bonds or the exclusion from gross income of interest on the Series 2010 Bonds for purposes of federal income taxation, such event shall not constitute an Event of Default hereunder if corrective action is instituted by the Issuer, the Lender, the Borrower or the Investor Limited Partner within such 60-day period and diligently pursued until such event is corrected.

With regard to any alleged default concerning which notice is given to the Issuer, the Trustee, the Lender, the Borrower and the Investor Limited Partner under the provisions of this Section, the Issuer hereby authorizes the Borrower, the Investor Limited Partner, the Lender and the Trustee to perform any covenant or obligation the failure of which is alleged in such notice to constitute a default, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution. However, nothing in this Section shall obligate the Lender to cure or to take any action to cure any default or Event of Default hereunder.

ARTICLE IX CONCERNING THE TRUSTEE

Section 9.01 Acceptance of Trust and Prudent Performance Thereof.

1. The Trustee, as evidenced by its due execution of this Indenture, hereby accepts the trusts and obligations imposed upon it by this Indenture and agrees to perform and observe faithfully all of the duties, conditions and requirements imposed upon it in this Indenture. Except during the continuance of an Event of Default, the Trustee undertakes to perform only such functions and duties and only such functions and duties as are specifically set forth in this Indenture, and no implied duties or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in the exercise of such rights and powers, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs, subject to the limitations on liability set forth in Sections 9.01(3) and 9.02, and subject to the provisions of Sections 8.07 and 9.06.

2. All notices or other instruments required by this Indenture to be delivered in writing to the Trustee, in order to be effective, must be delivered at the address for notices to the Trustee set forth in Section 12.04, or at such other location as the Trustee may designate to the Issuer in writing. With respect to an Event of Default described in paragraph (b) of Section 8.01, the Trustee shall not be deemed to have notice of any such Event of Default (other than failure by the Lender to make any payment on the Ginnie Mae Certificates when due or failure by the Issuer to file with the Trustee any documents required by the Indenture to be so filed) unless and until it shall have received actual notice thereof, and in the absence of such notice so received, the Trustee may conclusively assume that there is no such Event of Default. Nonetheless, the Trustee may in its sole discretion take notice of an Event of Default without specific notification thereof. In such case, the Trustee shall proceed as if it had received such specific notification.

3. The Trustee shall not be liable with respect to any action taken or omitted to be taken hereunder except for its own negligence or willful misconduct; except that

(a) this Section will not be construed to limit the effect of the second sentence of Section 9.01(1); the Trustee shall be obligated to take only such actions as are specifically set forth herein or as are specifically required to be taken by the Trustee when requested in writing from time to time in accordance with this Indenture by the Issuer or by the Owners of not less than the aggregate principal amount of Outstanding Bonds specified herein with respect to the action in question (subject to the restrictions set forth in Section 8.07);

(b) in the absence of bad faith on the part of the Trustee, the Trustee may rely, without any independent investigation or inquiry, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the procedural requirements of this Indenture; but in the case of any such certificate or opinion which by any provision is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the procedural requirements of this Indenture;

(c) the Trustee shall not be liable for any error of judgment made in good faith by the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(d) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding (or such lesser amount as may be specified herein) or otherwise in accordance with the express provisions of this Indenture.

No provision of this Indenture or any other Financing Document shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 9.02 Trustee May Rely upon Certain Documents and Opinions.

1. Subject to Section 9.01(3)(b), the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and the Trustee shall be under no duty to make any investigation as to any

statement contained in any such instance, but may accept the same as conclusive evidence of the truth and accuracy of such statement or the correctness.

2. Any request, direction, election, order, certification or demand of the Issuer shall be sufficiently evidenced by an instrument signed by an Authorized Representative of the Issuer (unless specifically prescribed otherwise in this Indenture), and any resolution of the Issuer may be evidenced to the Trustee by a certified resolution.

3. The Trustee may, in its sole discretion and at the expense of the Borrower, consult with its counsel (either in-house or outside), counsel to the Borrower (unless the Borrower is in default under the Loan Agreement, the Regulatory Agreement or the Continuing Disclosure Agreement) or Bond Counsel, and the legal advice or opinion of such counsel or Bond Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in accordance with such legal advice or opinion of counsel or Bond Counsel.

4. Subject to Section 9.01(1) regarding the Trustee's obligations during the continuance of an Event of Default, whenever, in the administration of the trust created by this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof is specifically prescribed herein) may, in the absence of bad faith on the part of the Trustee, be deemed to be proved and established by a certificate of an Authorized Representative of the Issuer or an Authorized Representative of the Borrower, as applicable; and, in the absence of bad faith on the part of the Trustee, such certificate shall constitute full authority for any action taken, suffered or omitted by the Trustee under the provisions of this Indenture in reliance thereon.

5. The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money which shall be released or withdrawn in accordance with the provisions hereof.

6. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, accountants, agents or receivers and may, in all cases, pay, and be reimbursed for, the reasonable fees and expenses thereof. The Trustee shall not be responsible for the conduct of such attorneys, accountants, agents or receivers it appointed with due care.

7. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Indenture upon the request of the Issuer or consent of any Person who at the time of making such request or giving such Issuer or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds executed and delivered in exchange therefor or in place thereof.

8. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners of the Bonds pursuant to this Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 9.03 Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement in the Financing Documents, the Mortgage Loan Documents, the Bonds or any official statement or other disclosure document prepared or distributed in connection with the Bonds or for the validity of the execution by the Issuer of the Financing Documents to which the Issuer is a party or the Bonds, or for the validity of the execution of any other or

supplemental instrument by the Issuer, or for the validity or sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Trust Estate or for the creditworthiness of the Borrower. Except as otherwise expressly provided herein, the Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in the Financing Documents or Mortgage Loan Documents, or as to the existence of an Event of Default hereunder or thereunder, but the Trustee may require of the Borrower full information and advice as to the performance of such covenants, conditions and agreements and of the condition of the physical property included in the Trust Estate.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Issuer or the Borrower of the Development. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Development.

Section 9.04 Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as an obligation or duty of the Trustee. The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises.

Nothing contained herein or in the Bonds shall be construed to impose any duties upon the Trustee beyond those expressly contained in this Indenture. All immunities, indemnities and other provisions of this Indenture as related to the duties and liabilities of the Trustee shall apply to the Bonds.

Section 9.05 Money Held in Trust. All money held by the Trustee hereunder is held in trust for the purposes set forth herein and shall be segregated and kept apart from other funds held by it in accordance with its general practices and procedures in effect from time to time.

Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and, except as otherwise provided herein, all Persons, including without limitation the Owners and the Issuer, having any claim against the Trustee arising from this Indenture shall look for payment only from the Funds and accounts held by the Trustee hereunder.

Section 9.06 Costs for Maintenance of Suit; Indemnification.

1. Other than to the extent described herein with respect to making the payments of principal of and interest on the Bonds when due from money held by the Trustee hereunder, and with respect to the redemption (other than optional redemption) or acceleration of payment of the Bonds, the Trustee shall be under no obligation to institute any suit, to take any proceeding under this Indenture, to enter any appearance in or in any way defend any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be assured to its satisfaction that repayment of all costs and expenses, including the reasonable fees and disbursements of its in-house and outside counsel, will occur in a timely manner, and until adequate indemnity against all risk and liability is assured to its satisfaction. However, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed or indemnified by the Owners for all costs and expenses, liabilities, outlays and fees of its in-house and/or outside counsel and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or

willful misconduct of the Trustee. If the Owners shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon, except as otherwise provided in Section 8.05.

2. The Borrower has covenanted and agreed pursuant to the Loan Agreement to indemnify the Trustee for any loss, liability, outlays and reasonable fees of its in-house and/or outside counsel, other reasonable disbursements, expenses or advances reasonably incurred or made, without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with its acceptance or administration of the trust or performance of its duties hereunder, and shall reimburse the Trustee for any amounts paid to the Trustee by the Owners pursuant to Section 9.06(1) which the Trustee has spent for the purposes of that Section and which the Trustee has subsequently been required to return to the Owners.

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

4. All indemnifications and releases from liability granted to the Trustee hereunder shall extend to its directors, officers, employees, officials and agents.

Section 9.07 Intervention in Judicial Proceedings. In any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee in its sole discretion, has a substantial bearing on the interest of the Owners of the Bonds, the Trustee may intervene on behalf of the Owners, and must do so if requested in writing by the Owners of not less than a majority in aggregate principal amount of Outstanding Bonds upon written assurance from such Owners satisfactory to the Trustee of indemnity and reimbursement for costs and expenses, including reasonable fees and disbursements of its in-house and/or outside counsel, incurred in so intervening. The rights and obligations of the Trustee under this Section are subject to the approval of the court having jurisdiction in the premises.

Section 9.08 Reports of Activities. The Trustee shall keep and maintain accurate and complete records of fund balances, any investments thereof and all transactions involving any part of the Trust Estate held by the Trustee pursuant to this Indenture and to furnish monthly reports thereof to the Issuer, if requested. The Issuer and its agents shall have the right to inspect all such records at all reasonable times during regular business hours and upon reasonable notice and to make such copies and extracts, at their expense, as they may desire.

Section 9.09 Compensation of Trustee. All advances, in-house and/or outside counsel fees and other expenses made or incurred by the Trustee or its agents, directors, officials, officers and employees in and about the execution of the trust hereby created; any and all reasonable compensation to the Trustee for its services in the premises; any and all claims, damages, demands, expenses, liabilities and taxes of any character or nature whatsoever (including but not limited to claims for loss or damage to any property or injury to or death of any person) asserted by or on behalf of any Person arising out of, resulting from, or in any way connected with the Development or the real property and improvements thereon; and any and all costs and expenses (including reasonable fees and disbursements of its in-house and/or outside counsel, agents and other experts) incurred by or on behalf of the Trustee in defending any such claims, damages, demands, liabilities or claims for taxes of any character whatsoever (unless such claims, damages, demands or liabilities are adjudicated to have resulted from the negligence or willful misconduct of the Trustee), shall be paid by the Borrower in accordance herewith. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee shall have a lien against all money and other property or security held

pursuant to this Indenture, with right of payment therefrom, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon when due, but also subject to Section 8.05, for (1) the Trustee's compensation, expenses, advances and fees and disbursements of its in-house and/or outside counsel, incurred on and about the execution of the trusts created hereby and the exercise and performance of the powers and duties of the Trustee hereunder; and (2) any and all claims, damages, demands, expenses, liabilities and taxes incurred by the Trustee or its agents, directors, officials, officers and employees, and any and all costs and expenses incurred by or on behalf of the Trustee in defending against the same, of any character whatsoever (unless such damage or liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee). In the event that there are not sufficient funds in the Bond Fund for payment of the Trustee's fees and expenses, the Trustee shall seek payment for such fees and expenses from the Borrower pursuant to Section 4.1(b) of the Loan Agreement.

Section 9.10 Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and hold or become pledgees of Bonds and other obligations of the Issuer and otherwise may deal with the Issuer in the same manner and to the same extent and with like effect as though it were not Trustee hereunder, and may act as depository for and permit any of its officers and directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee represents the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

Section 9.11 Resignation of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the Issuer, the Lender and the Borrower at least 60 days' advance written notice. Such resignation shall take effect on the day specified in such notice, but the Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been approved and appointed and such successor has accepted such appointment. Subsequent to such date, the Trustee shall have no further duties and obligations under this Indenture.

Section 9.12 Removal of Trustee.

1. The Trustee may be removed at any time, either with or without cause, by the Issuer at the written request of the Borrower or the Owners of a majority in aggregate principal amount of Outstanding Bonds, provided that all fees and expenses of the Trustee that are due and owing pursuant to Section 9.09 shall first be paid.

2. The Trustee may be removed at any time, either with or without cause, by the Issuer so long as there has been no Event of Default which then remains uncured and provided that all fees and expenses of the Trustee that are due and owing pursuant to Section 9.09 shall first be paid.

3. Any removal of the Trustee pursuant to this Section shall be effected by delivery to the Trustee, the Lender and the Borrower of a written instrument to that effect signed by an Authorized Representative of the Issuer.

4. Such removal shall take effect on the day specified in such notice, but the Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been approved and appointed and such successor has accepted such appointment. Subsequent to such date, the Trustee shall have no further duties and obligations under this Indenture.

Section 9.13 Appointment of Successor Trustee.

1. In case at any time the Trustee shall resign, be removed or otherwise become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its

property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee hereunder, and the Issuer shall promptly appoint a successor trustee. Any such appointment shall be made by a written instrument executed by an Authorized Representative of the Borrower and the Issuer. The Issuer shall direct the successor Trustee to mail notice by first class mail, postage prepaid, at least once within 30 days of such appointment, to the Lender, the Borrower and the Owners of all Outstanding Bonds at their addresses on the Bond Register.

2. If, in a proper case, no appointment of a successor Trustee shall be made pursuant to Section 9.13(1) within 90 days after the receipt by the Issuer of the Trustee's notice of resignation given pursuant to Section 9.11 or of removal of the Trustee pursuant to Section 9.12, the retiring Trustee, at the expense of the Borrower, or any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

3. There shall at all times be a Trustee hereunder which shall be an association or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 and assets under trust of at least \$50,000,000, and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to Section 9.13(2). If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this Section, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time any successor Trustee shall cease to be eligible in accordance with the provisions of this Section and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 9.12.

Section 9.14 Merger of Trustee. Any Person into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and shall be vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto except for any required filing with FHA, anything herein to the contrary notwithstanding, but only if such resulting entity is entitled under state or federal law to exercise corporate trust powers.

Section 9.15 Transfer of Rights and Property to Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer a written instrument accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with the Trust Estate and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request from an Authorized Representative of the Issuer or from its successor execute and deliver a written instrument transferring to such successor all the Trust Estate and the rights, powers, trusts, duties and obligations of such predecessor hereunder, and every predecessor trustee shall deliver all funds held by it as Trustee hereunder to its successor. Should any assignment, conveyance or written instrument from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the Trust Estate and rights, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor Trustee, any and all such assignments, conveyances and written instruments shall, on request, be executed, acknowledged and delivered by the Issuer. Each successor

Trustee shall give, or cause the Bond Registrar to give, notice of its appointment to all Owners appearing on the Bond Register as of the date of appointment and to the Lender and the Borrower. The Borrower shall reimburse the predecessor Trustee for any expenses (including fees and disbursements of its in-house or outside counsel) incurred under this Section.

Section 9.16 Survival of Rights. The Trustee's rights to immunity and protection from liability hereunder, its right to receive payment of its fees and expenses and its rights to indemnification hereunder shall survive its removal or resignation and the final payment, defeasance or discharge of the Bonds and the termination of the lien of this Indenture.

Section 9.17 Claims for Payment under Ginnie Mae Certificates. If the Trustee does not receive a payment due on a Ginnie Mae Certificate by 5:00 p.m. on the 15th day of a month, or if such day is not a Business Day, on the next succeeding Business Day, the Trustee shall first notify the Lender, by telephone, confirmed in writing, or by facsimile, of such nonpayment, and if payment has not been made by 4:00 p.m. on the Business Day following notice to the Lender, the Trustee shall immediately notify, and seek payment in immediately available funds from, Ginnie Mae.

Section 9.18 Appointment of a Co-Trustee. It is the intent of the Issuer and the Trustee that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, the Loan Agreement or the Regulatory Agreement, and, in particular, in case of the enforcement of any of them on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted herein to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint, with the consent of the Issuer, an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, in the event of the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers, trusts and remedies herein granted to the Trustee or to hold title to the Trust Estate or to take any other action which may be necessary or desirable in connection therewith, each and every remedy, power, right, obligation, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be imposed upon, exercised by or vested in or conveyed to the Trustee with respect thereto shall be imposed upon, exercisable by and vested in such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them. Such separate trustee or co-trustee shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to the Issuer, the Trustee, the Borrower and the Lender. The Trustee shall give notice to the Rating Agency of the appointment of any such successor trustee or co-trustee.

Should any instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. If the Issuer shall fail to deliver the same within 15 days of such request, the Trustee is hereby appointed attorney-in-fact for the Issuer to execute, acknowledge and deliver such instruments in the Issuer's name and stead. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the

estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

ARTICLE X AMENDMENT OF INDENTURE

Section 10.01 Supplemental Indentures Not Requiring Consent of Owners. This Indenture shall not be supplemented or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this Article. Subject to Sections 10.04 and 10.05, the Issuer and the Trustee may from time to time and at any time, without the consent of or notice to any of the Owners but upon 30 days' written notice to the Lender, enter into Supplemental Indentures for the following purposes:

1. to cure any formal defect, omission, inconsistency or ambiguity in this Indenture in a manner not adverse to the Owner of any Bond;
2. to impose on the Trustee (with its consent) for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as theretofore in effect;
3. to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in this Indenture other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;
4. to subject to this Indenture additional revenues, properties or collateral;
5. to modify, amend or supplement this Indenture in such manner as required to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or state securities ("Blue Sky") law, and, if they so determine, to add to this Indenture such other terms, conditions and provisions as may be required by such Trust Indenture Act of 1939, as amended, or similar federal statute or state securities law;
6. to make any change required by the Rating Agency in connection with obtaining and maintaining a rating on the Bonds;
7. to authorize different denominations of the Bonds and to make correlative amendments and modifications to this Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;
8. to make such changes as are required to provide for the conversion of the Bonds to certificated form;
9. to make such changes as are elsewhere expressly permitted by this Indenture;

10. to make any other change herein which will not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding; and

11. to make any changes that will become effective only at the time when no Bonds remain Outstanding and that are not described in Section 10.01(3).

Before the Issuer and the Trustee shall adopt any such Supplemental Indenture pursuant to this Section or simultaneously with such adoption, there shall be or have been delivered to the Issuer and the Trustee an Opinion of Bond Counsel, stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms and will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not cause the interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes.

Section 10.02 Supplemental Indentures Requiring Consent of Owners. Exclusive of Supplemental Indentures covered by Section 10.01 and subject to the terms and provisions contained in this Section and Sections 10.04 and 10.05, the Owners of two-thirds in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of this Indenture, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary or 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 this Indenture or in any Supplemental Indenture; however, nothing in this Indenture shall permit, or be construed as permitting (a) (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of or premium, if any, on any Bond or the rate of interest thereon, (iii) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bonds, (iv) a privilege or priority of any Bond over any other Bond, or (v) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, without the consent and approval of the Owners of all of the Bonds then Outstanding, or (b) any change in Section 6.06, without the consent of the Owners of all the Bonds.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be sent to the Lender and to each Owner of Bonds then Outstanding by registered or certified mail to the address of such Owner as it appears on the Bond Register; however, failure to give such notice, or any defect therein, shall not affect the validity of any proceedings pursuant hereto. Such notice, which at the request of the Trustee shall be prepared by the Issuer at the Borrower's expense, shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Owners of two-thirds in aggregate principal amount of the Bonds then Outstanding shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing such Supplemental Indenture or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided in this Section, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Section 10.03 Amendment by Unanimous Consent. Notwithstanding any other provision in this Indenture, except the provisions contained in Sections 10.04 and 10.05, the Issuer and the Trustee may enter into any indenture supplemental to this Indenture upon receipt of the consent of the Owners of all Bonds then Outstanding.

Section 10.04 Opinion of Counsel and Consent of Borrower and Lender Required.

Notwithstanding any other provision of this Indenture, the Trustee (a) shall not execute any indenture supplemental to this Indenture unless there shall have been filed with the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, that upon execution such Supplemental Indenture will be valid and binding on the Issuer in accordance with its terms, and that giving effect to such Supplemental Indenture will not impair the exclusion of interest on the Series 2010 Bonds from gross income for federal income tax purposes and (b) shall not, without the prior written consent of the Borrower, execute any indenture supplemental to this Indenture which adversely affects any rights of the Borrower. In addition, the Trustee shall not, without the consent of the Lender, execute any indenture supplemental to this Indenture which (i) adversely affects any rights of the Lender, (ii) modifies the provisions of Article III or IV prior to delivery of the Project Loan Certificate, or (iii) modifies the provisions of Section 12.08. The Trustee shall be entitled to rely on an Opinion of counsel in determining whether any amendment adversely affects the rights of the Borrower or the Lender.

Section 10.05 Trustee's Obligation Regarding Supplemental Indentures and Amendments to Loan Agreement, Regulatory Agreement and Ginnie Mae Certificates. If the Trustee in its discretion believes that such action is or may be adverse to the interest of the Owners of the Bonds or, except for amendments hereto or changes or modifications hereof required by the Rating Agency in connection with issuing a rating of Aaa for the Bonds, increases the duties and/or liabilities of the Trustee, the Trustee shall not be required to enter into any Supplemental Indenture permitted by this Article or to consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Ginnie Mae Certificates permitted by Article XI.

Section 10.06 Amendment Requiring Consent of Lender. Any amendment to this Indenture changing provisions relating to the delivery, extension or acquisition of the Ginnie Mae Certificates or which adversely affect the rights, remedies or powers of the Lender shall require the consent of the Lender.

**ARTICLE XI
AMENDMENT OF LOAN AGREEMENT, REGULATORY AGREEMENT
AND GINNIE MAE CERTIFICATES**

Section 11.01 Amendment of Loan Agreement, Regulatory Agreement and Ginnie Mae Certificates Not Requiring Consent of Owners. Subject to the provisions of this Indenture, the Loan Agreement and the Regulatory Agreement, the Issuer and the Trustee may, without the consent of or notice to the Owners, consent to any amendment, change or modification of the Regulatory Agreement, the Ginnie Mae Certificates or the Loan Agreement as follows:

- (a) as may be permitted by the provisions of, or as contemplated in, the Loan Agreement, the Regulatory Agreement, the Ginnie Mae Certificates or this Indenture;
- (b) to cure any ambiguity or formal defect or omission therein;
- (c) to make any change therein that may be required by Ginnie Mae or HUD to conform such instruments to the requirements of applicable federal law or regulations and/or the terms of the Mortgage Loan Documents or the Ginnie Mae Documents;
- (d) to make any change therein required by the Rating Agency in connection with obtaining and maintaining a rating on the Bonds; or

- (e) to make any other change therein which will not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding.

Section 11.02 Amendments of Loan Agreement, Regulatory Agreement and Ginnie Mae Certificates Requiring Consent of Owners. Except for amendments, changes or modifications as provided in Section 11.01, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Ginnie Mae Certificates without the written approval or consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding given and procured as provided in Section 10.02. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 10.02 with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that a copy of the instrument embodying the same is on file at the Principal Office of the Trustee for inspection by all Owners.

In addition, the Trustee shall not, without the consent of the Lender, execute any amendment to the Loan Agreement or the Ginnie Mae Certificates which adversely affects any rights, remedies or powers of the Lender. The Trustee shall be entitled to rely on an Opinion of counsel in determining whether any amendment adversely affects the rights of the Borrower or the Lender.

Section 11.03 Amendment by Unanimous Consent. Notwithstanding any other provision of this Indenture, the Issuer and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Ginnie Mae Certificates upon receipt of the consent of (a) the Owners of all Bonds then Outstanding and (b) the Lender.

Section 11.04 Opinion of Counsel Required. The Trustee shall not consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Ginnie Mae Certificates (except for extensions of the maturity date of the Construction Loan Certificates in accordance with Section 4.02) unless there shall have been filed with the Trustee (a) an Opinion of Bond Counsel that such amendment, change or modification is authorized or permitted by this Indenture and complies with its terms, and that on execution it will be valid and binding on the party or parties executing it in accordance with its terms, and that giving effect to such amendment, change or modification will not impair the exclusion of interest on the Series 2010 Bonds from gross income for federal income tax purposes, and (b) with respect to the Regulatory Agreement, the written consent of HUD to such amendment, change or modification.

ARTICLE XII MISCELLANEOUS

Section 12.01 Consents of Owners. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument. The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the Person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

For all purposes of this Indenture and of the proceedings for its enforcement, such Person shall be deemed to continue to be the Owner of such Bond until the Trustee shall have received notice in writing to the contrary.

Section 12.02 Limitation of Rights. With the exception of rights expressly conferred herein, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Borrower, the Lender, HUD and the Owners any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and agreements contained herein; this Indenture and all of the covenants, conditions and agreements hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Borrower, the Lender, HUD and the Owners as provided herein.

Section 12.03 Limitation of Liability of the Issuer

(a) **THE ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE BONDS SOLELY OUT OF THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THIS INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE, THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.**

(b) No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member, officer, employee or agent of the Issuer in his individual capacity, and neither the members of the Issuer nor any officer or employee thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member, officer, employee or agent of the Issuer shall incur any personal liability with respect to any other action taken by him pursuant to this Indenture or the Act, provided such director, officer, employee or agent acts in good faith.

(c) No agreements or provisions contained in this Indenture nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Development, or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way except as may be payable from the payments by the Borrower under the Loan Agreement, the payments on the Ginnie Mae

Certificates and the proceeds of the Bonds and other amounts pledged hereunder as part of the Trust Estate. No failure of the Issuer to comply with any term, condition, covenant or agreement herein or in any document executed by the Issuer in connection with the issuance and sale of the Bonds shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the payments by the Borrower under the Loan Agreement, the payments on the Ginnie Mae Certificates or proceeds of the Bonds and other amounts pledged hereunder as part of the Trust Estate. Nothing herein shall preclude a proper party in interest from seeking and obtaining, to the extent permitted by law, specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein, provided that no costs, expenses or other monetary relief shall be recoverable from the Issuer except as may be payable from the payments by the Borrower, the payments on the Ginnie Mae Certificates or the proceeds of the Bonds and other amounts pledged hereunder as part of the Trust Estate.

(d) No recourse shall be had for the payment of the principal of or premium or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in this Indenture against any past, present or future officer, member, employee or agent of the Issuer, or of any successor public corporation, as such, either directly or through the Issuer or any successor public corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees or agents, as such, is hereby expressly waived and released as a condition of, and consideration for, the execution of this Indenture and the issuance of such Bonds.

(e) Anything in this Indenture to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that (i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer; (ii) the Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services; and (iii) none of the provisions of this Indenture shall require the Issuer 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 hereunder, unless it shall first have been adequately indemnified to its satisfaction against the cost, expenses, and liability which may be incurred thereby.

(f) Neither the members of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds are issued pursuant to the Act, and the Bonds shall so state on their face.

Section 12.04 Notices. Unless otherwise provided herein, all demands, notices, approvals, consents, requests, opinions and other communications hereunder shall be in writing and shall be deemed to have been given when delivered in person or mailed by first-class registered or certified mail, postage prepaid, addressed as follows:

(a) if to the Issuer at:	Austin Housing Finance Corporation P.O. Box 1088 Austin, Texas 78767-1088 Attention: Housing Development Manager
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- (b) if to the Trustee at: Regions Bank
1717 St. James Place, Suite 500
Houston, Texas 77056
Attention: Corporate Trust Department
- with copy to: Regions Bank
1901 6th Ave. North, 28th Floor
Birmingham, Alabama 35203
Attention: Corporate Trust Department
- (c) if to the Borrower: Elm Ridge Affordable Partners, Ltd.
c/o Summit Asset Management, L.L.C.
105 Tallapoosa Street, Suite 300
Montgomery, Alabama 36014
Attention: Daniel Hughes
- with copy to: Balch & Bingham, L.L.P.
105 Tallapoosa Street, Suite 300
Montgomery, Alabama 36104
Attention: Walter H. C. McKay
- (d) if to the Investor
Limited Partner at:
- (e) if to the Lender at: Rockport Mortgage Corporation 2200 Ross Avenue,
Third Floor
1710 Rogers Street
Gloucester, MA 01930
- (f) if to the Rating Agency at: Moody's Investors Service, Inc.
99 Church Street, 9th Floor
New York, New York 10007
Attention: Public Finance Local Housing
- (g) If to the Purchaser at: Merchant Capital L.L.C.
Lakeview Center, Suite 400
2660 East Chase Lane
Montgomery, Alabama 36117
Attention: John B. Rucker, III

The Issuer, the Trustee, the Borrower and the Lender may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or Persons to whose attention the same shall be directed.

If not otherwise specifically provided for herein, and subject to Section 9.01(2), any notice required or permitted to be given shall be deemed given when addressed (if address is necessary to transmission) as provided in this Section,

1. on the day on which it is given by messenger or telecopy or other electronic means capable of producing a written notice (however, if notice is given by telecopy or other electronic means and is received after 4:30 p.m. on the Business Day it is transmitted, such notice shall be deemed given on the Business Day immediately following the day on which it is received);

2. on the Business Day following the day on which it is given by telegraphic means; or

3. on the fifth day following its mailing by certified or registered mail, return receipt requested.

Notwithstanding the foregoing, any notice required or permitted to be given by the Trustee to any Bondowner shall be deemed effective at the time of its mailing or transmission by telegraphic or other electronic means.

Section 12.05 Successors and Assigns. This Indenture shall be binding on, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns.

Section 12.06 Severability. If any provision of this Indenture shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 12.07 Applicable Law. Except to the extent regulated by federal law, this Indenture shall be governed by the applicable laws of the State.

Section 12.08 HUD Requirements. Notwithstanding anything in this Indenture or any other Financing Document to the contrary,

1. In the event of any conflict between any provision contained elsewhere in this Indenture or in any other Financing Document and any provision contained in this Section, the provision contained in this Section shall govern and be controlling in all respects.

2. The provisions of this Indenture and the other Financing Documents are subject and subordinate to the National Housing Act, all applicable HUD mortgage insurance (and Section 8 of the Housing Act, if applicable) regulations and related administrative requirements, the Mortgage Loan Documents, all applicable Ginnie Mae regulations and administrative requirements and the Ginnie Mae Documents; and in the event of any conflict between the provisions of this Indenture or the provisions of any of the other Financing Documents and the provisions of the National Housing Act, any applicable HUD regulations, HUD requirements, the Mortgage Loan Documents, any applicable Ginnie Mae regulations, Ginnie Mae requirements, and/or the Ginnie Mae Documents, the said National Housing Act, HUD regulations, HUD requirements, Mortgage Loan Documents, Ginnie Mae regulations, Ginnie Mae requirements and Ginnie Mae Documents shall be controlling in all respects.

3. No amendment to this Indenture or any of the other Financing Documents shall be made without the prior written consent of HUD if, in the opinion of counsel to the Lender, such amendment would result in a conflict with the National Housing Act, any applicable HUD regulations, HUD requirements, Ginnie Mae regulations, Ginnie Mae requirements, the Mortgage Loan Documents or the Ginnie Mae Documents.

4. Enforcement of the provisions of this Indenture or the provisions or any of the other Financing Documents shall not result in any claim under the Mortgage Loan, or any claim against the Development, Mortgage Loan proceeds, any reserve or deposit made with the Lender or

another Person required by HUD or the Lender in connection with the Mortgage Loan transaction, or against the rents or other income from the Development (other than available Surplus Cash).

5. The Borrower shall not be deemed to be in violation of this Indenture or any other Financing Documents if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable mortgage insurance regulations, related administrative requirements, the Mortgage Loan Documents, applicable Ginnie Mae regulations, related administrative requirements and the Ginnie Mae Documents and, if applicable, Section 8 of the Housing Act and regulations promulgated thereunder.

6. The provisions of this Section shall inure to the benefit of the Borrower, the Issuer, Lender and HUD, and their successors and assigns.

7. Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms of this Indenture or any of the other Financing Documents shall be made in accordance with the National Housing Act and the HUD regulations, including specifically 24 C.F.R. 207.261 or any successor regulation. Any assignment, transfer or pledge not made in accordance with the terms of this Section 12.08(7) and said HUD regulations shall be void.

8. A default under this Indenture or any other Financing Document shall not constitute a default under the Mortgage Note, Mortgage or any other Mortgage Loan Document.

9. Nothing contained in this Indenture or any other Financing Document shall restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between the Lender and HUD.

10. Development funds held by the Lender on behalf of the Borrower under the contract of mortgage insurance are required to be maintained separate and apart from the Funds established and held for payments to the Owners and the various escrows and Funds under this Indenture and the other Financing Documents.

11. Except for funds held under this Indenture, any pledge of Development funds for the benefit of the Owners is limited to a pledge of principal and interest payments received by the Trustee on the Ginnie Mae Certificates. There is no pledge of gross revenues of the Development or any Development assets.

12. The Lender will maintain certain HUD-required escrow funds outside the terms of this Indenture. The enforcement of this Indenture will not result in the Trustee or any Owner having any right to, interest in, or claim against any HUD-required escrow fund, the Development, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Mortgage Loan transaction, or the rents or other income from the Development (other than available Surplus Cash).

13. The Bonds are not a debt of the United States of America, HUD or any other governmental agency and are not guaranteed by the full faith and credit of the United States of America.

14. In the event that proceeds are received from a Condemnation Award or from the payment of a claim under a hazard insurance policy, early redemption of the Bonds can arise only subsequent to a prepayment of the insured mortgage and subsequent payment under the Ginnie Mae Certificates.

15. The HUD Regulatory Agreement requires the establishment of a reserve fund for replacements, and therefore, this Indenture does not provide for the creation of such a reserve fund.

The provisions of this Section shall not be used to and shall not be construed so as to allow this Indenture to violate any applicable provision of State law to the extent such law is not otherwise preempted by applicable federal statute, regulation or rule.

Section 12.09 Payments Due on Business Days. Any payment of principal, premium or interest due on a day which is not a Business Day may be made on the next succeeding Business Day with the same force and effect as if made on the due date, and if so made no interest shall accrue for the period after such due date.

Section 12.10 Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

[Execution Page Follows]

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be executed in their respective corporate names, all as of the date first above written.

AUSTIN HOUSING FINANCE CORPORATION, as Issuer

By: _____
President

Attest:

Secretary

REGIONS BANK,
as Trustee

By: _____
Ann Harris, Vice President

[Signature Page for the Trust Indenture]

Exhibit A

Form of Series 2010 Bond

No. [R-___][I-___]

\$_____

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING REVENUE BOND
(GNMA COLLATERALIZED MORTGAGE LOAN—
ELM RIDGE APARTMENTS)
SERIES 2010**

THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OR INTEREST ON THIS BOND. THE FAITH, CREDIT OR TAXING POWER OF THE STATE OF TEXAS IS NOT PLEDGED, GIVEN OR LOANED TO PAYMENT OF THIS BOND'S PRINCIPAL OR INTEREST.

Interest Rate	Dated Date	Maturity Date	CUSIP No.
_____%	_____, 2010	_____	_____

Registered Owner: CEDE & CO.

Principal Amount: _____

The Austin Housing Finance Corporation (the “Issuer”), a housing finance corporation, and empowered to issue revenue bonds pursuant to the provisions of Chapter 394, Texas Local Government Code, as amended (the “Act”), for value received, hereby promises to pay (but only out of the Trust Estate, as defined in the hereinafter described Indenture, and therefrom only to the extent provided for in the Indenture) to the registered owner specified above, or registered assigns, on the maturity date set forth above, the principal amount specified above, subject to the rights of prior redemption as hereinafter provided, and to pay interest (computed on the basis of a 360-day year consisting of twelve, 30-day months) on said principal amount at the interest rate set forth above on June 20 and December 20 of each year (each a “Payment Date”), commencing on _____, from the Payment Date next preceding the date of authentication of this Bond (hereinafter defined) to which interest has been paid or duly provided for, except that if this Bond is authenticated on any Payment Date to which interest has been paid, this Bond shall bear interest from such date, and except that if this Bond is authenticated prior to _____, this Bond shall bear interest from the Dated Date of the Bonds. The initial Bond Registrar (as defined in the hereinafter described Indenture) is Regions Bank, whose operations office is located in Birmingham, Alabama.

The Bonds will be issued solely as fully registered Bonds without coupons in Authorized Denominations, as defined in the Indenture.

The principal of and interest and premium, if any, on this Bond is payable in lawful money of the United States of America.

Principal or interest not timely paid or duly provided for will be paid by check mailed to the person in whose name this Bond is registered on the Bond Register at the close of business on a date (the "Special Record Date") fixed by the Trustee, notice of which is to be mailed to the Bondholders.

This Bond is one of the duly authorized issue of revenue bonds of the Issuer designated as the "Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Elm Ridge Apartments) Series 2010" aggregating \$_____ in principal amount (the "Bonds"). The Bonds are issued in accordance with a Trust Indenture dated as of _____, 2010 (the "Indenture") between the Issuer and Regions Bank, as trustee (the "Trustee"). Pursuant to a Loan Agreement dated as of _____, 2010 (the "Loan Agreement"), among the Issuer, Rockport Mortgage Corporation (the "Lender"), Elm Ridge Affordable Partners, Ltd., an Alabama limited partnership (the "Borrower"), and the Trustee, the proceeds of the Bonds paid by the initial purchasers thereof will be used to provide financing for the Borrower's acquisition, rehabilitation and equipping of a multifamily residential rental development (the "Development") located in the City of Austin, Texas constituting a "housing development" within the meaning of the Act and as provided in the Indenture.

Any term used herein as a defined term but not defined herein shall be as defined in the Indenture.

Part I - Redemptions

This Bond is subject to optional and mandatory redemption prior to maturity as set forth in the Indenture.

Part II - General Provisions

The Bonds are secured, to the extent provided in the Indenture, by the pledge thereunder of the Trust Estate.

NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, ANY OBLIGATION WHICH THE ISSUER MAY INCUR UNDER THIS BOND OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION HERewith WHICH SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE ISSUER BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT OR FUTURE OFFICER, MEMBER, EMPLOYEE OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, MEMBERS, EMPLOYEES OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND CONSIDERATION FOR, THE EXECUTION AND ISSUANCE OF THIS BOND.

NONE OF THE UNITED STATES OF AMERICA, HUD, FHA, GINNIE MAE, OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA, NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES, HUD, FHA, GINNIE MAE OR ANY AGENCY OR INSTRUMENTALITY THEREOF.

The transfer of this Bond shall be registered upon the books kept at an office of the Bond Registrar designated by the Bond Registrar for that purpose, at the written request of the Owner hereof or its attorney duly authorized in writing, only upon surrender of this Bond at said office, together with the assignment printed hereon duly completed and executed by the Owner or its duly authorized attorney with a duly authorized guaranty of signature as set forth therein. As a condition to a transfer of a particular Bond, the Bond Registrar also may require payment from the Owner of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Bond Registrar shall not be required (a) to exchange or transfer any Bond or portion thereof during the period in which the Bond Registrar is selecting Bonds for redemption or during the 15 days preceding any principal payment or redemption date or (b) to exchange or transfer any Bond or portion thereof that has been selected for redemption.

The Issuer, the Trustee and the Bond Registrar shall deem and treat the Person in whose name this Bond is registered on the Bond Register as the Owner hereof for all purposes, whether or not this Bond is overdue, and shall not be affected by any notice to the contrary.

In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the Bonds then outstanding may be declared and may become due and payable before the stated maturity thereof, together with accrued interest thereon, but without premium.

The Owner of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. This Bond is issued with the intent that the laws of the State shall govern its construction. If there is a conflict between the provisions of this Bond and the Indenture, the Indenture shall control.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the Owners of two-thirds in aggregate principal amount of all Bonds then Outstanding, and the Loan Agreement may be modified or amended only with the consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Reference is hereby made to the Indenture and the Loan Agreement, copies of which are on file with the Trustee, for the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer, the Borrower, the Trustee and the Owners of the Bonds, the terms upon which this Bond is issued, and the terms and conditions upon which this Bond will be deemed to be paid, at or prior to maturity or prepayment of this Bond, upon the making of provision for the payment hereof in the manner set forth in the Indenture, to all of the terms and conditions of which the Owner of this Bond hereby assents. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture and the Loan Agreement.

THIS BOND SHALL NOT BE VALID OR BECOME OBLIGATORY for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Bond Registrar on the certificate of authentication endorsed hereon.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Austin Housing Finance Corporation has caused this Bond to be executed with the facsimile or manual signature of its President and Secretary to the governing body, and has caused this Bond to be sealed and dated as of the Dated Date shown above.

AUSTIN HOUSING FINANCE CORPORATION

By: _____
President

[SEAL]

ATTEST:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

The above Bond is one of the Bonds described in the within-mentioned Indenture.

REGIONS BANK, as Bond Registrar

By: _____
Authorized Signatory

ASSIGNMENT

**FOR VALUE RECEIVED THE UNDERSIGNED HEREBY SELLS, ASSIGNS AND
TRANSFERS UNTO**

(SOCIAL SECURITY OR FEDERAL TAXPAYER IDENTIFICATION NUMBER)

**(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF
ASSIGNEE)**

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints the Trustee under the Indenture as attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature guaranteed by: _____

Notice: Signature of the registered owner must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

Notice: The signature of the registered owner to this assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Exhibit B

**FORM OF REQUISITION CERTIFICATE
COSTS OF ISSUANCE FUND**

Requisition No. _____

Date: _____

REQUISITION CERTIFICATE

TO: REGIONS BANK, AS TRUSTEE UNDER THE TRUST INDENTURE DATED AS OF _____, 2010, BETWEEN AUSTIN HOUSING FINANCE CORPORATION AND THE TRUSTEE FOR THE AUSTIN HOUSING FINANCE CORPORATION MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN—ELM RIDGE APARTMENTS) SERIES 2010.

The undersigned duly Authorized Representative of the Borrower hereby requests that Regions Bank, as trustee, (the “Trustee”) disburse the amounts shown on Schedule I hereto in payment of the Costs of Issuance described thereon. The undersigned duly Authorized Representative of the Borrower hereby certifies, represents and warrants that: (i) the obligations listed on Schedule I hereto have been properly incurred and are a proper charge against the Costs of Issuance Fund, and (ii) none of such obligations have been previously paid or reimbursed from the Costs of Issuance Fund.

The undersigned Authorized Representative of the Borrower hereby acknowledges and agrees that the Trustee shall not be obligated to audit, review and/or reconcile any third-party invoices or statements attached hereto as support for payment requests contained in this written requisition.

Elm Ridge Affordable Parnters, Ltd., an Alabama
limited partnership

By: _____
Authorized Representative

SCHEDULE I
COSTS OF ISSUANCE

Exhibit C
CARRYOVER SCHEDULE

Exhibit B

The Loan Agreement is included in the Transcript of Proceedings

LOAN AGREEMENT

among

AUSTIN HOUSING FINANCE CORPORATION,

ELM RIDGE AFFORDABLE PARTNERS, LTD.

REGIONS BANK, AS TRUSTEE

AND

ROCKPORT MORTGAGE CORPORATION

DATED AS OF
_____, 2010

relating to

\$ _____

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(GNMA Collateralized Mortgage Loan–Elm Ridge Apartments)
Series 2010

The interests of the Austin Housing Finance Corporation in this Loan Agreement, excluding certain Unassigned Issuer Rights retained by the Issuer pursuant to the terms hereof, have been assigned to Regions Bank, as Trustee pursuant to a Trust Indenture dated as of _____, 2010 between the Austin Housing Finance Corporation and Regions Bank, as Trustee.

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this “*Loan Agreement*”), made as of the 1st day of _____, 2010, among the **AUSTIN HOUSING FINANCE CORPORATION**, housing finance corporation organized and existing under the laws of the State of Texas, particularly Chapter 394 of the Texas Local Government Code, as amended (the “*Issuer*”), **ELM RIDGE AFFORDABLE PARTNERS, LTD.**, an Alabama limited partnership (together with its successors and assigns, the “*Borrower*”), **REGIONS BANK**, as Trustee under the Indenture referred to below (the “*Trustee*”) and **ROCKPORT MORTGAGE CORPORATION**, a Delaware corporation (together with its successors and assigns, the “*Lender*”).

WITNESSETH:

WHEREAS, the Issuer is authorized by the provisions of Chapter 394 of the Texas Local Government Code, as amended (the “*Act*”) to issue one or more series of its revenue bonds and to loan the proceeds thereof to finance the acquisition, rehabilitation and equipping of multifamily housing developments for use as rental housing ; and

WHEREAS, as more fully set forth in the Trust Indenture, of even date herewith, between the Issuer and the Trustee (as the same may be amended as provided therein, the “*Indenture*”), the Issuer is issuing its Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan–Elm Ridge Apartments) Series 2010, in the aggregate principal amount of \$_____ (the “*Bonds*”); and

WHEREAS, the parties hereto acknowledge the matters set forth in the Recitals to the Indenture;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. All words and terms defined in the Indenture and the Regulatory Agreement shall have the same meaning in this Loan Agreement unless otherwise defined herein.

Section 1.2 Rules of Construction. The following rules shall apply to the construction of this Loan Agreement unless the context otherwise requires:

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

(b) All references herein to “Articles”, “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Loan Agreement as originally executed; and the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not limit or otherwise affect the meaning, construction or effect of this Loan Agreement or describe the scope or intent of any provisions hereof.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

(e) Every “request”, “order”, “demand”, “application”, “appointment”, “notice”, “statement”, “certificate”, “consent”, or similar action hereunder by any party shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature.

(f) The parties hereto acknowledge that each party to this Loan Agreement and its respective counsel have participated in the drafting and revision of this Loan Agreement and the Indenture. Accordingly, the parties agree that any rule of construction which disfavors the provider of the original form or the drafting party shall not apply in the interpretation of this Loan Agreement or the Indenture or any amendment or supplement or exhibit hereto or thereto.

ARTICLE II REPRESENTATIONS AND COVENANTS

Section 2.1 Representations of the Issuer.

(a) The Issuer is a public and official agency of the State.

(b) The Issuer has lawful power and authority under the laws of the State, including, without limitation, the Act, acting through its governing board, to enter into the transactions described in this Loan Agreement and to carry out its obligations hereunder. By proper action of its governing board, the Issuer has been duly authorized to execute and deliver this Loan Agreement, acting by and through its duly authorized officers.

(c) The issuance of the Bonds will further the public purposes of the Act.

(d) To finance by means of the Mortgage Loan to the Borrower the costs of acquiring, rehabilitating and equipping the Development, including certain costs of issuance of the Bonds, the Issuer proposes to issue the Bonds in the aggregate principal amount of \$_____. The Bonds will bear interest at the rates and be scheduled to mature as set forth in Article II of the Indenture and will be subject to redemption or purchase prior to stated maturity in accordance with the provisions of Article III of the Indenture. The Bonds are to be issued under and secured by the Indenture, pursuant to which certain property will be pledged and assigned to the Trustee as security for payment of the principal or purchase price of, premium, if any, and interest on the Bonds as set forth in the Indenture.

(e) To the best of its knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in the Borrower, the Development or the transactions described herein.

(f) No litigation or administrative action of any nature has been served on and is now pending against the Issuer (i) seeking to restrain or enjoin the execution and delivery of the Indenture, this Loan Agreement or the Regulatory Agreement, or in any manner questioning the proceedings or authority relating thereto or otherwise affecting the validity of the Bonds, or (ii) as to the existence or authority of the Issuer or that of its present or former members or officers and, to the best knowledge of the Issuer, none of the foregoing are threatened.

(g) The Issuer will not knowingly take or permit to be taken any action that would adversely affect the excludability from gross income, for federal income tax purposes, of the interest payable on the Bonds.

(h) The Issuer will, at the expense of the Borrower, take such action or actions from time to time, including amendment of this Loan Agreement, as may be necessary, as stated in an Opinion of Bond Counsel acceptable to the Issuer, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service from time to time pertaining to (a) obligations on which the interest is tax-exempt under Section 103 of the Code and (b) the provisions, therefore, of Section 142(d) of the Code. The Issuer will not take, or permit to be taken on its behalf, any action that would cause the interest payable on the Bonds to cease to be excludable, for federal income purposes under Section 103 of the Code, and it will take, at the sole cost and expense of the Borrower, such action as may be necessary in the Opinion of Bond Counsel to continue such exclusion from gross income.

(i) THE ISSUER MAKES NO WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE DEVELOPMENT OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, THE HABITABILITY THEREOF; THE MERCHANTABILITY OR FITNESS THEREOF FOR ANY PARTICULAR PURPOSES; THE DESIGN OR CONDITION THEREOF; THE WORKMANSHIP, QUALITY, OR CAPACITY THEREOF; LATENT DEFECTS THEREIN; THE VALUE THEREOF; FUTURE PERFORMANCE OR THE COMPLIANCE THEREOF WITH ANY LEGAL REQUIREMENTS.

Section 2.2 Representations and Covenants by Borrower. The Borrower makes the following representations and covenants:

(a) The Borrower is a limited partnership duly formed and validly existing under the laws of Alabama and is duly qualified to conduct its business in the State, has the power to enter into the Financing Documents and the Mortgage Loan Documents to which it is a party and the transactions contemplated thereby and to perform its obligations thereunder and by proper action has duly authorized the execution and delivery of such Financing Documents and such Mortgage Loan Documents and the performance of its obligations thereunder.

(b) The Borrower intends to operate the Development, or to cause it to be operated, as a facility meeting all the requirements of the Act and Section 142(d) of the Code for so long as required by the Act and the Code.

(c) The Borrower has obtained or will timely obtain all consents, approvals, permits, authorizations and orders of any governmental or regulatory agency that are required to be obtained by the Borrower as a condition precedent to the issuance of the Bonds, the execution and delivery of the Financing Documents and the Mortgage Loan Documents to which it is a party or the performance by the Borrower of its obligations thereunder, or that were or are required for the acquisition, construction, equipping and/or operation of the Development.

(d) No litigation at law or in equity or proceeding before any governmental agency involving the Borrower is pending or, to the Borrower's knowledge, threatened in which any liability of the Borrower is not adequately covered by insurance or in which any judgment or order would have a material adverse effect upon the business or assets of the Borrower or would affect its existence or authority to do business, the construction, improving or operation of the

Development, or the validity of any Financing Document or any Mortgage Loan Document to which it is a party or the performance of its obligations thereunder.

(e) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in material default under any instrument under and subject to which any indebtedness has been incurred, and no event has occurred and is continuing that, under the provisions of any such agreement, with the lapse of time or the giving of notice, or both, would constitute an event of default by the Borrower thereunder.

(f) The Borrower is not in default under or in violation of, and the execution, delivery and compliance by the Borrower with the terms and conditions of the Financing Documents to which it is a party do not and will not conflict with or constitute or result in a default by the Borrower in any material respect under or violate, (i) the Borrower's organizational documents, (ii) any agreement or other instrument to which the Borrower is a party or by which it or its assets are bound, or (iii) to the best of its knowledge, any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property, and no event has occurred and is continuing which, with the lapse of time or the giving of notice, or both, would constitute or result in such a default or violation.

(g) [Reserved.]

(h) The Borrower has filed or caused to be filed all federal, state and local tax returns that are required to be filed or has obtained appropriate extensions therefor, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(i) The Borrower will have fee simple title to the real property and will have absolute ownership of the personal property comprising the Development, and there are no liens or encumbrances against such property other than the liens contemplated by the Mortgage Loan Documents and those certain matters shown in the owner's title policy.

(j) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Development; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or the Issuer is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Development; and that it has not relied on the Issuer or its counsel for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Loan Agreement and the Indenture or otherwise relied on the Issuer or its counsel in any manner.

(k) There has been no material adverse change in the financial condition, prospects, or business affairs of the Borrower subsequent to the date on which the Issuer granted its resolution approving the issuance of the Bonds.

(l) The Indenture has been submitted to the Borrower for examination, and the Borrower acknowledges, by execution of this Loan Agreement, that it has reviewed the Indenture and will be bound by its terms as applicable.

(m) The Development will be located wholly within the City.

(n) During the term of this Loan Agreement, the Borrower will maintain its existence and good standing, and will not terminate, dissolve, or dispose of all or substantially all of its assets. The Borrower will, so long as the Bonds are outstanding, maintain its existence as a single asset entity.

(o) Any financial statement relating to the Development which has been furnished by the Borrower, or any affiliate of the Borrower to the Issuer or its agents, counsel or independent contractors, is true and correct and presents fairly the financial condition of the Borrower or such affiliate of the Borrower as of its date in accordance with generally accepted accounting principles, and, since the date of such financial statement, there has not been any material adverse change, financial or otherwise, in the condition of the Borrower or such affiliate of the Borrower, and there has not been any transaction entered into by the Borrower or such affiliate of the Borrower other than transactions in the ordinary course of business, and neither the Borrower nor such affiliate has any material contingent obligations which are not otherwise disclosed in its respective financial statement.

(p) The Borrower certifies, based upon the pro forma budget, that the revenues from the Development will be sufficient to pay the principal of, premium, if any, and interest on the Bonds and all other obligations under the Financing Documents to which the Borrower is a party and that the Borrower has not incurred any indebtedness for borrowed money (other than in the ordinary course of business) other than under this Agreement and the Mortgage.

(q) Compliance with Applicable Laws. As of the Closing Date, the Development complies in all material respects with all applicable building and zoning, health, environmental and safety ordinances and laws, and all other applicable laws, rules and regulations.

(r) Utility Services. All utility services necessary for the operation of the Development are available to the Development, including water supply, storm and sanitary sewer facilities, and gas, electric and telephone facilities.

(s) Condition of Development. The Development is not, as of the Closing Date, damaged or injured as a result of any fire, explosion, accident, flood or other casualty.

(t) Factual Representations. Any certificate with respect to factual or financial matters signed by an officer of the Borrower and delivered to the Issuer or the Trustee shall be deemed a representation and warranty by the Borrower as to the statements made therein.

Section 2.3 Representations and Covenants by Lender. Lender makes the following representations and covenants:

(a) The Lender (i) is a duly and lawfully organized Delaware corporation and is either authorized to do business in Texas or not required to be so authorized, (ii) is organized and operated for the purposes, among others, of making mortgage loans to provide financing for the acquisition, construction and equipping of residential rental developments and of issuing mortgage-backed securities guaranteed by Ginnie Mae to obtain funds to make such mortgage loans, (iii) has full lawful power and authority under its organizational documents and applicable laws to execute and deliver this Loan Agreement, to issue and deliver the Ginnie Mae Certificates and to perform its obligations hereunder and thereunder, and (iv) by proper action has duly authorized the execution and delivery of this Loan Agreement and will take all such actions within its power and control necessary to effect the issuance and delivery of the Ginnie Mae Certificates.

(b) The execution and delivery of this Loan Agreement and the delivery of the Ginnie Mae Certificates, and the consummation of the transactions contemplated hereby and thereby, do not conflict with or constitute a breach of or a default under the Lender's organizational documents or under the terms and conditions of any agreement or commitment to which the Lender is a party or by which the Lender is bound.

(c) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending with respect to which the Lender is a party or has received notice thereof or, to the knowledge of the Lender, threatened against the Lender, which questions or affects the power or authority of the Lender to carry out the transactions contemplated by, or to be performed under, this Loan Agreement or the Ginnie Mae Certificates.

(d) The Lender (i) is an FHA-approved mortgagee and, as such, is authorized to originate and service mortgage loans insured by FHA under Section 221(d)(4) of the National Housing Act and (ii) meets all the issuer eligibility requirements (including net worth requirements) of and is approved by Ginnie Mae to issue mortgage-backed securities guaranteed by Ginnie Mae pursuant to Section 306(g) of the National Housing Act.

(e) The Indenture has been submitted to the Lender for examination, and the Lender acknowledges, by execution of this Loan Agreement, that it has reviewed and understands the Indenture with respect to the payment to the Lender for the Ginnie Mae Certificates.

(f) On or before the date of Initial Endorsement, the Lender will reserve an amount of not less than \$_____ of its Ginnie Mae commitment authority granted by Ginnie Mae to issue mortgage-backed securities for the issuance of the Construction Loan Certificates and the Project Loan Certificate contemplated by this Loan Agreement and, assuming that the Initial Endorsement has occurred, such reservation with respect to the Project Loan Certificate shall not terminate, if at all, until a date which is subsequent to the Construction Loan Certificates maturity date, as the same may be extended.

(g) The Lender acknowledges, represents and warrants that it has not relied on the Issuer or its counsel for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Loan Agreement and the Indenture or otherwise relied on the Issuer or its counsel in any manner (other than the representations and agreements of the Issuer contained in this Loan Agreement).

(h) The Lender will deliver the Ginnie Mae Certificates to the Trustee promptly after it is authorized to do so under the Ginnie Mae Documents.

Section 2.4 Covenants Regarding the Tax-Exempt Status of the Bonds.

The Borrower covenants to take such action as is required of it so that the Bonds are, and to refrain from any action which would cause the Bonds to not be, obligations described in Section 103 of the Code, the interest on which is not includable in the "gross income" of the holder (other than the income of a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) for purposes of federal income taxation. In particular, but not by way of limitation thereof, the Borrower covenants as follows:

(a) to take such action to assure that the Bonds are "exempt facility bonds", as defined in Section 142(a) of the Code, at least 95 percent of the proceeds of which are used to provide "qualified

residential rental projects" (within the meaning of said Section 142(a)(7) of the Code) or property functionally related and subordinate to such facilities;

(b) to comply with the terms and conditions of the Regulatory Agreement including, without limiting the generality of any other covenant contained herein,

(1) assuring that at all times within the Qualified Project Period that 40 percent of the residential units in the Project will be occupied by persons whose income is 60 percent or less of area median gross income,

(2) obtaining annually from each tenant of a residential unit described in subsection (1) above, a certification of income to currently determine income compliance with the foregoing, and

(3) assuring that none of the residential units in the Project will be used for a purpose other than residential rental or that none of the units will be used as owner-occupied residences within the meaning of Section 143 of the Code;

(c) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of Section 149(b) of the Code;

(d) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in Section 148(b)(2) of the Code) which produces a materially higher yield than the yield on the Bonds over the term of the Bonds, other than investment property acquired with --

(1) proceeds of the Bonds invested for a reasonable temporary period equal to 3 years or less until such proceeds are needed for the purpose for which the Bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of Section 1.148-1(b) of the Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the stated principal amount (or, in the case of Bonds issued at a discount), the issue price of the Bonds;

(e) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, to satisfy the requirements of Section 148 of the Code (relating to arbitrage);

(f) to use no more than two percent of the gross proceeds of the Bonds for the payment of costs of issuance;

(g) to use no portion of the proceeds of the Bonds to provide any airplane, sky-box or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(h) to comply with the limitations imposed by Section 147(c) of the Code (relating to the limitation on the use of proceeds to acquire land) and Section 147(d) of the Code (relating to restrictions on the use of Bond proceeds to acquire existing buildings, structures or other property);

(i) to immediately remit to the Trustee for deposit in the Rebate Fund any deficiency with respect to the Rebate Amount as required by the Indenture;

(j) to provide to the Trustee, at such time as required by the Trustee, all information required by the Trustee with respect to Nonpurpose Investments not held in any fund under the Indenture; and

(k) to take such action to assure, the Project to be as described in the "Application of Private Activity Bonds" submitted by the Issuer on behalf of the Borrower to the Texas Bond Review Board in order to receive an allocation of state volume cap as required by Section 146 of the Code.

The Issuer agrees to submit such closing documents for the Bonds, in accordance with the rules of the Texas Bond Review Board, as may be necessary, or to take such other action as reasonably required, to cause the Texas Bond Review Board to provide the certificate of allocation for the Bonds under Section 146 of the Code.

The Issuer and Borrower understand that the term "proceeds" includes "disposition proceeds" as defined in the Regulations and, in the case of refunding Bonds, Transferred Proceeds (if any) and proceeds of the refunded Bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer and the Borrower that the covenants contained in this Agreement are intended to assure compliance with the Code and Regulations. In the event that the Code is changed or regulations or rulings are hereafter promulgated, which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer and the Borrower will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized Bond Counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that the Code is changed or regulations or rulings are hereafter promulgated, which impose additional requirements which are applicable to the Bonds, the Issuer and the Borrower each agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized Bond Counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the authorized Issuer representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

The Issuer and the Borrower covenant that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer and the Borrower of cash or other compensation, unless (i) the Bonds are retired or (ii) the Issuer and the Borrower obtain an opinion of nationally-recognized Bond Counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds.

ARTICLE III PLAN OF FINANCING

Section 3.1 Issuance of Bonds: Loan of Bond Proceeds. In order to provide funds for payment of costs related to acquisition, rehabilitation and equipping of the Development and the issuance of the Bonds:

(a) The Issuer shall simultaneously with the execution and delivery hereof proceed with the issuance and sale of the Bonds. The Issuer agrees to deposit the proceeds of sale of the Bonds in accordance with Article IV of the Indenture.

(b) Subject to the satisfaction of all of the terms and conditions set forth in that certain Commitment For Insurance of Advances issued by FHA to the Lender, as amended (the “*FHA Commitment*”) and the Lender’s loan commitment to the Borrower, which satisfaction shall be conclusively evidenced by the Initial Endorsement, with respect to the Mortgage Loan, the Lender agrees to make the Mortgage Loan to the Borrower, and shall promptly deliver or cause to be delivered the Ginnie Mae Certificates to the Trustee if and when issued, in accordance with Section 4.02 of the Indenture. Notwithstanding anything to the contrary contained in this Loan Agreement, the Indenture or any of the other Financing Documents, the Lender shall have no obligation to make the Mortgage Loan unless and until Initial Endorsement has occurred and all other terms and conditions of said FHA Commitment and the Lender Commitment have been satisfied. The Lender anticipates that it will deliver to the Trustee the Initial Construction Loan Certificate no later than _____, and the Project Loan Certificate no later than _____. Such delivery dates may be extended in accordance with Section 4.02 of the Indenture.

(c) The Borrower agrees to take all actions required of it to cause the Ginnie Mae Certificates to be promptly issued and delivered as contemplated by subparagraph (b) of this Section, including the funding of all required escrows and reserves.

(d) The Trustee agrees to make disbursements from the Acquisition Fund and the Capitalized Interest Account therein and to acquire the Ginnie Mae Certificates from the Lender in accordance with Section 4.02 of the Indenture.

(e) In the event that the Mortgage Note commences amortization prior to the date that the Project Loan Certificate is purchased by the Trustee, the Lender agrees to retain for its own account all payments on the Mortgage Note that represent principal amortization payments thereof which are received prior to the date of purchase of the Project Loan Certificate by the Trustee and not to pass through such principal amortization payments to the Trustee, unless otherwise required by Ginnie Mae; however, the retention of such principal amortization payments by the Lender may result in a reduction in the amount of the Project Loan Certificate when issued in an amount equal to the sum of any such principal amortization payments.

Section 3.2 Loan to Borrower. The Lender and the Borrower represent, and the Issuer and the Trustee acknowledge, that the Mortgage Loan is to be insured by FHA pursuant to and in accordance with the provisions of Section 221(d)(4) of the National Housing Act and applicable regulations thereunder, as evidenced by HUD’s endorsement of the Mortgage Note evidencing the Mortgage Loan for FHA Insurance; and that the Mortgage Loan will be in the principal amount, will bear interest at the rate, will have a final maturity, will be payable in equal monthly installments of principal and interest (interest only prior to _____) and will be subject to prepayment, all as set forth in the Mortgage Note. The Mortgage Loan will be secured on a nonrecourse basis pursuant to the Mortgage Loan Documents.

The obligation of the Borrower to make payments on the Mortgage Note, to make all other payments provided for in this Loan Agreement and to perform and observe the other agreements and covenants on its part in this Loan Agreement will be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee, the Lender or any other Person. Subject to prepayment of the Mortgage Note in full and termination as provided in this Loan Agreement, the Borrower will not suspend or discontinue any such payment under this Loan Agreement or on the Mortgage Note (any reamortization of payments on the Mortgage Note in accordance with the Indenture and the Mortgage will not constitute a suspension or discontinuance of payments on the Mortgage Note) or fail to perform and observe any of its other agreements and covenants contained in this Loan Agreement or terminate this Loan Agreement for any

cause, including, without limiting the generality of the foregoing, any acts or circumstances that may deprive the Borrower of the use and enjoyment of the Development, failure of consideration or commercial frustration of purpose, any damage to or destruction of the Development or any part thereof, the taking by eminent domain of title to or the right to temporary use of all or any part of the Development, any change in the tax or other laws of the United States of America, the State of Texas or any political or taxing subdivision of either thereof, or any failure by the Issuer to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

Section 3.3 Sufficiency of Funds. The Issuer does not make any warranty, either express or implied, that the money deposited in the Acquisition Fund under the Indenture and available for payment of the costs of acquiring the Ginnie Mae Certificates will be sufficient to pay all the costs thereof or of the Development. The Borrower agrees that if the Borrower should pay any costs relating to the acquisition of the Ginnie Mae Certificates or of the Development other than from the Bond proceeds, the Borrower shall not be entitled to any reimbursement therefor from the Lender, the Issuer, the Trustee or the Bondholders; however, if the Borrower shall incur such costs as a result of the gross negligence or willful misconduct of either the Lender or the Trustee, the Borrower may be entitled to reimbursement therefor.

Section 3.4 Failure to Deliver Ginnie Mae Certificates. Any provisions in any other Financing Documents or Mortgage Loan Documents to the contrary notwithstanding, in the event any Ginnie Mae Certificate is not delivered to the Trustee or its nominee as provided in the Indenture, the remaining funds held under the Indenture shall be used to redeem the Bonds in accordance with the provisions of the Indenture, and neither the Borrower nor the Lender shall be entitled to any use of such funds. The Borrower agrees to comply with the requirements of the Indenture in the event it is necessary to extend the Initial Construction Loan Certificate Delivery Date or the Project Loan Certificate Delivery Date and to take all actions and pay all costs necessary to obtain such extensions. In the event that the Borrower shall fail to do so, the Lender may, but shall not be obligated to, take any such actions at such time as the Lender shall deem necessary and the Borrower shall immediately reimburse the Lender for any costs incurred in connection therewith.

Section 3.5 Investment of Money. Any money held as part of any Fund created under the Indenture shall be invested or reinvested, from time to time, by the Trustee in Permitted Investments as provided in Article V of the Indenture and Section 5.2 of this Loan Agreement. The Borrower has reviewed those provisions of the Indenture relating to investment of funds held thereunder and the use of such investment earnings, and has reviewed the proposed initial investment of funds held under the Indenture in the Investment Agreement, and hereby approves the same.

Section 3.6 Limitation of Issuer's Liability; Issuer May Rely.

(a) All obligations of the Issuer incurred under this Loan Agreement, the Regulatory Agreement and the Indenture shall be limited obligations of the Issuer, payable solely and only from Bond proceeds and the Trust Estate. THE BONDS SHALL BE PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND PROPERTY PLEDGED UNDER THE INDENTURE FOR THE PAYMENT OF THE BONDS, AND NO OWNER OR OWNERS OF ANY OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE STATE OR ANY POLITICAL CORPORATION OR SUBDIVISION OR OTHER PUBLIC BODY OF THE STATE, OR TO ENFORCE THE PAYMENT OF THE BONDS AGAINST ANY PROPERTY OF THE ISSUER, THE STATE OR ANY SUCH POLITICAL CORPORATION OR SUBDIVISION OR OTHER PUBLIC BODY, INCLUDING THE ISSUER, EXCEPT AS PROVIDED IN THE INDENTURE. NO

BOARD MEMBER, DIRECTOR, OFFICER, AGENT, EMPLOYEE, OR ATTORNEY OF THE ISSUER OR THE STATE, INCLUDING ANY PERSON EXECUTING THIS LOAN AGREEMENT ON BEHALF OF THE ISSUER, SHALL BE LIABLE PERSONALLY UNDER THIS LOAN AGREEMENT OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THIS LOAN AGREEMENT OR ANY AMENDMENT TO THIS LOAN AGREEMENT, AGAINST ANY BOARD MEMBER, OFFICER, DIRECTOR, EMPLOYEE, AGENT, ATTORNEY OR MEMBER OF THE GOVERNING BODY OF THE ISSUER OR THE STATE AS SUCH, OR ANY SUCCESSOR WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THIS LOAN AGREEMENT AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED.

(b) It is expressly understood and agreed by the parties to this Loan Agreement that:

(i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, any Bondholder or the Borrower as to the existence of a fact or state of affairs required under this Loan Agreement to be noticed by the Issuer;

(ii) the Issuer shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by the Borrower; and

(iii) none of the provisions of this Loan Agreement shall require the Issuer to expend or risk its own funds (apart from the proceeds of Bonds issued under the Indenture) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under this Loan Agreement unless it first shall have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

(c) No provision, representation, covenant or agreement contained in this Loan Agreement or in the Indenture, the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability (except to the extent of any loan repayments, revenues and receipts derived by the Issuer pursuant to this Loan Agreement). No provision hereof shall be construed to impose a charge against the general credit of the Issuer, the State or any other political subdivision of the State, or the taxing powers of the foregoing, within the meaning of any constitutional provision or statutory limitation, or any personal or pecuniary liability upon any board member, director, officer, agent or employee of the Issuer.

(d) All covenants, obligations and agreements of the Issuer contained in this Loan Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future board member, director, officer, agent or employee of the Issuer in other than his official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the

Issuer contained in this Loan Agreement or in the Indenture. No provision, covenant or agreement contained in this Loan Agreement, the Indenture or the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Loan Agreement or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Development or the issuance and sale of the Bonds, against any member of the governing board of the Issuer, its officers, counsel, financial advisor, or agents, as such, in his or her individual capacity, past, present, or future, or of any successor thereto, whether by virtue of any Constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any member of the governing board, officers, counsel, financial advisors, or agents, as such, in his or her individual capacity, past, present, or future, of the Issuer or of any successor thereto, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Issuer and the Trustee or the Borrower to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such board member, director, officer, counsel, financial advisor, or agent, is, by the execution of the Bonds, this Loan Agreement, and the Indenture, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Loan Agreement, and the Indenture, expressly waived and released.

Section 3.7 No Warranty by Issuer and Trustee. The Borrower recognizes that, because the components of the Development have been and are to be designated and selected by it, THE ISSUER AND TRUSTEE HAVE NOT MADE AN INSPECTION OF THE DEVELOPMENT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER AND TRUSTEE MAKE NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, CAPACITY, OPERATION, MERCHANTABILITY, FITNESS OR SUITABILITY FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE DEVELOPMENT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER AND TRUSTEE SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER AND TRUSTEE, EXPRESS OR IMPLIED, WITH RESPECT TO THE DEVELOPMENT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 3.8 Direction of Investments. Except during the continuance of an Event of Default under this Loan Agreement, the Borrower shall have the right during the term of this Loan Agreement to direct the Trustee to invest or reinvest all money held for the credit of Funds or accounts established by Article IV of the Indenture in such securities as are Permitted Investments, subject, however, to the further conditions of Article V of the Indenture and Sections 2.4 and 5.2 herein.

Section 3.9. Special Projects Funds Usage.

(a) The Borrower covenants that it shall use Special Projects Funds solely for Special Projects and shall cause to be included in its annual audited financial statement or such other document supplied by an independent certified public accountant an itemized statement of the date the Special Projects Funds were used, the Special Project for which the Special Projects Funds were used, and, in the case of tangible property, the location of such property (the “Special Projects Statement”). The Borrower shall not be in default of the covenants set forth in this Section 3.9 if Special Projects Funds continue to be identified as an asset in the audited financial statement; provided however that the Borrower covenants that it will expend all Special Projects Funds on Special Projects within three (3) years of the discharge of all Bonds in accordance with Article VII, the terms of the Indenture. Furthermore, in the event that the Borrower has expended more than Special Projects Funds on Special Projects with revenues of the Development, then there shall be an equitable adjustment in any succeeding year to offset the excess use of Development Revenues on Special Projects.

(b) In the event the Special Projects Statement shows that Special Projects Funds were used for purposes other than Special Projects, the Borrower shall increase the amount of Special Projects Funds for the next succeeding fiscal year by decreasing the agreed upon return on Gross Revenues by the amount of Special Projects Funds that was used for purposes other than Special Projects. In the event that the Special Projects Statement for such next succeeding fiscal year shows that Special Projects Funds were used for purposes other than Special Projects, the Borrower shall in the next succeeding fiscal year make a payment to the Issuer out of Special Projects Funds for such fiscal year in the amount of the non-Special Project uses reported in the immediately preceding Special Projects Statements.

(c) The Issuer, the Borrower, and the Trustee agree that (i) failure by the Borrower to abide by the covenants in this Section 3.9 shall not constitute an Event of Default, but that the Issuer may seek a mandamus action in a court of competent jurisdiction and (ii) money held in the Trust Estate or otherwise used to pay principal of and interest on the Bonds, to fund reserves herein or pay Operating and Maintenance Expenses shall not be used for any payment relating to this Section 3.9.

ARTICLE IV PAYMENT OF LOAN

Section 4.1 Amounts Payable.

(a) The Borrower covenants to make payments required by the Mortgage Note, as and when the same become due. The Borrower covenants that, for so long as the Bonds are Outstanding and except as otherwise contemplated hereby or by the Indenture, or as may be required by HUD, it will not execute any amendment to the Mortgage Note that results in a decrease in the amount payable thereunder without the consent of the Owners of all of the Bonds Outstanding on the effective date of such amendment.

(b) To the extent not paid pursuant to the Mortgage Note or the Indenture, the Borrower also shall pay, or cause to be paid, as and when the same become due, (1) to the Trustee, the Trustee Fees as provided in the Indenture and subject to the limitations herein, and expenses reasonably incurred by it as Trustee under the Indenture, including without limitation the reasonable fees and the expenses of its counsel, and its fees and expenses if the Trustee is the Dissemination Agent in connection with the Borrower's compliance with its obligations under Section 5.9 of this Loan Agreement, all charges for exchange or registration of transfer of Bonds and all other such amounts which the Borrower herein assumes or agrees to pay, including any cost or expense necessary to cancel and discharge the Indenture upon payment in full of the Bonds (which amounts described in this clause (1) shall be paid upon demand and in any event no

later than thirty (30) days after receipt of request for payment thereof); (2) to the Trustee the amount, if any, required to pay the principal of and interest on the Bonds when due (including without limitation such amounts resulting from “negative arbitrage” on the investment of Proceeds); (3) to the trustee under the Mortgage its reasonable fees and expenses, if any, for services rendered thereunder; (4) (i) to the Trustee, for remittance to the Issuer, on or prior to the 5th day of each calendar month, commencing _____, 1/12th of the Issuer Compliance Fee, and (ii) to the Issuer or to any payee designated by the Issuer, all expenses of the Issuer, its agents or employees incurred at any time related to the Bonds or the Development or the financing thereof, including, without limitation, legal and advisory fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Development or the Bonds or in connection with questions or other matters arising under such documents, which amounts described in this clause (4) shall be paid upon demand and in any event no later than thirty (30) days after receipt of request for payment thereof; (5) to the rebate analyst the reasonable fees of calculating the Rebate Amount; (6) any Rebate Amount; and (7) to FHA, Ginnie Mae and the Lender all fees and expenses associated with obtaining FHA and Ginnie Mae approvals necessary for the issuance of the FHA Commitment and the Ginnie Mae Certificates; however, the aggregate of all such amounts paid to the Issuer, or to the Trustee on its behalf, shall not equal or exceed an amount which would cause the “yield” on any “purpose investment” to be “materially higher” than the “yield” on the Bonds, as such terms are defined in the Code.

Section 4.2 Prepayment of Loan. The Issuer and the Trustee acknowledge that the Borrower shall have the option to prepay the Mortgage Loan in full or in part prior to the payment and discharge of all the Outstanding Bonds, but only in accordance with the provisions of the Mortgage Note.

Section 4.3 Obligations of Borrower.

(a) The obligation of the Borrower to make payments on the Mortgage Note, to make all other payments provided for herein and to perform and observe the other agreements and covenants on its part herein contained shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee, the Lender or any other Person. Subject to prepayment of the Mortgage Note in full and termination as provided herein, the Borrower shall not suspend or discontinue any such payment hereunder or on the Mortgage Note (any reamortization of the payments on the Mortgage Note in accordance with the Indenture and the Mortgage shall not constitute a suspension or discontinuance of payments on the Mortgage Note) or fail to perform and observe any of its other agreements and covenants contained herein or terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may deprive the Borrower of the use and enjoyment of the Development, failure of consideration or commercial frustration of purpose, any damage to or destruction of the Development or any part thereof, the taking by eminent domain of title to or the right to temporary use of all or any part of the Development, any change in the tax or other laws of the United States of America, the State or any political or taxing subdivision of either thereof, or any failure by the Issuer to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

(b) Notwithstanding any provisions in this Loan Agreement or any of the other Financing Documents to the contrary, enforcement of the provisions of this Loan Agreement or any of the other Financing Documents shall not result in any claim against the Development, the mortgaged property, Mortgage Loan proceeds, any reserve or deposit required by HUD or the Lender in connection with the Mortgage Loan, or the rents or other income from the

Development (other than available Surplus Cash) and, with the exception of the indemnification and fees and expenses provisions in favor of the Issuer or the Trustee contained in Sections 4.6 and 5.10 hereof (subject to Section 7.8 hereof), the liability of the Borrower for any breach or default by or obligation of the Borrower under this Loan Agreement or any of the other Financing Documents shall be limited to the undistributed Surplus Cash, which is otherwise distributable pursuant to the terms of the HUD Regulatory Agreement and to the collateral given now or in the future by the Borrower pursuant to the Indenture or otherwise for the Borrower's obligations hereunder. By execution hereof, each of the Issuer and the Trustee affirms that no pledge has been made and that it has no claim, and will not later assert any claim, against the mortgaged property, the Mortgage Loan proceeds, any reserve or deposit made with the Lender or required by HUD in connection with the Mortgage Loan transaction or against the income from the mortgaged property for payment of any obligation contained herein or in any of the other Financing Documents. Nothing in this provision or elsewhere in this Loan Agreement or any of the other Financing Documents shall alter, affect or diminish the rights of the Lender under the Mortgage Loan Documents.

(c) The Borrower covenants and agrees to deposit with the Trustee such amounts as may be required to be deposited, and to pay such charges, costs and expenses as may be incurred or required, to extend the maturity date of any Construction Loan Certificate and/or the Delivery Date. In the event the Borrower fails to make such deposits and/or to pay such charges, costs and expenses, the Lender may, in its sole discretion, but without any obligation to do so, make such deposits with the Trustee and pay such charges, costs and expenses, in which event the Borrower shall be liable to the Lender for the amounts of such deposits and/or charges, costs and expenses.

Section 4.4 Rights Assigned. It is understood and agreed that all the Issuer's rights under this Loan Agreement (except the Unassigned Issuer Rights) are assigned by the Indenture to the Trustee. The Borrower hereby consents to such assignment.

Section 4.5 Payment of Issuance Costs by Borrower. The Borrower agrees that it will provide any and all funds which may be required for the prompt and full payment of all Costs of Issuance of the Bonds due at the Closing Date.

Section 4.6 Additional Charges. The Borrower agrees to pay when due each and all of the following:

(a) (i) All indemnity payments required to be made under Sections 5.10 and 5.11 hereof and under Section 9.06 of the Indenture to the Issuer and the Trustee; (ii) all fees (including legal fees) and expenses incurred by the Issuer to exercise the Unassigned Issuer Rights under this Loan Agreement; and (iii) all other expenses incurred by the Issuer and Trustee in relation to the Development which are not otherwise required to be paid by the Borrower under the terms of this Loan Agreement or any separate fee agreement, including costs incurred as a result of a request by the Borrower;

(b) ANY AND ALL EXTRAORDINARY FEES AND EXPENSES OF THE ISSUER, THE ASSET OVERSIGHT AGENT AND OF THE TRUSTEE INCURRED BY OR ON BEHALF OF EITHER OF THEM AT ANY TIME RELATED TO THE DEVELOPMENT WHICH ARE NOT PAID FROM THE AMOUNTS HELD UNDER THE INDENTURE, INCLUDING, WITHOUT LIMITATION, LEGAL FEES AND EXPENSES INCURRED IN CONNECTION WITH THE INTERPRETATION, PERFORMANCE, ENFORCEMENT OR AMENDMENT OF THE INDENTURE, THE FINANCING DOCUMENTS OR ANY OTHER DOCUMENTS RELATING TO THE DEVELOPMENT OR THE BONDS OR IN

CONNECTION WITH ANY FEDERAL OR STATE TAX AUDIT OR ANY QUESTIONS OR OTHER MATTERS ARISING UNDER SUCH DOCUMENTS. SUCH COSTS AND EXPENSES SHALL INCLUDE, WITHOUT LIMITATION, CHARGES FOR TITLE INSURANCE (INCLUDING ENDORSEMENTS), FILING, RECORDING AND ESCROW CHARGES, FEES FOR APPRAISAL, ARCHITECTURAL AND ENGINEERING REVIEW, CONSTRUCTION SERVICES AND ENVIRONMENTAL SERVICES, MORTGAGE TAXES, DOCUMENT REVIEW AND PREPARATION, EXPENSES OF LEGAL COUNSEL AND ANY OTHER FEES AND COSTS FOR SERVICES, REGARDLESS OF WHETHER SUCH SERVICES ARE FURNISHED BY THE ISSUER'S, THE ASSET OVERSIGHT AGENT'S OR TRUSTEE'S EMPLOYEES OR AGENTS OR INDEPENDENT CONTRACTORS. AMOUNTS PAYABLE OR REIMBURSABLE, AS THE CASE MAY BE, PURSUANT TO THIS SUBSECTION (B) SHALL INCLUDE, BUT NOT BE LIMITED TO, (I) ALL COSTS OF PRINTING ANY REPLACEMENT BONDS REQUIRED TO BE ISSUED UNDER THE INDENTURE TO THE EXTENT SUCH COSTS ARE NOT PAID BY THE HOLDERS AND (II) THE FEES AND EXPENSES OF ANY EXPERTS RETAINED BY THE TRUSTEE, THE ASSET OVERSIGHT AGENT AND/OR ISSUER PURSUANT TO THE TERMS OF THE INDENTURE OR ANY OF THE FINANCING DOCUMENTS;

(c) In accordance with Section 4.5 of this Loan Agreement, any Costs of Issuance in excess of amounts available in the Costs of Issuance Fund;

(d) In accordance with Section 2.4(d) of this Loan Agreement, the Rebate Amount to the extent that the funds available under the Indenture for the payment thereof are not sufficient or available therefor and any amount necessary to pay the Arbitrage Consultant's Fee; and

(e) All amounts payable pursuant to this Section 4.6 shall be paid by the Borrower to the Trustee not later than 30 days after receipt of request for payment thereof.

Section 4.7 Borrower's Obligations Unconditional. The obligations of the Borrower to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and payments under Section 4.1(b) and 4.6 shall be paid without notice or demand (except as otherwise expressly set forth herein) and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. The Borrower will not suspend or discontinue any such payments, and will perform and observe all of its other agreements in this Loan Agreement, and, except as expressly permitted in Section 7.6, will not terminate this Loan Agreement for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Development or the Borrower's business, the taking of the Development or the Borrower's business by Condemnation or otherwise, the lawful prohibition of the Borrower's use of the Development or the Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Loan Agreement, the lack of right, power or authority of the Issuer to enter into this Loan Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Issuer or the Trustee, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or failure of any third party, including, but not limited to, the Issuer, to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, the Indenture and each of the Financing Documents, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the payment of the Loan and other amounts payable by the Borrower hereunder or under the Mortgage Note shall be paid in full when due without any delay or diminution whatever. Nothing contained herein shall be construed as

prohibiting the Borrower from pursuing any rights or remedies it may have against any Person in a separate legal proceeding.

ARTICLE V SPECIAL COVENANTS

Section 5.1 Regulatory Agreement. The covenants of the Borrower in the Regulatory Agreement shall be deemed to constitute covenants of the Borrower running with the land and an equitable servitude for the benefit of the Owners and shall be binding upon any owner of the Development until (i) such time as such restrictions expire under their own terms or (ii) the Regulatory Agreement is otherwise terminated by its terms. The Borrower hereby covenants to cause the Regulatory Agreement to be filed in the Official Records of Harris County, Texas, immediately after the Mortgage, HUD Regulatory Agreement and any UCC financing statements required in connection with the Mortgage Loan are so recorded and, in any event, before the disbursement of any funds by the Trustee (other than funds contributed by the Borrower) and to take such other steps as are necessary in order to assure that the restrictions contained in the Regulatory Agreement will be binding upon all owners of the Development, to the extent provided therein and subordinate to the Mortgage Loan Documents. The Borrower hereby covenants to include such restrictions in any documents transferring any interest in the Development (except the Mortgage Loan Documents) to another, to the extent necessary, to ensure that such transferee has notice of, and is bound by, such restrictions, including, but not limited to, the restrictions and covenants provided in Section 10 of the Regulatory Agreement.

Section 5.2 [Reserved].

Section 5.3 Operation of the Development. The Borrower shall operate or cause the Development to be operated as a housing project under Section 221(d)(4) of the National Housing Act, as a qualified low income housing project pursuant to Section 42(g) of the Code, and in accordance with the requirements of this Loan Agreement, the Regulatory Agreement, the Code and the Act.

Further, all work performed in connection with the Development shall be performed in strict compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.

Section 5.4 Inspection of Development and Records. The Issuer, the Asset Oversight Agent, the Lender and the Trustee and their duly authorized agents shall have the right at all reasonable times after reasonable written notice to the Borrower to do the following:

- (a) enter upon, examine and inspect during regular business hours any part of the Development subject to the rights of residents therein and so long as such entry, examination and inspection does not substantially interfere with the operation of the Development;
- (b) examine during regular business hours the books and records of the Borrower insofar as such books and records relate to the acquisition, construction, equipping, operation and maintenance of the Development or payments hereunder or on the Mortgage Note;
- (c) inspect during regular business hours the Borrower's records regarding residents and resident selection policy; and
- (d) review applications from prospective residents before those residents become occupants of the Development.

Section 5.5 Financial Records and Statements. The Borrower shall maintain proper books of record and account, in which full and correct entries shall be made in accordance with tax-basis accounting principles, of the Development and all the Borrower's business and affairs.

Section 5.6 Obligation of Borrower to Furnish Certain Information. The Borrower shall furnish to the Issuer, upon request, such information with respect to the Bonds, the Development or the Borrower's obligations hereunder or under the Regulatory Agreement as may be reasonably necessary for the Issuer to complete its annual audit or to make any reports or to comply with as may be required by State or federal law, now or hereafter in effect. The Borrower shall furnish such information to the Trustee at the same time it is furnished to the Issuer, and shall also furnish to the Trustee and the Lender copies of all reports, audits, prescribed forms and other written materials relating to the Development which it is required to provide under the National Housing Act or HUD, FHA or Ginnie Mae regulations at the same time as such reports, audits, forms and other written materials are furnished to the governmental agency requiring them.

Section 5.7 Certificate as to No Default. The Borrower shall deliver to the Issuer, upon its request, and to the Trustee and the Lender within 90 days after the close of each of Borrower's Fiscal Years a certificate signed by the Borrower stating that during such Fiscal Year and as of the date of such certificate no event or condition has happened or existed, or is happening or existing, that constitutes an Event of Default or the violation of any covenant or agreement herein, or if such an Event of Default or the violation of any covenant or agreement herein has occurred or is occurring, specifying the nature and period of such Event of Default or such violation and what action the Borrower has taken, is taking or proposes to take with respect thereto.

Section 5.8 Notice of Suits. The Borrower shall notify the Trustee, the Lender and the Issuer as soon as it has knowledge of any actions, suits or proceedings at law, in equity or before or by any governmental authority, pending, or to its knowledge reasonably threatened, materially affecting or involving the validity or enforceability of the Mortgage Note or this Loan Agreement.

Section 5.9 Continuing Disclosure. The Borrower hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Loan Agreement or the Indenture, failure of the Borrower to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder or under the Indenture or a default with respect to the Bonds or the Mortgage Loan Documents. The Borrower will provide to the Trustee and the Issuer copies of the annual financial statements of the Development and notices of material events provided pursuant to the Continuing Disclosure Agreement.

Section 5.10 Indemnification by Borrower.

(a) TO THE FULLEST EXTENT PERMITTED BY LAW, THE BORROWER AGREES TO INDEMNIFY, HOLD HARMLESS AND DEFEND THE LENDER, AND THE TRUSTEE, AND EACH OF THEIR RESPECTIVE OFFICERS, GOVERNING MEMBERS, DIRECTORS, OFFICIALS, EMPLOYEES, ATTORNEYS AND AGENTS (COLLECTIVELY, THE "INDEMNIFIED PARTIES"), AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, ACTIONS, LIABILITIES, COSTS AND EXPENSES OF ANY CONCEIVABLE NATURE, KIND OR CHARACTER (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT AND AMOUNTS PAID TO DISCHARGE JUDGMENTS) TO WHICH THE INDEMNIFIED PARTIES, OR ANY OF THEM, MAY BECOME SUBJECT UNDER FEDERAL OR STATE SECURITIES LAWS OR ANY OTHER STATUTORY LAW

OR AT COMMON LAW OR OTHERWISE, ARISING OUT OF OR BASED UPON OR IN ANY WAY RELATING TO THE FOLLOWING:

(i) THE FINANCING DOCUMENTS OR THE EXECUTION OR AMENDMENT THEREOF, OR IN CONNECTION WITH TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE SALE, RESALE OR REMARKETING OF THE BONDS;

(ii) ANY ACT OR OMISSION OF THE BORROWER OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES IN CONNECTION WITH THE MORTGAGE LOAN OR THE DEVELOPMENT, THE OPERATION OF THE DEVELOPMENT, OR THE CONDITION, ENVIRONMENTAL OR OTHERWISE, OCCUPANCY, USE, POSSESSION, CONDUCT OR MANAGEMENT OF WORK DONE IN OR ABOUT, OR FROM THE PLANNING, DESIGN, ACQUISITION, INSTALLATION OR CONSTRUCTION OF, THE DEVELOPMENT OR ANY PART THEREOF;

(iii) ANY LIEN OR CHARGE UPON PAYMENTS BY THE BORROWER TO THE ISSUER AND THE TRUSTEE HEREUNDER, OR ANY TAXES (INCLUDING, WITHOUT LIMITATION, ALL AD VALOREM TAXES AND SALES TAXES), ASSESSMENTS, IMPOSITIONS AND OTHER CHARGES IMPOSED ON THE ISSUER OR THE TRUSTEE IN RESPECT OF ANY PORTION OF THE DEVELOPMENT;

(iv) ANY VIOLATION OF ANY ENVIRONMENTAL LAW, RULE OR REGULATION WITH RESPECT TO, OR THE RELEASE OF ANY TOXIC SUBSTANCE FROM, THE DEVELOPMENT OR ANY PART THEREOF;

(v) THE DEFEASANCE AND/OR REDEMPTION, IN WHOLE OR IN PART, OF THE BONDS;

(vi) ANY UNTRUE STATEMENT OR MISLEADING STATEMENT OR ALLEGED UNTRUE STATEMENT OR ALLEGED MISLEADING STATEMENT OF A MATERIAL FACT MADE BY THE BORROWER CONTAINED IN ANY OFFERING STATEMENT OR DOCUMENT FOR THE BONDS OR ANY OF THE DOCUMENTS RELATING TO THE BONDS TO WHICH THE BORROWER IS A PARTY, OR ANY OMISSION OR ALLEGED OMISSION FROM ANY OFFERING STATEMENT OR DOCUMENT FOR THE BONDS OF ANY MATERIAL FACT WITH RESPECT TO THE BORROWER OR THE DEVELOPMENT NECESSARY TO BE STATED THEREIN IN ORDER TO MAKE THE STATEMENTS THEREIN MADE BY THE BORROWER, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING; OR

(vii) THE TRUSTEE'S ACCEPTANCE OR ADMINISTRATION OF THE TRUST OF THE INDENTURE, OR THE EXERCISE OR PERFORMANCE OF ANY OF ITS POWERS OR DUTIES THEREUNDER OR UNDER ANY OF THE DOCUMENTS RELATING TO THE BONDS TO WHICH IT IS A PARTY; EXCEPT IN THE CASE OF THE FOREGOING INDEMNIFICATION OF THE LENDER, THE TRUSTEE OR ANY OF THEIR RESPECTIVE OFFICERS, MEMBERS, DIRECTORS, OFFICIALS, ATTORNEYS AND AGENTS, TO THE EXTENT SUCH DAMAGES ARE CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH

INDEMNIFIED PARTY. IN THE EVENT THAT ANY ACTION OR PROCEEDING IS BROUGHT AGAINST ANY INDEMNIFIED PARTY WITH RESPECT TO WHICH INDEMNITY MAY BE SOUGHT HEREUNDER, THE BORROWER, UPON WRITTEN NOTICE FROM THE INDEMNIFIED PARTY, SHALL ASSUME THE INVESTIGATION AND DEFENSE THEREOF, INCLUDING THE EMPLOYMENT OF COUNSEL SELECTED BY THE INDEMNIFIED PARTY, AND SHALL ASSUME THE PAYMENT OF ALL EXPENSES RELATED THERETO, WITH FULL POWER TO LITIGATE, COMPROMISE OR SETTLE THE SAME IN ITS SOLE DISCRETION; PROVIDED THAT THE INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO REVIEW AND APPROVE OR DISAPPROVE ANY SUCH COMPROMISE OR SETTLEMENT. EACH INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY SUCH ACTION OR PROCEEDING AND PARTICIPATE IN THE INVESTIGATION AND DEFENSE THEREOF, AND THE BORROWER SHALL PAY THE REASONABLE FEES AND EXPENSES OF SUCH SEPARATE COUNSEL; HOWEVER, SUCH INDEMNIFIED PARTY MAY ONLY EMPLOY SEPARATE COUNSEL AT THE EXPENSE OF THE BORROWER IF IN ITS JUDGMENT A CONFLICT OF INTEREST EXISTS BY REASON OF COMMON REPRESENTATION OR IF ALL PARTIES COMMONLY REPRESENTED DO NOT AGREE AS TO THE ACTION (OR INACTION) OF COUNSEL.

(b) THE BORROWER HEREBY COVENANTS AND AGREES AS FOLLOWS: TO PROTECT, INDEMNIFY AND SAVE THE ISSUER AND ITS BOARD MEMBERS, DIRECTORS, COMMISSIONERS, OFFICERS, AGENTS AND EMPLOYEES HARMLESS FROM AND AGAINST ALL LIABILITY, LOSSES, DAMAGES, COSTS, EXPENSES (INCLUDING ATTORNEYS' FEES), TAXES, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS AND JUDGMENTS OF ANY NATURE OR FORM, BY OR ON BEHALF OF ANY PERSON ARISING IN ANY MANNER FROM THE TRANSACTION OF WHICH THIS LOAN AGREEMENT IS A PART OR ARISING IN ANY MANNER IN CONNECTION WITH THE DEVELOPMENT OR THE FINANCING OF THE DEVELOPMENT INCLUDING WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ARISING FROM (I) THE WORK DONE ON THE DEVELOPMENT OR THE OPERATION OF THE DEVELOPMENT DURING THE TERM OF THIS AGREEMENT OR (II) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THIS AGREEMENT (OTHER THAN A FAILURE TO PAY THE PRINCIPAL OF, AND ANY INTEREST AND PREMIUM ON, THE LOAN, THE MORTGAGE NOTE OR THE BONDS), OR (III) ANY CLAIM OR CAUSE OF ACTION AGAINST THE ISSUER THAT SEEKS TO IMPOSE LIABILITY ON THE ISSUER WITH RESPECT TO THE BONDS, THIS LOAN AGREEMENT, THE REGULATORY AGREEMENT OR THE INDENTURE WHICH EXCEEDS THE LIABILITY OF THE ISSUER AS SET FORTH IN SECTION 3.6 HEREOF, OR (IV) THE DEVELOPMENT OR ANY PART THEREOF, OR (V) ANY VIOLATION OF ANY CONTRACT, AGREEMENT OR RESTRICTION RELATING TO THE DEVELOPMENT EXCLUDING THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, THE MORTGAGE NOTE OR THE MORTGAGE LOAN, OR (VI) ANY LIABILITY, VIOLATION OF LAW, ORDINANCE OR REGULATION AFFECTING THE DEVELOPMENT OR ANY PART THEREOF OR THE OWNERSHIP OR OCCUPANCY OR USE THEREOF. UPON NOTICE FROM THE ISSUER, OR ANY OF ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES, THE BORROWER SHALL DEFEND THE ISSUER OR ANY OF ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES IN ANY ACTION OR PROCEEDING BROUGHT IN

CONNECTION WITH ANY OF THE ABOVE, AND PROVIDE COMPETENT COUNSEL REASONABLY SATISFACTORY TO THE ISSUER; PROVIDED, HOWEVER, THAT THE ISSUER SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY ACTION DESCRIBED IN THE PRECEDING SENTENCE AT THE EXPENSE OF THE BORROWER;

(i) IT IS THE INTENTION OF THE PARTIES HERETO THAT THE ISSUER AND ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES SHALL NOT INCUR PECUNIARY LIABILITY BY REASON OF THE TERMS OF THIS LOAN AGREEMENT OR BY REASON OF THE UNDERTAKINGS REQUIRED OF THE ISSUER AND ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES HEREUNDER IN CONNECTION WITH THE ISSUANCE OF THE BONDS, INCLUDING BUT NOT LIMITED TO THE EXECUTION AND DELIVERY OF THE INDENTURE, THIS LOAN AGREEMENT, THE REGULATORY AGREEMENT, AND ALL OTHER INSTRUMENTS AND DOCUMENTS REQUIRED TO CLOSE THE TRANSACTION; THE PERFORMANCE OF ANY ACT REQUIRED OF THE ISSUER AND ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES BY THIS LOAN AGREEMENT; OR THE PERFORMANCE OF ANY ACT REQUESTED OF THE ISSUER AND ITS RESPECTIVE COMMISSIONERS, MEMBERS, TRUSTEES, BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES BY THE BORROWER OR IN ANY WAY ARISING FROM THE TRANSACTION OF WHICH THIS LOAN AGREEMENT IS A PART OR ARISING IN ANY MANNER IN CONNECTION WITH THE DEVELOPMENT OR THE FINANCING OF THE DEVELOPMENT, INCLUDING BUT NOT LIMITED TO THE EXECUTION AND DELIVERY OF THE INDENTURE, THIS LOAN AGREEMENT, THE REGULATORY AGREEMENT AND ALL OTHER INSTRUMENTS AND DOCUMENTS REQUIRED TO CLOSE THE TRANSACTION; NEVERTHELESS, IF THE ISSUER OR ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES SHOULD INCUR ANY SUCH PECUNIARY LIABILITY WITH RESPECT TO EVENTS OCCURRING AFTER THE DATE HEREOF, THEN IN SUCH EVENT THE BORROWER SHALL INDEMNIFY AND HOLD THE ISSUER AND ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES HARMLESS AGAINST ALL CLAIMS BY OR ON BEHALF OF ANY PERSON, ARISING OUT OF THE SAME, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR IN CONNECTION WITH ANY ACTION OR PROCEEDING BROUGHT THEREON, AND UPON TIMELY NOTICE FROM THE ISSUER THE BORROWER SHALL DEFEND THE ISSUER AND ITS RESPECTIVE BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES IN ANY SUCH ACTION OR PROCEEDING, AND PROVIDE COUNSEL SATISFACTORY TO THE ISSUER AND THE BORROWER SHALL PAY THE ISSUER'S EXPENSES INCLUDING PAYMENT OF THE COUNSEL USED BY THE ISSUER; PROVIDED, HOWEVER, THAT THE ISSUER SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY ACTION DESCRIBED IN THE PRECEDING SENTENCE AT THE EXPENSE OF THE BORROWER;

(ii) NOTWITHSTANDING ANY PROVISION OF THIS SECTION 5.10 TO THE CONTRARY, THE ISSUER SHALL BE INDEMNIFIED BY THE BORROWER WITH RESPECT TO LIABILITIES ARISING FROM THE

ISSUER'S OWN GROSS NEGLIGENCE, NEGLIGENCE OR BREACH OF CONTRACTUAL DUTY, BUT NOT FOR ANY LIABILITIES ARISING FROM THE ISSUER'S OWN BAD FAITH, FRAUD OR WILLFUL MISCONDUCT.

Notwithstanding any transfer of the Development to another owner in accordance with the provisions of this Loan Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any Party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Section 4.1 shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement.

Section 5.11 Hazardous Waste Covenant. IN ADDITION TO AND WITHOUT LIMITATION OF ALL OTHER REPRESENTATIONS, WARRANTIES AND COVENANTS MADE BY THE BORROWER UNDER THIS LOAN AGREEMENT, THE BORROWER FURTHER REPRESENTS, WARRANTS AND COVENANTS THAT IT WILL NOT USE HAZARDOUS MATERIALS (AS DEFINED HEREINAFTER) ON, FROM OR AFFECTING THE DEVELOPMENT IN ANY MANNER WHICH VIOLATES FEDERAL, STATE OR LOCAL LAWS, ORDINANCES, RULES OR REGULATIONS GOVERNING THE USE, STORAGE, TREATMENT, TRANSPORTATION, MANUFACTURE, REFINEMENT, HANDLING, PRODUCTION OR DISPOSAL OF HAZARDOUS MATERIALS IN A MANNER THAT WOULD CREATE A MATERIAL ADVERSE EFFECT ON THE DEVELOPMENT, AND THAT, TO THE BEST OF THE BORROWER'S KNOWLEDGE, NO TENANT, SUBTENANT, PRIOR TENANT OR PRIOR SUBTENANT HAS USED HAZARDOUS MATERIALS ON, FROM, OR AFFECTING THE DEVELOPMENT IN ANY MANNER WHICH VIOLATES FEDERAL, STATE OR LOCAL LAWS, ORDINANCES, RULES OR REGULATIONS GOVERNING THE USE, STORAGE, TREATMENT, TRANSPORTATION, MANUFACTURE, REFINEMENT, HANDLING, PRODUCTION OR DISPOSAL OF HAZARDOUS MATERIALS EXCEPT FOR VIOLATIONS THAT WOULD NOT CREATE A MATERIAL ADVERSE EFFECT ON THE DEVELOPMENT. WITHOUT LIMITING THE FOREGOING, THE BORROWER SHALL NOT CAUSE OR PERMIT THE DEVELOPMENT OR ANY PART THEREOF TO BE USED TO GENERATE, MANUFACTURE, REFINEMENT, TRANSPORT, TREAT, STORE, HANDLE, DISPOSE OF, TRANSFER, PRODUCE OR PROCESS HAZARDOUS MATERIALS, EXCEPT IN SUBSTANTIAL COMPLIANCE WITH ALL APPLICABLE FEDERAL, STATE AND LOCAL LAWS OR REGULATIONS, NOR SHALL THE BORROWER CAUSE OR KNOWINGLY PERMIT, AS A RESULT OF ANY INTENTIONAL OR UNINTENTIONAL ACT OR OMISSION ON THE PART OF THE BORROWER OR ANY TENANT OR SUBTENANT, A RELEASE OF HAZARDOUS MATERIALS ONTO THE DEVELOPMENT OR ANY OTHER PROPERTY THAT WOULD CREATE A MATERIAL ADVERSE EFFECT ON THE DEVELOPMENT. THE BORROWER SHALL SUBSTANTIALLY COMPLY WITH AND REQUIRE COMPLIANCE BY ALL TENANTS AND SUBTENANTS WITH ALL APPLICABLE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, RULES AND REGULATIONS, AND SHALL OBTAIN AND COMPLY WITH, AND REQUIRE THAT ALL TENANTS AND SUBTENANTS OBTAIN AND COMPLY WITH, ANY AND ALL APPROVALS, REGISTRATIONS OR PERMITS REQUIRED THEREUNDER. THE BORROWER SHALL CONDUCT AND COMPLETE ALL INVESTIGATIONS, STUDIES, SAMPLING AND TESTING, AND ALL REMEDIAL, REMOVAL AND OTHER ACTION REQUIRED BY A GOVERNMENTAL AUTHORITY UNDER ANY APPLICABLE STATUTE OR REGULATION TO CLEAN UP AND REMOVE ALL HAZARDOUS MATERIALS ON, FROM OR AFFECTING THE DEVELOPMENT IN ACCORDANCE WITH ALL

APPLICABLE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, RULES AND REGULATIONS. THE BORROWER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE LENDER AND THE TRUSTEE FROM AND AGAINST ANY CLAIMS, DEMANDS, PENALTIES, FINES, LIABILITIES, SETTLEMENTS, DAMAGES, COSTS OR EXPENSES OF WHATEVER KIND OR NATURE, KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, ARISING OUT OF, OR IN ANY WAY RELATED TO, (A) THE PRESENCE, DISPOSAL, RELEASE OR THREATENED RELEASE OF ANY HAZARDOUS MATERIALS WHICH ARE ON OR FROM THE DEVELOPMENT WHICH MATERIALLY ADVERSELY AFFECT THE SOIL, WATER, VEGETATION, BUILDINGS, PERSONAL PROPERTY, PERSONS, ANIMALS OR OTHERWISE, (B) ANY PERSONAL INJURY (INCLUDING WRONGFUL DEATH) OR PROPERTY DAMAGE (REAL OR PERSONAL) ARISING OUT OF OR RELATED TO SUCH HAZARDOUS MATERIALS ON OR FROM THE DEVELOPMENT, AND/OR (C) ANY VIOLATION OF LAWS, ORDERS, REGULATIONS, REQUIREMENTS OR DEMANDS OF GOVERNMENT AUTHORITIES, OR WRITTEN REQUIREMENTS OF THE ISSUER, THE LENDER AND THE TRUSTEE, WHICH ARE BASED UPON OR IN ANY WAY RELATED TO SUCH HAZARDOUS MATERIALS, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY AND CONSULTANT FEES, INVESTIGATION AND LABORATORY FEES, COURT COSTS AND LITIGATION EXPENSES. IN THE EVENT THE DEVELOPMENT IS FORECLOSED UPON, OR A DEED IN LIEU OF FORECLOSURE IS TENDERED, THE BORROWER SHALL DELIVER THE DEVELOPMENT IN A MANNER AND CONDITION THAT SHALL CONFORM WITH ALL APPLICABLE FEDERAL, STATE AND LOCAL LAWS, ORDINANCES, RULES OR REGULATIONS AFFECTING THE DEVELOPMENT. FOR THE PURPOSES OF THIS PARAGRAPH, "HAZARDOUS MATERIALS" INCLUDES, WITHOUT LIMIT, ANY FLAMMABLE EXPLOSIVES, RADIOACTIVE MATERIALS, HAZARDOUS MATERIALS, HAZARDOUS WASTES, HAZARDOUS OR TOXIC SUBSTANCES OR RELATED MATERIALS REFERENCED IN THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. SECTIONS 9601 ET SEQ.), THE HAZARDOUS MATERIALS TRANSPORTATION ACT, AS AMENDED (49 U.S.C. SECTIONS 1801 ET SEQ.), THE RESOURCE CONSERVATION AND RECOVERY ACT, AS AMENDED (42 U.S.C. SECTIONS 9601 ET SEQ.), AND IN THE REGULATIONS PROMULGATED PURSUANT THERETO, OR ANY OTHER FEDERAL, STATE OR LOCAL ENVIRONMENTAL LAWS, ORDINANCES, RULES OR REGULATIONS; PROVIDED, HOWEVER, THAT "HAZARDOUS MATERIALS" SHALL NOT INCLUDE CLEANING SUPPLIES, MAINTENANCE MATERIALS, AND PAINTING SUPPLIES THAT MAY BE USED IN CONNECTION WITH THE OPERATION OF THE DEVELOPMENT BY THE BORROWER IN THE ORDINARY COURSE OF BUSINESS AND TO THE BORROWER'S KNOWLEDGE ARE IN COMPLIANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS. THE PROVISIONS OF THIS PARAGRAPH SHALL BE IN ADDITION TO ANY AND ALL OTHER OBLIGATIONS AND LIABILITIES THE BORROWER MAY HAVE TO THE ISSUER, THE LENDER AND THE TRUSTEE AT COMMON LAW, AND SHALL SURVIVE THE TERMINATION OF THIS LOAN AGREEMENT.

The indemnifications and protections set forth in this Section shall be extended, with respect to the Issuer, to its members, directors, officers, employees, agents and persons under the Issuer's control or supervision, and with respect to the Trustee and the Lender, to any of their respective directors, officers, partners, employees, agents and persons under their control or supervision.

Anything to the contrary in this Loan Agreement notwithstanding, the covenants of the Borrower contained in this Section shall remain in full force and effect after the termination of this Loan Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or

cause of action and of all expenses and charges incurred by the Issuer, the Lender or the Trustee relating to the enforcement of the provisions herein specified.

For the purposes of this Section, the Borrower shall not be deemed an employee, agent or servant of the Issuer or Person under the Issuer's control or supervision.

Section 5.12 Mortgage Loan Documents. In connection with the Mortgage Loan, the Lender and the Borrower shall execute and deliver such documents as may be customarily utilized for insured mortgage loans under the provisions of Section 221(d)(4) of the National Housing Act and applicable regulations thereunder, with such omissions, insertions and variations as may be permitted by such regulations and the Lender and as may be consistent with the terms and provisions of this Loan Agreement, including Section 7.8.

Section 5.13 Assignment. No assignment or transfer of title to the Development shall be made unless (1) the Lender and HUD consent to such assignment or transfer, as long as the Mortgage Loan is held by the Lender and insured by FHA, and (2) the transferee or assignee, as the case may be, assumes all of the duties of the Borrower under this Loan Agreement, the Regulatory Agreement and the Mortgage Loan Documents, subject to the provisions of such documents. Upon the assumption of the duties of the Borrower by an assignee as provided herein, the Borrower shall be released from all executory obligations so assumed. Nothing contained in this Section shall be construed to supersede any provisions regarding the sale, disposition, assignment or transfer of the Development contained in the Mortgage Loan Documents or the Regulatory Agreement.

Section 5.14 Reserved.

Section 5.15 Reserved.

Section 5.16 Reserved.

Section 5.17 Reserved.

Section 5.18 Reserved.

ARTICLE VI EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Event of Default Defined. An Event of Default under this Loan Agreement shall occur if,

(a) the Borrower shall default in the performance of any covenant, agreement or obligation under this Loan Agreement or the Regulatory Agreement and such default remains uncured for a period of 30 days after written notice thereof shall have been given by the Issuer or the Trustee to the Borrower;

(b) an Event of Default under the Indenture shall occur and be continuing;

(c) any warranty, representation or other statement made by or on behalf of the Borrower contained in this Loan Agreement or in the Indenture or in any instrument furnished in connection with the issuance or sale of any Bonds was false or misleading in any material respect at the time it was made; or

- (d) an Act of Bankruptcy of the Borrower.

Notwithstanding the foregoing, no Event of Default hereunder shall constitute (a) an event of default under the Bonds, or (b) a default under any of the Mortgage Loan Documents, unless the facts and circumstances giving rise to such Event of Default constitute a default under the Mortgage Loan Documents. Notwithstanding the occurrence of any Event of Default hereunder or under the Indenture or the Regulatory Agreement, the Trustee shall continue to purchase the Ginnie Mae Certificates from the Lender, as and when proffered, provided that said Ginnie Mae Certificates are delivered to the Trustee not later than the Project Loan Certificate Delivery Date, as the same may be extended pursuant to the Indenture.

Section 6.2 Remedies on Default. Upon the occurrence of an Event of Default under Section 6.1(a), the Issuer and the Trustee shall look solely to the Borrower for the payment of all sums or the performance of all or any part of the monetary obligations due or incurred as a result of such Event of Default.

In addition to the remedies granted to the Issuer and the Trustee hereunder, the Issuer, or the Trustee acting on behalf of the Issuer, may take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (b) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Development which were in violation of this Loan Agreement during the period such violation continued; and
- (c) except as provided below, take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

The Issuer and the Trustee shall cooperate in any action taken by the other with respect to this Loan Agreement to enforce the covenants contained herein. The Borrower shall pay all costs and expenses that may be incurred by the Issuer or the Trustee in connection with the exercise of such rights.

The Issuer or the Trustee may employ, at the sole expense of the Borrower, an attorney in-fact or agent acceptable to the Issuer or the Trustee, as the case may be, for the purpose of enforcing any covenants made by the Borrower hereunder or under the Regulatory Agreement, and the Issuer shall permit any such enforcement action to be brought in the name of the Issuer if necessary to enforce such covenants.

Section 6.3 No Remedy Exclusive. No remedy set forth in Section 6.2 is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy herein or now or hereafter existing at law, in equity or by statute. No delay or failure to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, and any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required in this Loan Agreement.

Section 6.4 Attorneys' Fees and Other Expenses. The Borrower shall on demand pay to the Issuer, the Lender and the Trustee the fees of attorneys (which attorneys may be inside or outside counsel) and other expenses incurred by any of them in the enforcement of any obligation of the Borrower upon an Event of Default or the enforcement of any obligation of the Borrower contained in Section 4.1.

Section 6.5 No Additional Waiver Implied by One Waiver. If any party or its assignee waives a default by any other party under any covenant, condition or agreement herein, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.1 Notices. Unless otherwise provided herein, all demands, notices, approvals, consents, requests and other communications hereunder shall be given in the manner provided in the Indenture. A duplicate copy of each demand, notice, approval, consent, request or other communication given hereunder by any Party to any other party shall also be given to the other parties hereto.

Section 7.2 Successors and Assigns. This Loan Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. The Lender shall have the right to transfer its obligations as Lender hereunder and under the Mortgage Loan Documents, and shall notify the Issuer in writing of any such transfer, so long as (i) such transfer is to another FHA-approved mortgagee and Ginnie Mae-approved issuer; (ii) such transfer has received the written approval of Ginnie Mae; and (iii) the transferee executes a document confirming its acceptance of all of the rights, duties and responsibilities of the Lender hereunder.

Section 7.3 Severability. If any provision of this Loan Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

Section 7.4 Applicable Law. This Loan Agreement shall be governed by the applicable laws of the State.

Section 7.5 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 7.6 Term of Agreement. This Loan Agreement shall be in full force and effect upon execution and delivery hereof to and including such date as all of the Bonds shall have been fully paid or retired in accordance with their terms and the terms of the Indenture (or provision for such payment shall have been made as provided in the Indenture) except, however, that the covenants and provisions relating to the Unassigned Issuer Rights and the covenants relating to the preservation of exclusion from gross income of interest on the Bonds for purposes of federal income taxation shall survive the termination hereof.

Section 7.7 References to Bonds Ineffective after Bonds Paid. Upon payment in full of the Bonds, the Mortgage Note and all obligations under this Loan Agreement, all references in this Loan Agreement to the Bonds and the Trustee shall be ineffective, and neither the Trustee nor the Owners of any of the Bonds shall thereafter have any rights hereunder except for such rights as may theretofore have vested or arisen from the Borrower's obligations under Sections 4.1, 5.10 and 5.11.

Section 7.8 HUD Requirements.

(a) In the event of any conflict between any provision contained elsewhere in this Loan Agreement or in any other Financing Document and any provision contained in this Section, the provision contained in this Section shall govern and be controlling in all respects.

(b) The provisions of this Loan Agreement and the other Financing Documents are subject and subordinate to the National Housing Act, all applicable HUD mortgage insurance (and Section 8 of the Housing Act, if applicable) regulations and related administrative requirements, the Mortgage Loan Documents, all applicable Ginnie Mae regulations and administrative requirements and the Ginnie Mae Documents; and in the event of any conflict between the provisions of this Loan Agreement or the provisions of any of the other Financing Documents and the provisions of the National Housing Act, any applicable HUD regulations, HUD requirements, the Mortgage Loan Documents, any applicable Ginnie Mae regulations, Ginnie Mae requirements, and/or the Ginnie Mae Documents, the said National Housing Act, HUD regulations, HUD requirements, Mortgage Loan Documents, Ginnie Mae regulations, Ginnie Mae requirements and Ginnie Mae Documents shall be controlling in all respects.

(c) No amendment to this Loan Agreement or any of the other Financing Documents shall be made without the prior written consent of HUD if, in the opinion of Lender's counsel, such amendment would result in a conflict with the National Housing Act, any applicable HUD regulations, HUD requirements, Ginnie Mae regulations, Ginnie Mae requirements, the Mortgage Loan Documents or the Ginnie Mae Documents.

(d) Enforcement of the provisions of this Loan Agreement or the provisions of any of the other Financing Documents shall not result in any claim under the Mortgage Loan, or any claim against the Development, Mortgage Loan proceeds, any reserve or deposit made with the Lender or another Person required by HUD or the Lender in connection with the Mortgage Loan transaction, or against the rents or other income from the Development (other than available Surplus Cash).

(e) The Borrower shall not be deemed to be in violation of this Loan Agreement or any other Financing Documents if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable mortgage insurance regulations, related administrative requirements, the Mortgage Loan Documents, applicable Ginnie Mae regulations, related administrative requirements and the Ginnie Mae Documents and, if applicable, Section 8 of the Housing Act and regulations promulgated thereunder.

(f) The provisions of this Section shall inure to the benefit of the Borrower, the Issuer, the Lender and HUD, and their successors and assigns.

(g) Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms of the Indenture or any of the other Financing Documents shall be made in accordance with the National Housing Act and the HUD regulations, including specifically 24 C.F.R. §207.261 or any successor regulation. Any assignment, transfer or pledge not made in accordance with the terms of this Section and said HUD regulations shall be void.

(h) A default under this Loan Agreement or any other Financing Document shall not constitute a default under the Mortgage Note, Mortgage or any other Mortgage Loan Document, except as noted in Section 6.1.

(i) Nothing contained in this Loan Agreement or any other Financing Document shall restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between the Lender and HUD.

(j) Development funds held by the Lender on behalf of the Borrower under the contract of mortgage insurance are required to be maintained separate and apart from the funds established and held for payments to the Owners and the various escrows and funds under the Indenture and the other Financing Documents.

(k) Except for funds held under the Indenture, any pledge of Development funds for the benefit of the Owners is limited to a pledge of principal and interest payments received by the Trustee on the Ginnie Mae Certificates. There is no pledge of gross revenues of the Development or any Development assets.

(l) The Lender will maintain certain HUD-required escrow funds outside the terms of this Loan Agreement. The enforcement of this Loan Agreement will not result in the Trustee or any Owner having any right to, interest in, or claim against any HUD-required escrow fund, the Development, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Mortgage Loan transaction, or the rents or other income from the Development (other than available Surplus Cash).

(m) The Bonds are not a debt of the United States of America, HUD or any other governmental agency and are not guaranteed by the full faith and credit of the United States of America.

(n) In the event that proceeds are received from a Condemnation Award or from the payment of a claim under a hazard insurance policy, early redemption of the Bonds can arise only subsequent to a prepayment of the insured mortgage and subsequent payment under the Ginnie Mae Certificates.

(o) The HUD Regulatory Agreement requires the establishment of a reserve fund for replacements, and therefore, this Loan Agreement does not provide for the creation of such a reserve fund.

The provisions of this Section shall not be used to and shall not be construed so as to allow this Loan Agreement to violate any applicable provision of State law to the extent such law is not otherwise preempted by applicable federal statute, regulation or rule.

Section 7.9 Amendments, Changes, and Modifications. This Loan Agreement may not be amended, changed, modified, altered, or terminated without the prior written consent of the parties and only as set forth in Article XI of the Indenture.

[Execution pages follow]

IN WITNESS WHEREOF, the parties, by their duly authorized representatives, have set their hands as of the day and year first above written.

AUSTIN HOUSING FINANCE CORPORATION

By: _____
Authorized Officer

[Signature Page for the Loan Agreement]

REGIONS BANK, as Trustee

By: _____
Ann Harris, Vice President

[Signature Page for the Loan Agreement]

ROCKPORT MORTGAGE CORPORATION., a
Delaware corporation

By: _____

[Signature Page for the Loan Agreement]

ELM RIDGE AFFORDABLE PARTNERS, LTD.,
an Alabama limited partnership

By: _____, an Alabama corporation,
its sole General Partner

By: _____
Jonathan D. Killough, Vice President

[Signature Page for the Loan Agreement]

Exhibit C

The Regulatory Agreement is included in the Transcript of Proceedings

..... SPACE ABOVE THIS LINE FOR RECORDER'S USE

After Recording Return To:

McCall, Parkhurst & Horton L.L.P.
717 North Harwood, Suite 900
Dallas, Texas 75201
Attention: Mark A. Malveaux

REGULATORY AND LAND USE RESTRICTION AGREEMENT

Among

AUSTIN HOUSING FINANCE CORPORATION,
as Issuer,

REGIONS BANK,
as Trustee,

and

ELM RIDGE AFFORDABLE PARTNERS, LTD.

as Owner

Dated as of _____, 2010

Relating to

\$ _____

AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(GNMA COLLATERALIZED MORTGAGE LOAN—ELM RIDGE APARTMENTS)
SERIES 2010

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REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS REGULATORY AND LAND USE RESTRICTION AGREEMENT (this "Agreement" or this "Regulatory Agreement") dated as of _____, 2010 is among the AUSTIN HOUSING FINANCE CORPORATION, a housing finance corporation duly organized and validly existing under the laws of the State of Texas (together with its successors and assigns, the "Issuer"), REGIONS BANK, a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor or trustee under the Indenture (as defined below), and their respective successors and assigns, the "Trustee") under the hereinafter-defined Indenture, and ELM RIDGE AFFORDABLE PARTNERS, LTD., an Alabama limited partnership (together with its permitted successors and assigns, the "Owner"),

WITNESSETH:

WHEREAS, pursuant to the Act (as hereinafter defined), the Issuer is authorized to issue one or more series of its revenue bonds and to loan the proceeds thereof to finance the acquisition, rehabilitation and equipping of residential rental housing for persons of low and moderate income; and

WHEREAS, the Owner has requested the assistance of the Issuer in financing a multifamily residential rental housing project located on the real property described in Exhibit A hereto (the "Project Site") and described in Exhibit B hereto (the "Project Facilities" and, together with the Project Site, the "Project" or "Development"), and, as a condition to such financial assistance, the Owner has agreed to enter into this Regulatory Agreement, setting forth certain restrictions with respect to the Project; and

WHEREAS, the Issuer has determined to assist in the financing of the Project by issuing Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Elm Ridge Apartments) Series 2010 in the aggregate principal amount of \$_____ (the "Bonds"), and making a mortgage loan to the Owner of such principal amount, upon the terms and conditions set forth in the Loan Agreement (as hereinafter defined);

WHEREAS, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations (including temporary, proposed and final regulations) and rulings with respect to the Code, and in order to comply with the requirements of the Act, relating to the Bonds, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the Issuer, the Trustee and the Owner have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, rehabilitation, equipping and operation of the Project and in order to ensure that the Project will be acquired, constructed, equipped, used and operated in accordance with the Code and the Act.

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Trustee and the Owner hereby agree as follows:

Section 1. Definitions and Interpretation. In addition to terms defined above, capitalized terms shall have the respective meanings assigned to them in this Section 1 or the Indenture unless the context in which they are used clearly requires otherwise:

"Act" means the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended.

"Affiliated Party" means a partner of the Owner, a person whose relationship with the Owner would result in a disallowance of losses under section 267 or 707(b) of the Code or a person who, together with the Owner, is a member of the same controlled group of corporations (as defined in section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein).

"Affordable Rents" means rent paid by a tenant of a residential unit in a multi-family residential development such that the gross monthly rent of the residential unit, after deduction of the monthly value of any in-kind services (including, without limitation, utilities) provided to a tenant, does not exceed 30% of the gross family monthly income of the tenant occupying such residential unit. This determination shall be made in accordance with procedures established by the Issuer and (a) at the time of initial occupancy of the residential unit and (b) at the time of each increase of the gross monthly rent with respect to such residential unit.

"Agreement" or "Regulatory Agreement" means this Regulatory and Land Use Restriction Agreement, as it may be amended from time to time.

"Anticipated Annual Income" means the anticipated annual income of a person (together with the anticipated annual income of all persons who intend to reside with such person in one Unit), as determined in accordance with Section 1.167(k)-3(b)(3) of the Regulations (prior to its withdrawal by T.D. 8473, April 27, 1993) or with such other Regulations as may be imposed pursuant to section 142(d) of the Code.

"Compliance Monitoring Report" means the certified residential rental housing program compliance report to be filed by the Owner with the Issuer and the Trustee pursuant to Section 4(b)(iv) hereof and the Loan Agreement with respect to the Project, in substantially the form attached hereto as Exhibit D, or in such other form as the Issuer may reasonably prescribe.

"Computation Date" means each Installment Computation Date and the Final Computation Date.

"Eligible Tenants" means persons of low and moderate income whose adjusted gross income, together with the adjusted gross income of all persons who intend to reside with those persons in one dwelling unit, did not for the preceding tax year exceed the maximum amount constituting moderate income under the Issuer's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of bonds, which as of the date hereof, is 80% of median family income.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Issuer and the Trustee, to the effect that the action to be taken will not adversely affect the excludability of interest on the Bonds from gross income for federal tax purposes

"Final Computation Date" means the date the last Bond is discharged.

"Gross Proceeds" means any Proceeds and any Replacement Proceeds of the Bonds.

"Indenture" means the Trust Indenture of even date herewith by and between the Issuer and the Trustee, relating to the issuance of the Bonds, and any indenture supplemental thereto.

"Inducement Date" means November 5, 2009.

"Installment Computation Date" means the last day of each Rebate Year commencing December 31, 2010, and the date on which the final payment in full of all Outstanding Bonds is made.

"Investment" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds.

"Issue Price" means "issue price" as defined in sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price to the public (excluding bond houses, brokers and other intermediaries acting in the capacity of wholesalers or underwriters) at which a substantial amount of each maturity of Bonds is sold.

"Loan" means the loan to be made to the Owner pursuant to the the Mortgage and the Loan Agreement.

"Loan Agreement" means the Loan Agreement of even date herewith among the Issuer and the Owner, as it may be amended, modified, supplemented or restated from time to time to the extent permitted by the Indenture.

"Low-Income Tenants" means persons whose aggregate Anticipated Annual Income does not exceed 60% of the Median Gross Income for the Area. For purposes of this definition, the occupants of a Unit shall not be deemed to be Low-Income Tenants if all the occupants of such Unit at any time are "students", as defined in section 151(c)(4) of the Code, no one of whom is entitled to file a joint return under section 6013 of the Code.

"Low-Income Unit" means a Unit which is included as a Unit satisfying the requirements of the Set Aside.

"Median Gross Income for the Area" means, with respect to the Project, the median income for the households in the area which includes the standard metropolitan statistical area in which the Project is located, as determined from time to time by the Secretary of Housing and Urban Development, under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, median income determined under the program in effect immediately before such termination), in each case as adjusted for family size.

"Net Proceeds" means any Net Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Net Sale Proceeds" means the Sale Proceeds of the Bonds less any such proceeds deposited into a Reasonably Required Reserve or Replacement Fund under section 148(d) of the Code.

"Nonpurpose Investments" means any "investment property," within the meaning of section 148(b) of the Code, acquired with the Gross Proceeds of the Bonds.

"Note" has the meaning set forth in the Loan Agreement.

"Owner Representative" means any Person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such Person and signed on behalf of the Owner by the General Partner, which certificate may designate an alternate or alternates.

"Person" means any individual, entity, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Project" means the Project Facilities and the Project Site.

"Project Costs" means, to the extent authorized by the Act, any and all costs incurred by the Owner with respect to the acquisition, construction, rehabilitation and equipping, as the case may be, of the Project, whether paid or incurred prior to or after the date of this Regulatory Agreement, including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractor's and Owner's overhead and supervisor's fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof.

"Project Facilities" means the multifamily housing set forth in Exhibit B hereto.

"Project Site" means the parcel or parcels of real property described in Exhibit A, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances appertaining thereunto.

"Qualified Project Costs" means the Project Costs incurred no earlier than 60 days prior to the Inducement Date (or which are qualifying preliminary expenditures) and no earlier than three years prior to the date reimbursed with Proceeds, but in no event shall such costs have been incurred with respect to a portion of the Project that is placed in service, within the meaning of Section 1.150-2 of the Regulations, earlier than 18 months prior to the date the related costs are reimbursed with Proceeds; provided that such costs are chargeable to a capital account with respect to the Project for Federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Owner or but for the proper election by the Owner to deduct those amounts; provided, however, that, if any portion of the Project is being constructed by the Owner or an Affiliated Party (whether as a general contractor or a subcontractor), "Qualified Project Costs" shall include only (a) the actual out-of-pocket costs incurred by the Owner or such Affiliated Party in constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Owner or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Owner or such Affiliated Party which are directly attributable to the work performed on the Project and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance.

"Qualified Project Period" means, with respect to the Project, the period beginning on the closing date and ending on the later of (i) the date which is 20 years after the closing date, (ii) the first date on which no tax-exempt bond issued with respect to the Project is outstanding, or (iii) the first date on which the Project no longer receives assistance under Section 8 of the United States Housing Act of 1937, as amended.

"Reasonably Required Reserve or Replacement Fund" means any fund described in section 148(d) of the Code, provided that the amount thereof allocable to the Bonds invested at a Yield materially higher than the Yield on the Bonds does not exceed 10% of the proceeds of the Bonds, within the meaning of section 148(d) of the Code, and does not exceed the size limitations in Section 1.148-2(f)(2)(ii) of the Regulations.

"Rebate Amount" has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with section 1.148-3 of the Regulations. In the case of any Spending Exception Issue, the "Rebate Amount" as of any Computation Date shall be limited to the "Rebate Amount" attributable to any Reasonably Required Reserve or Replacement Fund.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Replacement Proceeds" has the meaning set forth in Section 1.148-1(c) of the Regulations.

"Sale Proceeds" means any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4 of the Regulations.

"Set Aside" has the meaning assigned to such term in Section 2(i) hereof.

"Spending Exception Issue" means any issue of Bonds that meets either the six month exception or the 18-month exception set forth in section 1.148-7 of the Regulations.

"Stated Maturity," when used with respect to the Note or the Bonds or any installment of interest thereon, means any date specified in the Note or the Bonds as a fixed date on which the principal of the Loan or the Bonds or a portion thereof or such installment of interest is due and payable.

"Tax Letter of Representation" means the Owner's Tax Letter of Representation dated the Closing Date, executed by the Owner and addressed to the Issuer and Bond Counsel.

"Tenant Income Certification" means a certification as to income and other matters executed by the household members of each tenant in the Project, in substantially the form of Exhibit C attached hereto, or in such other form as reasonably may be required by the Issuer all in satisfaction of the requirements of Regulations Section 1.167(k)-3(b)(3) (prior to its withdrawal by T.D. 8473, April 27, 1993) and other regulations of the Issuer and as described in Section 4(b)(ii), including the Tenant Income Certification Form as set forth in Exhibit C.

"Transferred Proceeds" means, with respect to any portion of the Bonds that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of Section 1.148-9 of the Regulations.

"Unit" means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Project.

"Yield" means yield as determined in accordance with section 148(h) of the Code, and generally, is the yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the Issue Price of such obligation.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender, and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

Section 1A. Acquisition, Rehabilitation and Equipping of the Project. The Owner hereby represents, as of the date hereof, covenants and agrees as follows:

(a) The Owner has incurred, or will incur within six months after the Closing Date, a substantial binding obligation to commence the rehabilitation of the Project, pursuant to which the Owner is or will be obligated to expend at least 5 percent of the Sale Proceeds of the Bonds.

(b) The Owner's reasonable expectations respecting the total cost of the acquisition, rehabilitation and equipping of the Project are accurately set forth in the Tax Letter of Representation.

(c) The Owner has commenced or will commence the acquisition, rehabilitation and equipping of the Project and will proceed with due diligence to complete the same.

(d) The Owner reasonably expects to expend not less than 85 percent of the Sale Proceeds of the Bonds for Project Costs prior to the date that is three years after the Closing Date.

(e) The statements made in the various certificates delivered by the Owner to the Issuer, Bond Counsel and/or the Trustee are true and correct in all material respects.

(f) The Owner will submit, or cause to be submitted, to the Trustee, on or before the date of each disbursement of Proceeds of the Bonds from the Project Fund, if any, held by the Trustee under the Indenture, a requisition in substantially the form required by the Loan Agreement, duly executed by an Owner Representative and certifying that the full amount of such

disbursement will be applied to pay or to reimburse the Owner for the payment of Project Costs and that, after taking into account the proposed disbursement, the aggregate disbursements from the Acquisition Fund will have been applied to pay or to reimburse the Owner for the payment of Qualified Project Costs in an amount equal to 95 percent or more of the aggregate disbursements from such fund.

(g) [Reserved].

(h) The Owner (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the Proceeds of the Bonds to be applied in a manner contrary to the requirements of the Indenture, the Loan Agreement or this Regulatory Agreement. The Owner acknowledges that such requirements have been designed for the purpose of ensuring compliance with the provisions of the Act or the Code applicable to the Owner and the Project.

Section 2. Tax-Exempt Status of the Bonds. The Owner shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from the gross income of the holders of the Bonds, as defined in section 61 of the Code, for federal income tax purposes. With the intent not to limit the generality of the foregoing, the Owner covenants and agrees that prior to the final maturity of the Bonds, unless it has received and filed with the Issuer and Trustee a Favorable Opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for Federal income tax purposes of interest paid or payable on the Bonds:

(a) The Owner's use of the Net Proceeds of the Bonds shall at all times satisfy the following requirements:

(i) At least 95 percent of the Net Proceeds of the Bonds shall be used to pay Qualified Project Costs that are costs of a "qualified residential rental project" (within the meaning of sections 142(a)(7), 142(d) and 145(d) of the Code and section 1.103-8(b)(4) of the Regulations) and property that is "functionally related and subordinate" thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations), all of which costs shall be properly chargeable to the Project's capital account or would be so chargeable either with a proper election by the Owner or but for a proper election by the Owner to deduct such amounts.

(ii) Reserved.

(iii) Reserved.

(iv) The Owner covenants and agrees that the Costs of Issuance financed with the proceeds of the Bonds shall not exceed 2 percent of the Sale Proceeds.

(v) The Owner shall not use or permit the use of any Net Proceeds of the Bonds or any income from the investment thereof to provide any airplane, skybox, or other private luxury box, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(b) The Owner shall not take any action or omit to take any action with respect to the Gross Proceeds of the Bonds which, if taken or omitted, respectively, would cause any Bond to be classified as an "arbitrage bond" within the meaning of section 148 of the Code.

(c) Except as provided in the Indenture and the Mortgage Loan Documents, the Owner shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement relating to the Bonds, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of Bonds, unless prior to taking any action described in this subsection (c), the Owner has obtained and delivered to the Trustee a Favorable Opinion of Bond Counsel.

(d) The Owner shall not, at any time prior to the final maturity of the Bonds, direct or permit the Trustee to invest Gross Proceeds of the Bonds in any Investment (or to use Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Bonds to Stated Maturity, except as permitted by section 148 of the Code or as provided in the No-Arbitrage Certificate dated the Closing Date delivered by the Issuer with respect to the Bonds.

(e) Except to the extent permitted by section 149(b) of the Code, neither the Issuer nor the Owner shall take or omit to take any action which would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(f) (i) Unless the Owner delivers a Favorable Opinion of Bond Counsel that the Owner does not need to comply with this subsection, the Owner shall cause to be delivered, to the Trustee, within 25 days after each Computation Date:

(A) a statement of the Rebate Amount as of such Computation Date; and

(B) (1) if such Computation Date is an Installment Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to at least 90% of the Rebate Amount as of such Installment Computation Date, less any "previous rebate payments" made to the United States (as that term is used in the Regulations), or (2) if such Computation Date is the Final Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to the Rebate Amount as of such Final Computation Date, less any "previous rebate payments" made to the United States (as that term is used in the Regulations); and

(C) an Internal Revenue Service Form 8038-T properly signed and completed as of such Computation Date.

The foregoing notwithstanding, the Owner shall not be required to deliver the foregoing to the Trustee if the Owner certifies that the Bonds are excepted from the requirements of section 148(f) of the Code.

(ii) If the Owner shall discover or be notified as of any date:

(A) that any amount required to be paid to the United States pursuant to this Section and the Indenture has not been paid as required; or

(B) that any payment paid to the United States pursuant to this Section the Indenture shall have failed to satisfy any requirement of the Regulations (whether or not such failure shall be due to any default by the Owner or the Trustee),

the Owner shall

(X) deliver to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States from the Rebate Fund (I) the Rebate Amount that the Owner failed to pay, plus any interest, specified in the Regulations, if such correction payment is delivered to and received by the Trustee within 175 days after such discovery or notice, or (II) if such correction payment is not delivered to and received by the Trustee within 175 day after such discovery or notice, the amount determined in accordance with clause (I) of this subparagraph (X) plus the 50 percent penalty required by the Regulations; and

(Y) deliver to the Trustee an Internal Revenue Service Form 8038-T properly signed and completed as of such date.

(iii) The Owner shall retain all of its accounting records relating to the funds established under the Indenture and all calculations made in preparing the statements described in this Section for at least six years after the date the last Bond is discharged.

(iv) The Owner agrees to pay all of the fees and expenses of the Rebate Analyst, which may be Bond Counsel, a certified public accountant and any other necessary consultant employed by the Owner or the Trustee in connection with computing the Rebate Amount.

(g) The Owner covenants and agrees that not more than 50 percent of the Proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the Owner reasonably expects that at least 85 percent of the spendable Proceeds of the Bonds will be used to carry out the governmental purposes of such issue of Bonds within the three-year period beginning on the Closing Date.

(h) The Owner hereby covenants and agrees that the Project will be operated as a "qualified residential rental project" within the meaning of sections 142(a)(7), 142(d), 145(d) of the Code and section 1.103-8(b)(4) of the Regulations, on a continuous basis during the longer of the Qualified Project Period or the period during which any Bond remains outstanding, to the end that the interest on the Bonds shall be excluded from gross income for federal income tax

purposes. In particular, the Owner covenants and agrees, and will cause the Manager to covenant and agree for the longer of the Qualified Project Period or the period during which any Bonds remain outstanding, as follows:

(i) The Project qualifies as residential rental property and will be owned, managed and operated at all times during the term specified above as a qualified residential rental project comprised of residential dwelling units and facilities functionally related and subordinate thereto, in accordance with section 142(d) of the Code;

(ii) The Project will consist of one building or structure or several proximate and interrelated buildings or structures, each of which will be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries meet at one or more points) except for the interposition of a road, street, stream or similar property, (B) are owned by the same person for Federal tax purposes, and (C) were financed pursuant to a common plan;

(iii) Substantially all of the Project will consist of similarly constructed Units together with functionally related and subordinate facilities for use by Project tenants, such as swimming pools, other recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers, security personnel or maintenance personnel and other facilities that are reasonably required for the Project;

(iv) Each Unit in the Project will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which will be separate and distinct from other Units;

(v) Each Unit in the Project will be rented or available for rental on a continuous basis to members of the general public at all times during the term specified above (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel) and that the Owner will not give preference in renting Project Units to any particular class or group of persons, other than Low-Income Tenants as provided herein;

(vi) At no time during the term specified above will any Unit in any building or structure in the Project which contains fewer than five Units be occupied by the Owner;

(vii) At no time during the term specified above will any of the Units in the Project be utilized on a transient basis by being leased or rented for a period of less than thirty days or by being used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer park or trailer court;

(viii) The land and the facilities will be functionally related and subordinate to the Units comprising the Project and will be of size and character which is commensurate with the size and number of such Units; and

(i) The Owner hereby represents, covenants and agrees, continuously during the Qualified Project Period, as follows:

(i) Forty percent 40% of the Units (except for manager, security personnel and maintenance units that are reasonably required for the Project) (the "Set Aside") within the Project (and any other building which is comprised of similarly constructed Units, will be owned by the Owner for federal income tax purposes, will be located on the same or contiguous tract that is not separated from the Project except by a road, street, stream, or similar property, and is financed by the Bonds) that are available for occupancy, including expiration or lawful termination of an existing lease, shall be occupied or held vacant and available for occupancy at all times by Low-Income Tenants at Affordable Rents. For the purposes of this subparagraph (i), a vacant Unit which was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit shall be redetermined.

(ii) The Owner shall maintain complete and accurate records pertaining to Low-Income Tenants and file all documents as required by section 142(d) of the Code and this Agreement, including Tenant Income Certifications attached as Exhibit C hereto.

(iii) No tenant qualifying as a Low-Income Tenant shall be denied continued occupancy of a Unit in the Project because, after admission, such tenant's Anticipated Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Anticipated Annual Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of this Section, the next available Unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low-Income Tenant and such new Low-Income Tenant will then constitute a portion of the Set Aside requirement of paragraph (i) of this Section; and provided, further, that, until such next available Unit is rented to a tenant who is a Low-Income Tenant, the former Low-Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low-Income Tenant for purposes of the requirement of subparagraph (i) of this Section 2(i).

The parties hereto recognize that the requirements stated in Section 2(h) shall continue in effect until the termination of the Qualified Project Period or until no Bonds remain outstanding, whichever occurs later, and the requirements in this Section 2(i) shall continue in effect until the termination of the Qualified Project Period.

(j) The Owner further covenants and agrees to prepare and submit to the Trustee, no more than 60 days prior to the last day of the Qualified Project Period a certificate setting forth the date on which the Qualified Project Period will end, which certificate shall be in recordable form. The Issuer need not affirmatively consent to the termination of the covenants.

(k) Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer and the Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the Owner in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Owner, and which is required to be noticed, represented or certified

by the Owner hereunder or in connection with any filings, representations or certifications required to be made by the Owner in connection with the issuance and delivery of the Bonds.

(l) The Owner shall provide to the Trustee a certificate certifying (i) within 90 days thereof, the date on which ten percent (10%) of the Units are occupied; and (ii) within 90 days thereof, the date on which fifty percent (50%) of the Units are occupied.

Section 3. Modification of Tax Covenants. Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be amended, changed, modified, altered or terminated except as permitted in Section 19 and by the Indenture. Anything contained in this Agreement or the Indenture to the contrary notwithstanding, the Issuer, the Trustee and the Owner hereby agree upon the written request of one of the parties hereto, to amend this Agreement and, if appropriate, the Indenture and the Loan Agreement, to the extent required, in the opinion of Bond Counsel, in order for interest on the Bonds, to remain excludable from gross income for federal income tax purposes. The party requesting such amendment shall notify the other parties to this Agreement in writing of the proposed amendment and send a copy of such requested amendment to Bond Counsel. After review of such proposed amendment, Bond Counsel shall render to the Trustee, the Owner and the Issuer an opinion to the effect that such amendments are necessary and sufficient in order to enable compliance with the provisions of the Code such that the interest on the Bonds will remain excludable from gross income for purposes of Federal income taxation. The Owner shall pay all necessary fees and expenses incurred with respect to such amendment, including necessary attorney's fees and expenses incurred by Bond Counsel in rendering such opinion. The Owner, the Issuer and, where applicable, the Trustee pursuant to written instructions from the Issuer, shall execute, deliver and, if applicable, the Owner shall file of record, any and all documents and instruments, including without limitation, an amendment to this Regulatory Agreement, necessary to effectuate the intent of this Section, and the Owner and the Issuer hereby appoint the Trustee as their true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Owner or the Issuer, as is applicable, any such document or instrument (in such form as may be approved by and upon instruction of Bond Counsel) if either the Owner or the Issuer defaults in the performance of its obligation under this Section; provided, however, that the Trustee shall take no action under this Section without first notifying the Owner or the Issuer, as is applicable, in writing of its intention to take such action and providing the Owner or the Issuer, as is applicable, ten (10) business days after such notice to comply with the requirements of this Section.

Section 4. Residential Development. The Issuer and the Owner hereby recognize and declare their understanding and intent that the Project is to be owned, managed and operated as a "residential development," as such term is defined in Section 394.003(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the Qualified Project Period or for as long as any portion of the Bonds remains outstanding and unpaid, whichever is longer.

(a) The Owner hereby represents, as of the date hereof, and covenants and agrees for the term of this Regulatory Agreement that substantially all (at least 90%) of the Project dwelling units shall be rented to Eligible Tenants and that the Owner shall not rent or lease any unit in the Project to a person not an Eligible Tenant if such rental would cause less than 90% of the dwelling units in the Project to be rented to Eligible Tenants.

(b) The Owner hereby represents, covenants and agrees as follows:

(i) To assure that 40% of the occupied Units in the Project are occupied at all times by Low Income Tenants at Affordable Rents;

(ii) To obtain a Tenant Income Certification from each tenant in the Project not later than the date of such tenant's initial occupancy of a Unit in the Project and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than three years following the end of the Qualified Project Period;

(iii) To obtain from each tenant in the Project, at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance that (A) such lease is subordinate to the Mortgage and this Regulatory Agreement, (B) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (C) the family income and eligibility requirements of this Agreement and the Loan Agreement are substantial and material obligations of tenancy in the Project, (D) such tenant will comply promptly with all requests for information with respect to such requirements from the Owner, the Trustee and the Issuer, and (E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Project;

(iv) To cause to be prepared and submitted to the Issuer and the Trustee on the first day of the Qualified Project Period, and thereafter by the tenth calendar day of each March, June, September, and December, or a quarterly schedule as determined by the Issuer, a certified Compliance Monitoring Report and Occupancy Summary in a form attached hereto as Exhibit D or at the reasonable request of the Issuer in such other form provided by the Issuer from time to time;

(v) To the extent legally permissible to permit any duly authorized representative of the Issuer or the Trustee (without any obligation to do so) to inspect the books and records of the Owner pertaining to the Project or the incomes of Project tenants, including but not limited to tenant files, during regular business hours and to make copies therefrom if so desired and file such reports as are necessary to meet the Issuer's requirements; and

(vi) The Owner will obtain a Tenant Income Certification from each tenant at least annually after the tenant's initial occupancy or as otherwise directed by the Issuer in writing.

Section 5. [Reserved].

Section 6. Consideration. The Issuer has issued the Bonds to provide funds to make the Loan to finance the Project, all for the purpose, among others, of inducing the Owner to acquire, rehabilitate, equip and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Owner has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 7. Reliance. The Issuer, the Trustee and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the

legality and validity of the Bonds, and in the excludability from gross income for purposes of Federal income taxation of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer and the Trustee may rely upon statements and certificates of the Low-Income Tenants and the Owner and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Issuer, the Owner and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer, the Owner or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default by the Owner exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely on any written report, notice or certificate delivered to the Trustee by any Person retained to review the Owner's compliance with this Regulatory Agreement or by the Owner or the Issuer with respect to the occurrence or absence of a default unless it has actual knowledge that the report, notice or certificate is erroneous or misleading.

Section 8. Project in Austin, Texas. The Owner hereby represents that the Project is located entirely within Austin, Texas.

Section 9. Sale or Transfer of the Project. The Owner covenants and agrees not to sell, transfer or otherwise dispose of the Project prior to the expiration of the Qualified Project Period or the date on which the Bonds have been paid in full, whichever is later, without (i) complying with any applicable provisions of the Mortgage Loan Documents and (ii) obtaining the prior written consent of the Issuer. Such consent of the Issuer shall not be unreasonably withheld or delayed and shall be given if all conditions to the sale set forth in this Regulatory Agreement are met or are waived in writing by the Issuer, including (1) there is delivered to the Trustee and the Issuer a written Opinion of Counsel satisfactory to the Trustee and the Issuer, addressed to the Trustee and the Issuer, concluding that the transferee has duly assumed all of the rights and obligations of the Owner under the Mortgage Loan Documents and this Regulatory Agreement and that each of the documents executed by the transferee in connection therewith has been duly authorized, executed and delivered by the transferee and is a valid and enforceable obligation of the transferee, subject to customary qualifications, (2) the Issuer receives a Favorable Opinion of Bond Counsel, which opinion shall be furnished at the expense of the Owner or the transferee, regarding such sale, transfer or disposition, (3) the proposed purchaser or assignee executes any document reasonably requested by the Issuer with respect to assuming the obligations of the Owner under this Agreement and the Loan Agreement, and (4) the Issuer shall not have any reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements and instruments binding on such proposed purchaser or assignee relating to the Project, including but not limited to the Loan Agreement, the Mortgage and this Agreement. The Owner hereby expressly stipulates and agrees that any sale, transfer or other disposition of the Project in violation of this subsection shall be ineffective to relieve the Owner of its obligations under this Agreement. Upon any sale, transfer or other disposition of the Project in compliance with this Agreement, the Owner so selling, transferring or otherwise disposing of the Project shall have no further liability for obligations under the Loan Agreement arising after the date of such disposition. The foregoing notwithstanding, the duties and obligations of the Owner as set forth in the Mortgage Loan Documents with respect to matters arising prior to the date of such sale, transfer or other disposition shall not terminate upon the sale, transfer or other disposition of the Project. The foregoing restrictions on transfer shall not apply to foreclosures, deeds in lieu of foreclosure, transfer by exercise of the power of sale or other similar transfer. Any such sale or transfer shall be subject to the Issuer's Multifamily Rules.

Section 10. Term. This Regulatory Agreement and all and each of the provisions hereof shall become effective upon its execution and delivery, shall remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section, shall terminate in its entirety at the end

of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture.

The terms of this Regulatory Agreement notwithstanding, this Regulatory Agreement shall terminate, without the requirement of any consent by the Issuer and the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions hereof, or foreclosure or transfer of title by deed in lieu of foreclosure or exercise of the power of sale, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a qualified residential rental project which meets the requirements of the Code set forth in Sections 1A through 4 of this Regulatory Agreement and the Act. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or exercise of power of sale or similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for tax purposes. The Issuer shall not be required to consent to termination of this Regulatory Agreement for any reason other than those specified above.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Agreement in accordance with its terms. All costs, including fees and expenses of the Issuer and the Trustee, incurred in connection with the termination of this Regulatory Agreement shall be paid by the Owner and its successors in interest.

Section 11. Covenants To Run With the Land. The Owner hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer, the Trustee and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that upon the termination of this Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

Section 12. Burden and Benefit. The Issuer, the Trustee and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Issuer, the Trustee and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low-Income

Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 13. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 14. Default; Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Issuer or the Trustee to the Owner in accordance with the Indenture, then the Trustee, acting on its own behalf or on behalf of the Issuer, provided a responsible officer of the Trustee actually knows of such default, shall declare an "Event of Default" to have occurred hereunder; provided, further, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the tax-exempt status of interest on the Bonds. The Issuer and the Trustee agree that a cure of any Event of Default made or tendered by any partner or member of Owner shall be deemed to be a cure by the Owner and shall be accepted or rejected on the same basis as if tendered by Owner.

Following the declaration of an Event of Default hereunder, the Trustee, subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding, or the Issuer may, at its option, take any one or more of the following steps:

- (i) by mandamus or other suit, action or proceeding for specific performance, including injunctive relief, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project; and
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder.

The Owner hereby agrees that specific enforcement of the Owner's agreements contained herein is the only means by which the Issuer and the Trustee may obtain the benefits of such agreements made by the Owner herein, and the Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Owner hereunder.

All rights and remedies herein given or granted to the Issuer and the Trustee are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance provided for in this Section, promptly upon determining that a violation of this Regulatory Agreement has occurred, the Issuer shall to the extent that it has actual knowledge thereof, give written notice to the Trustee that a violation of this Regulatory Agreement has occurred.

Section 15. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture. Subject to the right of the Trustee to be indemnified as provided in the Indenture, the Trustee shall act as the agent of and on behalf of the Issuer when requested in writing by the Issuer to do so, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. The Trustee is entering into this Regulatory Agreement solely in its capacity as Trustee under the Indenture, and the duties, powers, rights and obligations of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article IX thereof, which are incorporated by reference herein. The incorporated provisions of the Indenture are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture.

Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence, bad faith, fraud or willful misconduct. No provision of this Regulatory Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that the payment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall examine all documents prepared by the Borrower and furnished to the Trustee to determine whether such documents conform on their face to the requirements of this Regulatory Agreement. The Trustee shall notify the Issuer and Borrower in writing if the Trustee does not receive any document from the Borrower at the time required under this Regulatory Agreement or if such document does not conform on its face to the requirements of this Regulatory Agreement. The Trustee may conclusively rely on and shall be protected in acting or omitting to act in good faith upon the certificates and other writings, which conform to the requirements of this Regulatory Agreement, as the Trustee may receive in connection with the administration of its obligation hereunder and has no duty or obligation to make an independent investigation with respect thereto.

Section 16. Recording and Filing. The Owner shall cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of Travis County, Texas and in such other places as the Issuer or the Trustee may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording. This Agreement is subject to and subordinate to all matters of record as of the date hereof.

Section 17. Reimbursement of Expenses. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture, throughout the term of this Regulatory Agreement, the Owner shall continue to pay to the Issuer and the Trustee reimbursement for all fees and expenses actually incurred thereby required to be paid to the Issuer and the Trustee by the Owner pursuant to the Loan Agreement.

Section 18. Governing Law. This Regulatory Agreement shall be governed by the laws of the State (other than in respect of conflicts of laws). The Trustee's rights, duties, powers and obligations hereunder are governed in their entirety by the terms and provisions of this Agreement and the Indenture.

Section 19. Amendments. Subject to the provisions of Section 3 hereof, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto, or their successors in title and duly recorded in the real property records of Travis County, and only upon receipt by the Issuer, the Owner and the Trustee of a Favorable Opinion of Bond Counsel regarding such amendment.

Section 20. Notices. Any notice required to be given hereunder to the Issuer, the Trustee or the Owner shall be given in the manner and to the address as set forth in the Indenture.

Section 21. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 22. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 23. Authorization to Act for Issuer. To the extent allowed by law, the Issuer hereby authorizes the Owner to take on behalf of the Issuer all actions required or permitted to be taken by it hereunder, or under the Indenture and the Loan Agreement and to make on behalf of the Issuer all elections and determinations required or permitted to be made by the Issuer hereunder or under the Indenture and the Loan Agreement. In addition, the Issuer hereby authorizes the Owner to exercise, on behalf of the Issuer, any election with respect to the Bonds pursuant to the Code or the Regulations, and the Issuer will cooperate with the Owner and execute any form of statement required by the Code or the Regulations to perfect any such election.

Section 24. Liability of Owner. The liability of the Owner under this Regulatory Agreement is limited to the extent provided in the Loan Agreement.

Section 25. Third-Party Beneficiary. The parties to this Agreement confirm that the Significant Bondholder is a third-party beneficiary to the rights and benefits of this Agreement.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Issuer, the Trustee and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

AUSTIN HOUSING FINANCE CORPORATION

By: _____

Name:

Title: Authorized Officer

Attest:

By: _____

Name: Shirley Gentry

Title: Secretary

REGIONS BANK,
as Trustee

By: _____
Name:
Title:

**ELM RIDGE AFFORDABLE PARTNERS,
LTD.,**
an Alabama limited partnership

By:

By: _____

ACKNOWLEDGMENT

STATE OF TEXAS

§

§

COUNTY OF TRAVIS

§

This instrument was acknowledged before me on _____, 2009, by _____ of Austin Housing Finance Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public Signature

(Personalized Seal)

ACKNOWLEDGMENT

STATE OF TEXAS

§

§

COUNTY OF TRAVIS

§

This instrument was acknowledged before me on _____, 2010, by _____, authorized signatory of Regions Bank.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public Signature

(Personalized Seal)

ACKNOWLEDGMENT

STATE OF TEXAS

§

§

COUNTY OF BEXAR

§

This instrument was acknowledged before me on _____, 2010, by _____, _____ of _____, _____, as general partner of Elm Ridge Affordable Partners, Ltd., an Alabama limited partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public Signature

(Personalized Seal)
Authorized Officer_____ the

EXHIBIT A

Legal Description Attached.

EXHIBIT B

PROJECT AND OWNER

Owner: ELM RIDGE AFFORDABLE PARTNERS, LTD.

Project: Elm Ridge Apartments

Units: 130

EXHIBIT C

TENANT INCOME CERTIFICATION

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(GNMA Collateralized Mortgage Loan—Elm Ridge Apartments)
Series 2010

VERIFICATION OF INCOME

RE:

Apartment Number: _____ Building Number: _____ Square footage: _____

Number of Bedrooms: _____ Initial Monthly Rent: \$_____

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

1. Name of Members of the Household		2. Relationship to Head of Household		3. Age		4. Social Security Number		5. Place of Employment
		Head						
		Spouse						

6. The anticipated income of all the above persons during the 12-month period beginning on the later of the date on which (a) the above persons first occupy the apartment or sign a lease with respect to the apartment or (b) such annual period commencing on the anniversary date of such date of first occupancy or the signing of a lease, including income described in (a) below, but excluding all income described in (b) below, is \$_____.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;

(ii) net annual income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization or capital indebtedness). (An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Include any withdrawal of cash or assets from the operation of a business or profession, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the above persons);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below and include any withdrawal of cash or assets from an investment, except to the extent the withdrawal is reimbursement of cash or assets invested by the above persons);

(iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay;

(vi) any welfare assistance: if the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, include as income (a) the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus (b) the maximum amount that the welfare assistance agency could in fact allow the above persons for shelter and utilities. (If the welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under clause (b) shall be the amount resulting from one application of the percentage);

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household, spouse or other household member whose dependents are residing in the unit; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

(b) The following income is excluded from the amount set forth above:

(i) Income from employment of children (including foster children) under the age of 18 years;

(ii) Payment received for the care of foster children;

(iii) Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses;

(iv) Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member;

(v) Income of a live-in aide;

(vi) Amounts of education scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student. Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included in income;

(vii) The special pay to a household member serving in the Armed Forces who is exposed to hostile fire;

(viii) (a) Amounts received under training programs funded by Housing and Urban Development ("HUD");

(b) Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency ("PASS");

(c) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(ix) Temporary, nonrecurring or sporadic income (including gifts); or

(x) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United States Housing Act of 1937.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands, but including the value of any assets disposed of for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the previous two years), provide:

(a) the total value of all such assets owned by all such persons:

\$_____; and

(b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$_____.

8. (a) Will all of the persons listed in column 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes ____

No

(b) (Complete only if the answer to Question 8(a) is "Yes.") Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes ____

No

We acknowledge that all of the above information is relevant to the status under federal income tax law of the interest on bonds issued to finance construction of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service.

Date:_____

Head of Household

Spouse

STATE OF TEXAS §
 §
COUNTY OF _____ §

Subscribed, sworn to and acknowledged before me this _____ day of _____,
2010.

Notary Public of the State of Texas
(Notary Seal)

NOTE TO PROJECT OWNER: A vacant unit previously occupied by individuals or a family of very low income may be treated as occupied by individuals or a family of very low income until reoccupied (other than for a period of 31 consecutive days or less), at which time the character of the unit shall be redetermined.

FOR COMPLETION BY PROJECT OWNER ONLY:

I. Calculation of eligible income:

- (A) Enter amount entered for entire household in 6 above: \$_____
- (B) If the amount entered in 7(a) above is greater than \$5,000, enter:
- (i) the product of the amount entered in 7(a) above multiplied by the current passbook savings rate as determined by HUD: \$_____
- (ii) the amount entered in 7(b) above: \$_____
- (iii) line (i) minus line (ii) (if less than \$0, enter \$0): \$_____
- (C) TOTAL ELIGIBLE INCOME (line I(A) plus line I(B)(iii)): \$_____

II. Qualification as individuals or a family of low income:

- (A) Is the amount entered in line 1(c) less than 60% of Median Income for the Area¹ with adjustments for smaller and larger families?
- Yes ____ No ____
- (B) (i) If line II(A) is "No," then the household does not qualify as individuals or a family of low income; skip to item III.

1 "Median income for the Area" means the area median gross income as determined by the Secretary of the Treasury 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, including adjustments for family size or, if programs under Section 8 are terminated, area median gross income determined under the method in effect immediately before such termination.

(ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of low income; skip to item III.

(iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of low income; skip to item III;

(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of low income.

III. (Check one)

The household does not qualify as individuals or a family of low income.

The household qualifies as individuals or a family of low income.

IV. Number of apartment unit assigned:
(enter here and on page 1)

V. Method used to verify applicant's income:

____ Employer income verification

____ Copies of tax returns

____ Other (_____)

Date:_____

**ELM RIDGE AFFORDABLE PARTNERS,
LTD.,**
an Alabama limited partnership

By:

By:_____

EXHIBIT D

COMPLIANCE MONITORING REPORT

TO: Austin Housing Finance Corporation
1000 East Eleventh Street, Suite 200
Austin, Texas 78702
Attention: Bond Finance Manager

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(GNMA Collateralized Mortgage Loan—Elm Ridge Apartments)
Series 2010

_____ (the "Owner"), hereby represents and warrants that:

1. A review of the activities of the Owner during the period of _____ through _____ and of then Owner's performance under the Loan Agreement has been made under the supervision of the undersigned.
2. The Owner owns Runnymede Apartments (the "Project").
3. The Project was financed, in substantial part, as a result of the indirect loan of the proceeds of the Bonds.
4. The undersigned and the Owner have read and are thoroughly familiar with the provisions of (1) the Regulatory Agreement and Land Use Restriction Agreement (the "Regulatory Agreement"), dated as of _____, 2010, among the Owner, Austin Housing Finance Corporation (the "Issuer") and Regions Bank, as Trustee (the "Trustee"); and (2) the Loan Agreement, dated as of _____, 2010, among the Owner, the Trustee and the Issuer (the "Loan Agreement"). The Regulatory Agreement was executed, delivered, and recorded against the Project in connection with the issuance of the Bonds. Hereinafter, unless otherwise expressly provided herein or unless the context requires otherwise, the capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Regulatory Agreement.
5. The Project's Qualified Project Period with respect to the project, the period beginning on the closing date and ending on the later of (i) the date which is 20 years after the closing date, (ii) the first date on which no tax-exempt bond issued with respect to the Project is outstanding, or (iii) the first date on which the Project no longer receives assistance under Section 8 of the United States Housing Act of 1937, as amended.
6. Commencing on the Closing Date and continuing throughout the remainder of the Qualified Project Period 40% of the units of the Project shall at all times be rented to and occupied by Low Income Tenants at Affordable Rents.
7. As of the date of this Certificate, the following percentages of completed residential units in the Project (i) are occupied by Low Income Tenants or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants: _____ percent

Held vacant for occupancy
continuously since last
occupied by Low Income
Tenant: _____ percent

8. At no time since the date of filing of the last Continuing Program Compliance Certificate has less than all of the units in the Project been occupied by or, if vacant, been last occupied by Low Income Tenants at Affordable Rents.
9. To the best knowledge of the undersigned, after due inquiry, all Units were rented or available for rental on a continuous basis during the immediately preceding year to members of the general public, and the Owner is not now and has not been in default under the terms of the above-referenced Regulatory Agreement and, to the best knowledge of the undersigned, no Determination of Taxability has occurred with respect to the Bonds.
10. (If the Owner is in default under the terms of the Regulatory Agreement or the Owner has actual knowledge of a Determination of Taxability with respect to the Bonds, such knowledge should be detailed here:)
11. The Owner has not transferred any interest in the Project since the date of submission of the Continuing Program Compliance Certificate last submitted to the Trustee and the Issuer with respect to the Project. (If the Owner has transferred any interest in the Project, such transfer should be detailed here:)

Attached is a separate sheet (the "Occupancy Summary") listing, among other items, the percentage of units which are occupied by Low Income Tenants and which became Low Income Units since the filing of the last Continuing Program Compliance Certificate. The information contained thereon is, to the best knowledge of the Owner (based upon information supplied by tenants of the Project), true and accurate.

**ELM RIDGE AFFORDABLE PARTNERS,
LTD.,**
an Alabama limited partnership

By:

By: _____

OCCUPANCY SUMMARY
AS OF _____

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(Runnymede Apartments Project)
Series 2010

PROJECT NAME: RUNNYMEDE APARTMENTS

PROJECT LOCATION: 1101 Rutland Drive, Austin, Texas

I.D.#:

Page __ of

TOTAL NO. UNITS: ____ REQ'D NO. LOW INCOME UNITS:

TOTAL UNITS OCCUPIED:

TOTAL LOW INCOME OCCUPIED:

(PERCENTAGE: %)

PREPARED AND SUBMITTED BY:

Phone: _____

Date: _____

Number of Low Income Tenants commencing occupancy this month/quarter:

Number of Low Income Tenants whose Adjusted Income exceeded 140% of the applicable income limit
for a Low Income Tenant of the same family size this month/quarter:

Number of Low Income Tenants terminating occupancy this month/quarter:

For Period _____ through _____.

Exhibit D

The Official Statement is included in the Transcript of Proceedings

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2010

NEW ISSUES: Book-Entry Only

S&P: _____
(See "RATING")

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer (as defined below), assuming compliance with certain covenants by the Company (as defined below) and the Issuer, under existing statutes, regulations, published rulings and court decisions existing on the date hereof, interest on the Bonds (i) is excluded from gross income for federal income tax purposes and (ii) will not be included in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed on any Bond for any period during which such Bond is held by a person who, within the meaning of section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person." See "TAX MATTERS" herein.

\$ _____ *

**AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(GNMA COLLATERALIZED MORTGAGE LOAN — ELM RIDGE APARTMENTS) SERIES 2010**

Dated: February 1, 2010

Due: January 20, 2051

The Austin Housing Finance Corporation (the "Issuer") is issuing its Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan – Elm Ridge Apartments) Series 2010 (the "Bonds") pursuant to a Trust Indenture, dated as of February 1, 2010 (the "Indenture") by and between the Issuer and Regions Bank, Birmingham, Alabama, as trustee (the "Trustee"). The Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple thereof. Interest on the Bonds will be payable on January 20 and July 20 of each year, commencing July 20, 2010. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York. Principal of and interest on the Bonds is payable by the Trustee to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued to finance a mortgage loan (the "Mortgage Loan") to be originated by _____, a _____ corporation (the "Lender") to Elm Ridge Affordable Partners, Ltd., an Alabama limited partnership (the "Borrower"), for the acquisition, rehabilitation and equipping of a 291-unit multifamily housing development (the "Development") located in Austin, Travis County, Texas to provide housing for persons of low and moderate income.

It is anticipated that the Bonds will be secured primarily by fully-modified, pass-through mortgage-backed securities (the "Ginnie Mae Certificates") guaranteed as to timely payment of principal and interest by Ginnie Mae ("Ginnie Mae") issued by the Lender, and held by the Trustee. The Ginnie Mae Certificates will be backed by the Mortgage Loan and issued by the Lender pursuant to a loan agreement (the "Loan Agreement") among the Issuer, the Borrower, the Lender and the Trustee. Prior to acquisition of the Ginnie Mae Certificates, the Bonds will be secured by certain of the Bond proceeds and other amounts invested by the Trustee as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

There is no provision in the Bonds or the Indenture for an acceleration of the Bond indebtedness or payment of additional interest in the event interest on the Bonds is declared taxable or becomes taxable, and none of the Issuer, the Borrower or the Underwriter will be liable for any such payment whatsoever.

The Bonds are subject to redemption prior to maturity as described herein. Persons who purchase Bonds at a price in excess of their principal amount risk the loss of any premium paid in the event the Bonds are redeemed prior to maturity. See "THE BONDS — Redemption." Purchase of the Bonds involves certain other risks, and prospective purchasers should read "CERTAIN BONDHOLDERS' RISKS."

THE ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE BONDS SOLELY OUT OF THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THIS INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE, THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREOF SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. THE ISSUER HAS NO TAXING POWER.

This cover page contains only a brief description of the Issuer, the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Balch & Bingham LLP, Montgomery, Alabama and Bryan Cave LLP, Dallas, Texas, and for the Lender by _____. Certain legal matters will be passed upon by Peck, Shaffer & Williams LLP, Cincinnati, Ohio, counsel to the Underwriter. It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about February __, 2010.

Dated: February __, 2010

*Preliminary; subject to change

MERCHANT CAPITAL
LLC.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES*

Maturity Date	Principal Amount	Interest Rate	Price	CUSIP
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*Preliminary; subject to change

No broker, dealer, salesman or other person has been authorized by the Issuer, the Borrower, the Lender or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Borrower, the Lender or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Borrower, the Lender and the Issuer and other sources believed by the Underwriter to be reliable. This information is not guaranteed as to accuracy and is not to be construed as a representation of such by the Underwriter, the Borrower, the Lender or the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein since the date hereof. The Trustee has not undertaken to review this Official Statement and is not responsible for its contents.

The Issuer has not provided, approved or made any independent verification of any information in this Official Statement except with respect to the information under the captions "THE ISSUER" and "ABSENCE OF LITIGATION—The Issuer" and takes no responsibility for any other information contained in this Official Statement. Without limiting the foregoing, the Issuer makes no representation as to the feasibility or performance of the Development, the financial condition of the Borrower or to the suitability of the Bonds for any investor or compliance with any securities, tax or other laws or regulations.

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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE BONDS ABOVE THE LEVELS WHICH WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE ISSUER NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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OFFICIAL STATEMENT

\$ _____ *

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(GNMA Collateralized Mortgage Loan — Elm Ridge Apartments)
Series 2010

INTRODUCTORY STATEMENT

This Official Statement sets forth certain information concerning the Austin Housing Finance Corporation (the "Issuer"), and the issuance and sale of its \$ _____ Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan — Elm Ridge Apartments) Series 2010 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture dated as of February 1, 2010 (the "Indenture"), between the Issuer and Regions Bank, Houston, Texas as trustee (the "Trustee") to finance a mortgage loan to be originated by _____, a _____ corporation, (the "Lender") to Elm Ridge Apartments, Ltd., an Alabama limited partnership (the "Borrower"), for the purpose of providing all or part of the funds with which to pay acquisition, rehabilitation and equipping costs relating to an existing 130-unit housing development located in Austin, Travis County, Texas (the "Development").

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 herein will have the meanings ascribed to them in the Indenture, the Loan Agreement or the Regulatory Agreement or as set forth under "CERTAIN DEFINITIONS" attached hereto as APPENDIX A.

Security for the Bonds

The principal of, premium, if any, and interest on the Bonds will be payable from the payments on the Ginnie Mae Certificates (as hereinafter defined) and from any other security pledged under the Indenture. Prior to the acquisition of the Ginnie Mae Certificates by the Trustee, the Bonds will be secured by certain of the Bond proceeds and other amounts held in the Acquisition Fund and invested by the Trustee in Permitted Investments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "CERTAIN BONDHOLDERS' RISKS."

Ginnie Mae Certificates

Upon the purchase thereof by the Trustee, the Bonds will be secured primarily by fully modified mortgage-backed securities in the aggregate principal amount of \$ _____ (the "Ginnie Mae Certificates"), to be issued by the Lender, guaranteed as to principal and interest by the Government National Mortgage Association ("Ginnie Mae") and to be backed by the Mortgage Loan from the Lender to the Borrower as evidenced by a note of the Borrower (the "Mortgage Note"). See "THE GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM." In the event the Initial Construction Loan Certificate is not delivered to the Trustee on or prior to March 31, 2010 (the "Initial Construction Loan Certificate Delivery Date") (unless extended pursuant to the Indenture) in an amount equal to at least \$2,850,000, the Bonds will be redeemed in whole on the 15th day following the Initial Construction Loan Certificate Delivery Date, at a price of par, plus accrued interest. If the Project Loan Certificate is not delivered to the Trustee by February 28, 2011 (the "Delivery Date") (as such date may be extended as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Project Loan Certificate"), the Bonds will be redeemed as follows: (a) in part, on the 15th day following the Delivery Date, in an amount equal to the remainder, if any, of (i) the aggregate principal amount of the Bonds then Outstanding less (ii) the amount of the Construction Loan Certificates as delivered to the Trustee; and (b) in whole, on the 15th day following the maturity date of the Construction Loan Certificates. See "THE BONDS — Redemption — Extraordinary Mandatory Redemption" and "CERTAIN BONDHOLDERS' RISKS — Early Redemption and Loss of Premium."

*Preliminary; subject to change

The Bonds

The Bonds are available in book-entry only form. See "BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), is the registered owner of the Bonds, references herein to the Bondholders or registered owners of the Bonds mean Cede & Co. and not the beneficial owners of the Bonds.

The Bonds are issued in fully registered form without coupons in Authorized Denominations. See "THE BONDS."

The Bonds are subject to optional redemption prior to maturity as a whole or in part at any time on or after _____, 20, 20____, upon payment of the redemption prices set forth under "THE BONDS — Redemption — Optional Redemption." The Bonds are also subject to extraordinary mandatory redemption and mandatory sinking fund redemption as described under "THE BONDS — Redemption — Extraordinary Mandatory Redemption" and "— Mandatory Sinking Fund Redemption."

There is no provision in the Bonds or the Indenture for an acceleration or redemption of the Bonds or payment of additional interest in the event interest on the Bonds is declared or becomes taxable, and none of the Issuer, the Lender, the Borrower or the Underwriter will be liable for any such payment whatsoever.

Any person who purchases a Bond above par should consider the risk that such premium may be lost in the event that the Bond is redeemed prior to maturity. See "CERTAIN BONDHOLDERS' RISKS."

Tax Matters

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), except with respect to any Bond for any period during which such Bond is owned by either a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" of such user, as provided in section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds (i) will be excludable from the gross income of the owners of the Bonds for federal income tax purposes and (ii) will not be included in an owner's alternative minimum taxable income under section 55 of the Code. Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX F — FORM OF OPINION OF BOND COUNSEL."

Certain Legal and Other Matters

The Issuer has appointed Regions Bank to serve as the Trustee under the Indenture. Certain legal matters relating to the authorization and validity of the Bonds will be passed upon by the Attorney General of the State of Texas and by McCall, Parkhurst & Horton L.L.P., as Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Balch & Bingham LLP, Montgomery, Alabama and Bryan Cave LLP, Dallas, Texas, and for the Lender by _____, _____. Certain legal matters will be passed upon by Peck, Shaffer & Williams LLP, Cincinnati, Ohio, counsel to the Underwriter.

Authority; Issuance and Delivery of Bonds

The Bonds are being issued under authority contained under Chapter 394, Texas Local Government Code, as amended (the "Act"), and pursuant to an authorizing resolution adopted by the Board (as hereinafter defined) of the Issuer on December 10, 2009.

The Bonds are offered when, as and if issued and received by the purchaser thereof, subject to the approving opinion of the Attorney General of the State of Texas (the "State") and Bond Counsel. It is expected that the Bonds will be available for delivery in book-entry only form through the facilities of DTC on or about February __, 2010.

Continuing Disclosure

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information and will not contractually obligate itself to provide any such information in the future. The Borrower has undertaken to provide continuing disclosure to Bondholders as described below, and the Issuer will have no liability to the Bondholders or any other person with respect to such disclosures.

The Borrower has covenanted for the benefit of Bondholders to provide certain financial information and operating data relating to the Borrower by not later than June 30 of each year, commencing in 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed not later than June 30 of each year, commencing in 2010, by the Trustee, as dissemination agent, on behalf of the Borrower to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access System ("EMMA System") and with any public or private repository or entity designated by the State of Texas (collectively, the "Repositories"). The notices of material events will be filed by the dissemination agent on behalf of the Borrower with the Repositories and the EMMA System. See "SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT" attached as APPENDIX E.

Miscellaneous

The information contained herein is current as of the date of this Official Statement set forth on the cover page hereof. The information contained herein is subject to change after such date. The Issuer has not provided, approved or made any independent verification of any information in this Official Statement except with respect to the information under the captions "THE ISSUER" and "ABSENCE OF LITIGATION – The Issuer" and takes no responsibility for any other information contained in this Official Statement. Without limiting the foregoing, the Issuer makes no representation as to the feasibility or performance of the Development, the financial condition of the Borrower or to the suitability of the Bonds for any investor or compliance with any securities, tax or other laws or regulations.

Additional Information

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Development, the Indenture, the Loan Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Investment Agreement, the Mortgage Note and the Mortgage are included in this Official Statement and the Appendices hereto. All references herein to the Indenture, the Loan Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Investment Agreement, the Mortgage Note and the Mortgage and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee.

THE ISSUER

The Issuer was incorporated on _____, 1979 as a public nonprofit corporation in accordance with the Act following adoption of an approving ordinance by the Austin City Council (the "City Council"). The Issuer is authorized pursuant to the Act to (a) make loans to any person to provide financing for residential developments located within the City of Austin, Travis County, Texas (the "City"), as determined by the Issuer; (b) issue its revenue bonds for the purpose of obtaining money to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (c) pledge all or any part of the revenues, receipts or resources of the Issuer, including the revenues and receipts to be received by the Issuer from or in connection with such loans and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the payment of the principal or redemption price of or the interest on such bonds. The Issuer has no taxing power and receives no appropriations from the State or any other governmental body. The Issuer has not participated in the preparation of this Official Statement and, except for the information under the captions "THE ISSUER" and "ABSENCE OF LITIGATION — The Issuer," has not provided any of the information contained in this Official Statement.

Neither the State nor any political corporation or subdivision of the State, including the City, is liable for the payment of the principal of, premium of, if any, or interest on the Bonds. Such entities are prohibited from making payments with respect to the Bonds.

The Austin City Council serves as the Board of Directors (the "Board") of the Issuer.

The Issuer has no employees, presently carries on no operations other than the issuance of bonds and the lending of proceeds thereof and has no experience in the origination, servicing or administering of loans for multifamily housing. All administrative functions to be performed in connection with the Bonds and the Project are contracted to be performed by the various other parties to the Indenture, the Loan Agreement and the Mortgage. The Issuer will not have any involvement in the management or operation of the Project, which will be the sole responsibility of the Borrower.

The Issuer has previously issued bonds for the purpose of financing other properties for other borrowers which are payable from revenues received from such other borrowers. Revenue bonds issued by the Issuer for other borrowers have been, and may be, in default as to principal or interest. The source of payment for other bonds previously issued by the Issuer for other borrowers is separate and distinct from the source of payment for the Bonds, and accordingly, any default by any such other borrower with respect to any of such other bonds is not considered a material fact with respect to the payment of the Bonds.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The proceeds of the Bonds plus an additional \$_____ paid by the Underwriter will be deposited into the Acquisition Fund. \$_____ paid by the Underwriter (but not from the proceeds of the Bonds), will be deposited into the Capitalized Interest Account to pay interest on the Bonds, to pay accrued interest on the purchased Ginnie Mae Certificates or, with the approval of the Rating Agency, to pay any costs incurred with obtaining an extension of the Delivery Date. Moneys from the Borrower in the amount of approximately \$_____ will be deposited into the Costs of Issuance Fund. The Borrower has agreed to promptly reimburse the Underwriter for the above-mentioned deposit to the Capitalized Interest Account.

THE BONDS

The Bonds are available in book-entry only form. See "BOOK-ENTRY ONLY SYSTEM" below. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, references herein to the Bondholders or holders or registered owners or owners of the Bonds mean Cede & Co. and not the beneficial owners of the Bonds.

General

The Bonds are issuable in Authorized Denominations. The Bonds will be dated February 1, 2010, and will mature on the dates and in the amounts and bear interest from February 1, 2010 at the rates set forth on the inside of the cover page hereof. Interest will be payable semiannually on January 20 and July 20 of each year, commencing July 20, 2010 (each a "Payment Date") and in accordance with the provisions of the Indenture, whether at maturity, prior redemption, upon acceleration or otherwise, as provided therein. Interest will be calculated and be due on a basis of a 360-day year consisting of twelve 30-day months. Principal of, premium, if any, and interest on the Bonds will be payable by the Trustee to Cede & Co.

Redemption

Optional Redemption. In the event the Borrower exercises any option to prepay the Mortgage Note and amounts are paid under the Ginnie Mae Certificates representing such prepayments, the Bonds are subject to redemption prior to maturity as a whole or in part at any time on or after _____ 20, 20__ on the first date after such prepayment for which timely notice of redemption can be given under the Indenture, at a redemption price equal to the par amount thereof plus accrued interest to the redemption date.

Extraordinary Mandatory Redemption. The Bonds are required to be redeemed:

(a) (i) in part, on the 15th day following the Delivery Date (as such date may be extended as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Project Loan Certificate"), in an amount equal to the remainder, if any, of (A) the aggregate principal amount of the Bonds then Outstanding less (B) the amount of the Construction Loan Certificates as delivered to the Trustee or its nominee; and (ii) in whole, on the maturity date of the Construction Loan Certificates (as such date may be extended as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Project Loan Certificate"), in each case if the Project Loan Certificate is not delivered to the Trustee or its nominee on or before the Delivery Date (as the same may be extended) as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Project Loan Certificate"); or

(b) in part, on the 15th day following the Delivery Date (as the same may be extended) as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Project Loan Certificate"), in an amount equal to the remainder, if any, of (i) the aggregate principal amount of the Bonds then Outstanding less (ii) the amount of the Project Loan Certificate delivered to the Trustee or its nominee; or

(c) in whole or in part in an amount equal to the corresponding payments on a Ginnie Mae Certificate, on the 15th day following receipt of such payments, if the Trustee receives payments on the Ginnie Mae Certificate exceeding regularly scheduled payments of principal and interest thereon on account of (i) payment of proceeds of the FHA Insurance; (ii) proceeds of any Condemnation Award or of any insurance recovery being applied to the prepayment of the Mortgage Note; (iii) a trustee in a bankruptcy proceeding with respect to the Borrower causing the Borrower to prepay the Mortgage Note without notice or premium; or (iv) any other reason (other than an optional prepayment of the Mortgage Note), including prepayment made by the Borrower following a determination by HUD that such prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the federal government; or

(d) in part, on the 15th day following the Initial Construction Loan Certificate Delivery Date (as such date may be extended as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Initial Construction Loan Certificate Delivery Date") if the Initial Construction Loan Certificate is not delivered to the Trustee or its nominee on or before the Initial Construction Loan Certificate Delivery Date in an amount equal to at least \$2,850,000, in a principal amount equal to the remainder of (i) \$2,850,000 less the amount of (ii) the Initial Construction Loan Certificate.

In the event of a redemption pursuant to the preceding paragraphs under this subheading, the Bonds will be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds are required to be redeemed in part at a redemption price equal to 100% of the principal amount thereof to be redeemed plus interest accrued to the Sinking Fund Redemption Date in the amounts and on the Sinking Fund Redemption Dates set forth below:

After any partial optional or extraordinary mandatory redemption of the Bonds (except for mandatory sinking fund redemptions), the Sinking Fund Redemption Requirements of the Bonds will be reduced by the Trustee so that the resulting decrease in the Sinking Fund Redemption Requirements is proportional, as nearly as practical, to the decrease in payments under the Ginnie Mae Certificates, except that in the event of a partial redemption of Bonds pursuant to extraordinary mandatory redemption as described under clause (b) in "THE BONDS — Extraordinary Mandatory Redemption" above, and the portion, if any, of such redemption that is due solely to amortization of the Mortgage Loan, the principal amount redeemed will be credited against the next succeeding Sinking Fund Redemption Requirement(s) and applied on the next Sinking Fund Redemption Date and will not be considered when calculating any decrease in the Sinking Fund Redemption Requirements.

If the Project Loan Certificate is not delivered by the Delivery Date, no Bonds will be redeemed pursuant to mandatory sinking fund redemption.

Selection of Bonds for Redemption. In the event of a partial redemption of Bonds, the Bonds or portions thereof to be redeemed will be selected by the Trustee randomly such that the resulting decrease in the debt service on the Bonds of each Series and maturity is proportional to the decrease in payments under the Ginnie Mae Certificate. Each portion of \$5,000 principal amount of the Bonds will be counted as one Bond for such purpose.

Notice of Redemption. The Trustee, or the Bond Registrar on behalf of the Trustee, will give notice of redemption not less than 15 nor more than 30 days prior to the redemption date, except that (a) with respect to an extraordinary mandatory redemption described under paragraph (a) of "Extraordinary Mandatory Redemption" above, the Trustee (or Bond Registrar) will give such notice on the first Business Day following the Delivery Date or the Construction Loan Certificate maturity date, as appropriate; (b) with respect to a redemption under paragraph (b) of "Extraordinary Mandatory Redemption" above, the Trustee (or Bond Registrar) shall give such notice on the date the Trustee accepts delivery of the Project Loan Certificate; (c) with respect to a redemption under paragraph (c) of "Extraordinary Mandatory Redemption" above, the Trustee (or Bond Registrar) shall give notice promptly upon receipt of any prepayment of the Ginnie Mae Certificate; and (d) with respect to a redemption under paragraph (d) of "Extraordinary Mandatory Redemption" above, the Trustee (or Bond Registrar) shall give notice on the first Business Day following the Initial Construction Loan Certificate Delivery Date. Notice will be given by first-class mail, postage prepaid, to each Owner of Bonds to be redeemed at the address of such Owner as it appears on the Bond Register; and also to the Rating Agency, if any, and to such other Persons as the Issuer shall specify in writing to the Trustee. The Trustee will not send notice of any optional redemption described under "Optional Redemption" above unless the Trustee will have received payment equal to the prepayment premium on the Mortgage Note, if any, plus the amount of principal with respect to the applicable Ginnie Mae Certificate(s). The failure of the Trustee to mail notice of redemption to Persons other than the Owners of Bonds to be redeemed will not affect the sufficiency of the proceedings for redemption.

All official notices of redemption will be dated, will be given in accordance with the Letter of Representations if the Bonds are registered in the name of DTC or its nominee, and will state: (a) the redemption date; (b) the redemption price; (c) if less than all Outstanding Bonds are to be redeemed, the identification by Series designation, letters, numbers or other distinguishing marks (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (d) that on the redemption date the redemption price of each such Bond will become due and payable to the extent of funds on deposit with the Trustee for that purpose, and that interest on the principal amount of each such Bond to be redeemed will cease to accrue on such date; (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment will be the Bond Registrar office of the Trustee; and (f) such additional information as the Trustee or the Issuer deems appropriate.

In addition to the foregoing notice, further notice will be given by the Trustee as set out below, but no defect in such further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given under the Indenture will contain the information required above for an official notice of redemption and in addition (a) the complete official title, including Series designation, Closing Date, interest rate and maturity date of each Bond being redeemed; (b) the certificate and CUSIP number of each such Bond, and, in the case of a partial redemption, the amount of the principal represented by each such certificate that is being redeemed; (c) the date of mailing of official notice of redemption; (d) the place where such Bonds are to be surrendered for payment of the redemption price, which place shall be the Bond Registrar office of the Trustee; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed. Further notices of redemption will be sent by first-class mail or overnight delivery service to any Owner owning, on the date such notice is sent, Bonds in the aggregate principal amount of \$1,000,000 or more at the address of such Owner as it appears on the Bond Register.

If the Bonds are not then being held under a book-entry system, each further notice of redemption (other than a redemption pursuant to an extraordinary mandatory redemption under the caption "Extraordinary Mandatory Redemption" above) will be sent at least 30 days before the redemption date by first-class mail or overnight delivery service to the Securities Depositories and to one or more Information Services.

A second notice of redemption will be sent by the same means as the first such notice not later than 60 days after the redemption date to any Owner who has not presented for payment the Bond or Bonds called for redemption within 30 days after such date.

In the event the Bonds are called for redemption under circumstances resulting in discharge of the Indenture as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance of Bonds" more than 90 days before the redemption date, additional official and further notice of redemption satisfying the requirements of the Indenture will be given not less than 30 nor more than 60 days prior to such date.

Failure to give any official or further notice or any defect therein will not affect the validity of the proceedings for redemption of any Bond with respect to which no such failure or defect has occurred or exists.

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Underwriter assume no responsibility for the accuracy of such information.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that its 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 the New York Stock Exchange, Inc., the American Stock Exchange, Inc., 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 <http://www.dtcc.com/> and <http://www.dtc.org/>.

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

their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (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 Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (a) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (b) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds will be secured by the Trust Estate, which consists of (a) all right, title and interest of the Issuer in the Loan Agreement (except for the Unassigned Issuer Rights); (b) all right, title and interest of the Issuer in the Ginnie Mae Certificates, including all payments with respect thereto and any interest, profits and other income derived from the investment thereof; (c) the Funds, including moneys and investments therein, held by the Trustee pursuant to the terms of the Indenture, excluding funds held in the Expense Fund and the Rebate Fund and excluding rebatable arbitrage whether or not deposited in the Rebate Fund; (d) all other property of any kind mortgaged, pledged or hypothecated at any time as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply the same subject to the terms of the Indenture; and (e) to the extent not covered above, all proceeds of the foregoing. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Security for the Bonds."

Moneys held in the Acquisition Fund will be invested by the Trustee in Permitted Investments. Funds will be disbursed from the Acquisition Fund by the Trustee to purchase Ginnie Mae Certificates from the Lender; to pay additional development costs, including costs associated with obtaining extensions of the Delivery Date, the Initial Construction Loan Certificate Delivery Date and/or the extension of the maturity date of the Construction Loan Certificate, to pay debt service on the Bonds; certain fees of the Issuer and the Trustee and, under certain circumstances, to pay the mandatory redemption price of the Bonds. See APPENDIX B — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from Acquisition Fund."

THE GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM

The summary and explanation of the Ginnie Mae Mortgage-Backed Securities Program and the other documents referred to herein do not purport to be complete, and reference is made to the Ginnie Mae I Mortgage-Backed Securities Guide (Ginnie Mae Handbook 5500.1 REV-7, as amended) (the "Ginnie Mae I Guide") and to said documents for full and complete statements of their provisions.

Ginnie Mae is a non-stock corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD") with its principal office in Washington, D.C.

The Ginnie Mae Certificates will be "fully modified pass-through" mortgage-backed securities issued and serviced by the Lender. The total face amount of the Project Loan Certificate will be in approximately the same principal balance as the Mortgage Note, subject to a rounding convention. The Lender will be required to pass through to the Trustee or its nominee, as the holder of the Ginnie Mae Certificates, by the 15th day of each month the monthly scheduled installments of principal and interest (interest only on the Construction Loan Certificates) on the Mortgage Note (less the Ginnie Mae guarantee fee and the Lender's servicing fee), whether or not the Lender

receives such payment from the Borrower, plus any unscheduled prepayments of principal of the Mortgage Note received by the Lender. Ginnie Mae guarantees the timely payment of the principal of and interest on the Ginnie Mae Certificates.

Two types of Ginnie Mae Certificates are intended to be issued by the Lender in connection with the Mortgage Loan to the Borrower: (i) Construction Loan Certificates which are to be issued with respect to each construction loan advance under the Mortgage Loan and (ii) the Project Loan Certificate which is to be issued with respect to the permanent Mortgage Loan with payment provisions which correspond to the monthly scheduled installments of principal and interest on the Mortgage Note. Construction Loan Certificates are expected to be dated no later than the first day of the month following the month in which a construction advance is made under the Mortgage Loan and to provide that accrued interest for 30 days is payable by the Lender to the Trustee or its nominee as holder of the Construction Loan Certificates commencing 45 days after the issue date, and continuing on the 15th day of each successive month thereafter until maturity of the Construction Loan Certificates.

Ginnie Mae Guaranty

Ginnie Mae is authorized by Section 306(g) of Title III of the National Housing Act, as amended (the "National Housing Act"), to guarantee the timely payment of the principal of, and interest on, securities which are based on and backed by mortgage pools consisting of a single mortgage insured by the Federal Housing Administration ("FHA") pursuant to Section 221(d)(4) of the National Housing Act. Section 306(g) of the National Housing Act further provides that "[T]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated March 12, 1969, of the then Assistant Attorney General of the United States, states that such guaranties under Section 306(g) of mortgage-backed securities of the type being delivered to the Trustee on behalf of the Issuer are authorized to be made by Ginnie Mae and "would constitute general obligations of the United States backed by its full faith and credit."

Pursuant to such authority, Ginnie Mae, upon delivery of a Ginnie Mae Certificate to the Lender in accordance with the related Ginnie Mae Guaranty Agreement, (as hereinafter defined) will have guaranteed the timely payment of the principal of and interest on such Ginnie Mae Certificate.

Ginnie Mae Borrowing Authority

In order to meet its obligations under such guaranty, Ginnie Mae, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department (the "Treasury") in an amount outstanding at any one time sufficient to enable Ginnie Mae, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the Ginnie Mae Certificates. The Treasury is authorized to purchase any obligations so issued by Ginnie Mae and has indicated in a letter dated February 13, 1970, from the then Secretary of the Treasury to the then Secretary of HUD that the Treasury will make loans to Ginnie Mae, if needed, to implement the aforementioned guaranty.

Ginnie Mae warrants to the holder of the Ginnie Mae Certificates in the related Ginnie Mae Guaranty Agreement, that, in the event it is called upon at any time to make good its guaranty of the payment of principal of and interest on the Ginnie Mae Certificates, it will, if necessary, in accordance with Section 306(d), apply to the Treasury for a loan or loans in amounts sufficient to make payments of principal and interest on the Ginnie Mae Certificates.

Servicing of Mortgage Loans

The Lender is responsible for servicing and otherwise administering the Mortgage Loan in accordance with generally accepted practices of the mortgage banking industry and the Ginnie Mae I Guide.

The monthly remuneration of the Lender, for its servicing and administrative functions, and the guaranty fee charged by Ginnie Mae, are based on the unpaid principal amount of the Ginnie Mae Certificates outstanding.

The total of the servicing and guaranty fees with respect to the Ginnie Mae Certificates is .25% per annum, payable monthly, calculated on the principal balance of the Ginnie Mae Certificates outstanding on the last day of the month preceding such date of calculation. Of such fee, part is paid to Ginnie Mae as a guaranty fee, and the remainder is retained by the Lender as a servicing fee. The Ginnie Mae Certificates carry an interest rate that is .25% per annum less than the interest rate on the Mortgage Note because the servicing and guaranty fee is deducted from payments on the Mortgage Note.

It is expected that interest and principal payments on the Mortgage Note will be the source of moneys for payments on the Ginnie Mae Certificates. If such payments are less than what is due, the Lender may advance its own funds to ensure timely payment of scheduled installments of principal and interest due on the Ginnie Mae Certificates. Ginnie Mae guarantees such timely payment in the event of the failure of the Lender to pass through such scheduled principal and interest payments when due.

The Lender is required to advise Ginnie Mae in advance of any impending default on scheduled payments on the Ginnie Mae Certificates so that Ginnie Mae as guarantor will be able to continue such payments as scheduled on the 15th day of each month. If, however, such payments are not received as scheduled, the Trustee, on behalf of the Issuer, has recourse directly to Ginnie Mae.

The guaranty agreements to be entered into by Ginnie Mae and the Lender in connection with the issuance of the Construction Loan Certificates and the Project Loan Certificate (collectively, the "Ginnie Mae Guaranty Agreement") will provide that, in the event of a default by the Lender, including (a) a request to Ginnie Mae to make a payment of principal or interest on the Ginnie Mae Certificates when the Borrower is not in default under the Mortgage Note, (b) insolvency of the Lender, or (c) default by the Lender under any other guaranty agreement with Ginnie Mae, Ginnie Mae will have the right, by letter to the Lender, to effect and complete the extinguishment of the Lender's interest in the Mortgage Note, and the Mortgage Note will thereupon become the absolute property of Ginnie Mae, subject only to the unsatisfied rights of the holder of the Ginnie Mae Certificates. In such event, the Ginnie Mae Guaranty Agreement will provide that on and after the time Ginnie Mae directs such a letter of extinguishment to the Lender, Ginnie Mae will be the successor in all respects to the Lender in its capacity under the Ginnie Mae Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and will be subject to all responsibilities, duties, and liabilities (except the Lender's indemnification of Ginnie Mae), theretofore placed on the Lender by the terms and provisions of the Ginnie Mae Guaranty Agreement, provided that at any time, Ginnie Mae may enter into an agreement with any other eligible issuer of Ginnie Mae securities under which the latter undertakes and agrees to assume any part or all of such responsibilities, duties or liabilities theretofore placed on the Lender, and provided that, no such agreement will detract from or diminish the responsibilities, duties or liabilities of Ginnie Mae in its capacity as guarantor of the Ginnie Mae Certificates, or otherwise adversely affect the rights of the holders thereof.

Payment of Principal and Interest on the Ginnie Mae Certificates

Payment of interest on each Ginnie Mae Certificate is required to be made in monthly installments on or before the 15th day of each month commencing the month next following the date of issue of such Ginnie Mae Certificate. Upon the issuance of the Project Loan Certificate and commencement of the payment of principal thereon, the Project Loan Certificate will be payable in monthly installments of principal and interest, subject to prepayment due to prepayment, assignment for insurance benefits or acceleration of the Mortgage Note. Each installment on the Project Loan Certificate is applied first to interest and then in reduction of the principal balance then outstanding on the Project Loan Certificate. The amount of principal due on the Project Loan Certificate is the scheduled principal amortization currently due on the Mortgage Note.

The monthly installments are subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the Mortgage Note. The Lender is required to pay to the Trustee or its nominee, as holder of the Ginnie Mae Certificates, monthly installments of not less than the interest due on the Ginnie Mae Certificates at the rate specified in the Ginnie Mae Certificates, together with any scheduled installments of principal, whether or not collected from the Borrower, and any prepayments or early recoveries of principal.

Liability of Lender

The Ginnie Mae Certificates will not constitute a liability of nor evidence any recourse against the Lender. The Ginnie Mae Certificates are based on and backed by the Mortgage on the real property securing the Mortgage Note. Recourse may be had by the Trustee only to Ginnie Mae in the event of any failure of timely payment as provided for in the Ginnie Mae Guaranty Agreement.

THE MORTGAGE NOTE AND MORTGAGE

This summary and explanation of the Mortgage Note and Mortgage does not purport to be comprehensive and is qualified in its entirety by reference to the Mortgage Note and Mortgage for full and complete statements of their provisions. The Mortgage Note and Mortgage are expected to be executed by the Borrower, and the Mortgage Note initially endorsed for insurance benefits by FHA, on or prior to the Closing Date. The Lender will be obligated to fund the Mortgage Loan only after FHA has initially endorsed the Mortgage Note for insurance benefits.

The Mortgage from the Borrower to the Lender will secure the Mortgage Note. The Mortgage Loan proceeds will be disbursed by the Lender in accordance with the progress of Development construction and the Lender will be reimbursed for such advances upon the purchase of the Initial Construction Loan Certificate, the funding of interim Construction Loan Certificates and the purchase of the Project Loan Certificate by the Trustee. The Mortgage Loan disbursements will be insured by FHA as construction progresses under Section 221(d)(4) of the National Housing Act and the regulations thereunder. Upon the purchase of Construction Loan Certificates, the Lender will make payments thereon which may differ from the Mortgage Note payments. Upon the purchase of the Project Loan Certificate from the Lender by the Trustee, monthly scheduled installments of principal and interest on the Mortgage Note (less the Ginnie Mae guaranty fee and the Lender's servicing fee) will be passed through to the Trustee as scheduled payments of principal and interest on the Ginnie Mae Certificate.

It is expected that the Mortgage Loan, as evidenced by the Mortgage Note and Mortgage: (a) will be insured by FHA pursuant to and in accordance with the provisions of Section 221(d)(4) of the National Housing Act and applicable regulations thereunder, as evidenced by the endorsement by FHA of the Mortgage Note evidencing the Mortgage Loan; (b) will be in the principal amount of \$_____ which is subject to being reduced, without penalty, upon final endorsement of the Mortgage Loan for FHA Insurance; (c) will bear interest at the rate of ____% per annum; (d) will have a final maturity of not later than January 1, 2051; (e) will be payable interest only monthly through a date not later than January 1, 2011 and will thereafter be payable in equal monthly installments of principal and interest, commencing not later than February 1, 2011; (f) will be secured on a nonrecourse basis; and (g) will not be subject to prepayment prior to _____, 20__, except that (i) the Mortgage Note will be subject to mandatory prepayment in whole or in part at any time without premium or penalty, from the proceeds of any casualty insurance or condemnation awards received following a partial or total destruction or condemnation of the Development, in the event and to the extent that such casualty proceeds or condemnation awards are not applied to the repair or restoration of the Development in accordance with the Ginnie Mae Documents, (ii) the Mortgage Note will be subject to prepayment in whole or in part at the option of the Borrower, on the first or last day of any month commencing _____, 20__, upon at least 30 days' advance written notice to the Lender, and upon payment of the principal amount of the Mortgage Note then outstanding together with the applicable prepayment premium attributable to the balance of the Mortgage Note, (iii) the Mortgage Note is subject to partial prepayment to the extent required by FHA based upon any cost certification or other report required to be provided to FHA, and (iv) the Mortgage Note will be subject to prepayment in whole or in part without the consent of the Lender and without prepayment penalty if HUD determines that prepayment will avoid an FHA insurance claim and therefore is in the best interest of the Federal government, notwithstanding any prepayment prohibition imposed and/or penalty required by the Mortgage Note with respect to prepayments made prior to _____, 20__. In the event of a partial prepayment described in subparagraphs (i), (ii), (iii) or (iv) above, the Mortgage Note may be reamortized to reflect its reduced principal amount.

If the Borrower makes any such prepayment on the Mortgage Note, the amount prepaid will be paid to the Lender and passed through to the Trustee, as a prepayment on the Ginnie Mae Certificate, and applied to the redemption of Bonds, as described under "THE BONDS — Redemption."

In the event of a default on the Mortgage Note, the Lender has the option to (i) foreclose on the Development and then convey title to FHA or (ii) assign the Mortgage Note and related security to FHA. In either event, the proceeds of the FHA mortgage insurance would be paid to the Lender and forwarded to the Trustee as a payment on the Construction Loan Certificates or the Project Loan Certificate, except to the extent that amounts have been previously advanced by the Lender to the Trustee. Such payments would be used by the Trustee to redeem Bonds. See "THE BONDS — Redemption of Bonds — Extraordinary Mandatory Redemption."

THE PRIVATE PARTICIPANTS

The following information concerning the private participants has been provided by representatives of the private participants and has not been independently confirmed or verified by either the Underwriter or the Issuer. No representation is made herein 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.

Borrower

The Development will be owned by Elm Ridge Apartments, Ltd., an Alabama limited partnership (the "Borrower"). The Borrower is a single-asset entity formed for the purpose of acquiring, developing, and operating the Development. Elm Ridge GP, Inc., a California corporation, (the "General Partner") will own a 0.01% partnership interest in the Borrower. The remaining 99.99% interest in the Borrower will be limited partnership interests owned by Summit Tax Credit Fund II-2009, LLC, an Alabama limited liability company (the "Limited Partner"). The principal office of the Borrower is located at 105 Tallapoosa Street, Suite 300, Montgomery, Alabama 36104.

The Limited Partner, as well as the Developer and Manager described below, are affiliates of Summit America, L.L.C. ("Summit America"). Summit America is an Alabama limited liability company formed in 1995. Since its inception, Summit America and its affiliates, including the General Partner, the Developer and the Manager, have engaged in the new construction, acquisition, rehabilitation and management of apartment projects eligible for federal low income housing tax credits, as well as other housing subsidy programs. Summit America and its affiliates have acquired and rehabilitated, and currently have general partner or membership interests in, [59 housing projects ranging in size from 56 to 418 units with a total of 6,890] units under management. It is also affiliated with the Underwriter. See "RELATED PARTIES" herein.

The Borrower has no substantial assets other than the Development and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Development. However, the above-referenced partners of the Borrower and their affiliates are engaged in and will continue to engage in the acquisition, development, ownership and management of similar types of housing projects. The principal(s) may be financially interested in, as officers, partners or otherwise, and devote substantial time to, business and activities that may be inconsistent or competitive with the interests of the Development.

The obligations and liabilities of the Borrower under the Mortgage Note and Mortgage are of a non-recourse nature and are limited to the Development and moneys derived from the operation of the Development. Neither the Borrower nor its partners have any personal liability for payments on the Mortgage Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Development. Accordingly, neither the Borrower's financial statements nor those of its partners are included in this Official Statement.

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

Limited Partner

Prior to the issuance of the Bonds, the Borrower expects to enter into a commitment with the Limited Partner to sell to them a 99.99% ownership interest in the Borrower. Pursuant to the sale, the equity funding arrangements for the funding of the tax credit equity are expected to be approximately \$_____ paid in stages

during and after construction. These funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

The Developer

The Development will be developed by Summit Housing Partners Management, LLC (the "Developer"), an Alabama limited liability company organized in 1996 in the State of Alabama. The Developer is affiliated with Summit America. See "The Borrower" above under the heading for information about affiliates of the Developer; also see "RELATED PARTIES" herein.

The Property Manager

The manager for the Development will be Summit Asset Management, L.L.C. (the "Manager"). The Manager is an Alabama limited liability company organized in 1996 in the State of Alabama. The Manager's principal place of business is located in Montgomery, Alabama. The Manager operates a full service management and consulting enterprise and currently manages approximately [6,890 units in 59 multifamily housing projects]. In addition, certain of the principals of the Manager own and operate, or through various other entities, are in the process of developing multifamily housing in Alabama, Texas, Mississippi, Florida, Louisiana and Texas. The Manager has a staff of 45 professionals and 10 clerical personnel. The Manager is affiliated with Summit America. See "RELATED PARTIES" herein.

Architect

The design and inspecting architect for the Development will be the Hill Firm Incorporated (the "Architect"). The Architect currently engages in general construction architecture and construction management. The Architect's practice includes conventional multifamily housing projects, assisted living facilities, senior housing facilities and some general commercial work.

As required by HUD, the Architect will certify that, to the best of its knowledge, belief and professional judgment, construction of the Development in accordance with the plans and specifications is permissible under all applicable state and local codes, ordinances and regulations and will comply with HUD's minimum property standards and other applicable HUD design requirements.

An additional third-party architect will be engaged by HUD through separate agreement to review and countersign all construction draws approved by the Architect.

Contractor

The general contractor for the Development will be Penco Construction Co. of Houston, Inc. (the "General Contractor"). The General Contractor is qualified to do business as a general contractor in Texas and specializes in multifamily housing projects. The General Contractor has constructed in excess of [1,200 projects in Texas. Currently, the General Contractor has approximately \$21,500,000 in construction work under contract.]

The Mortgage Lender/Servicer

_____, a _____ organized and existing under the laws of the State of _____ (the "Lender"), will upon satisfaction of certain conditions precedent set forth in the Financing Agreement, issue the Ginnie Mae Certificates to the Trustee or the Trustee's nominee. The Lender has been approved by HUD as an eligible issuer and servicer of loans guaranteed by Ginnie Mae. To be approved by Ginnie Mae to issue Ginnie Mae Certificates with respect to long-term mortgages on multifamily projects, the Lender is required to have a net worth (based on audited financial statements) equal to at least \$500,000 plus 0.2% of any securities outstanding in excess of \$35 million.

RELATED PARTIES

Various affiliates of Summit America are involved in the ownership, operation and financing of the Development. Summit America Properties XXXI, Inc., the General Partner, is 100% owned by Realty Partners, LLC. Realty Partners, LLC is 78% owned by W. Daniel Hughes, Jr. Mr. Hughes is manager of the Summit Asset Management, L.L.C., the Developer and Manager, and Merchant Realty, L.L.C., which is an affiliate of the Underwriter. Blake Brazeal is president of the General Partner.

THE DEVELOPMENT

The following information concerning the Development has been provided by representatives of the Borrower and has not been independently confirmed or verified by either the Underwriter or the Issuer. No representation is made herein 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.

Description of the Development

The Development is an existing residential rental project originally constructed in 1972 and is comprised of 14 two-story apartment buildings containing a total of 130 units. The Development is located at 1161 Harvey Lane on an approximately 6.30-acre site located within the jurisdiction of Austin, Travis County, Texas. Construction is slab-on grade, two-story, wood frame construction. The exterior is brick veneer and wood siding.

The interior of each unit features a range and oven, a refrigerator, and central heating and cooling systems. Development amenities include two playground areas, two covered picnic areas, a community center/computer center and laundry facilities.

The unit mix of the Development is as follows:

	Approximate Square Footage	Number of Units
1 Bedroom/1 Bath	572	68
2 Bedrooms/1 Bath	744	48
3 Bedrooms/1 Bath	890	14
Total:		<u>130</u>

Approximately \$20,684 per unit will be spent on rehabilitation. The scope of the rehabilitation includes [repairs to the parking lot, improvements to the playground, installation of vinyl siding, and the repair/replacement of stairways and patios on an as needed basis. The interior scope requires the repair/replacement of HVAC systems, kitchen appliances, countertops, cabinets, and tub and tub surrounds.]

Rehabilitation of the Development is scheduled to occur over an 8-month period; beginning in February, 2010 and completion by the end of October, 2010.

Plan of Financing

The total cost of the Development is estimated by the Borrower to be \$10,377,513, not including interim sources or uses of funds or accrued interest on the Bonds. In addition to the proceeds of the Bonds, other sources of financing for the Development are expected to include a \$2,464,987 equity contribution by the Investor Limited Partner.

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

Sources of Funds:

Bond Proceeds	\$ _____
Additional Purchase Price	_____
Tax Credit Equity	2,464,987
City of Austin Funds	2,500,000
Deferred Developer Fee	_____
Total	<u>\$10,377,513</u>

Uses of Funds:

Acquisition Costs	\$ _____
Construction Costs (including permits)	_____
Developer Profit	_____
Transaction Costs	_____
Costs of Issuance ¹	_____
Working Capital	_____
Hard Cost Contingency	_____
First Year MIP	_____
Development Soft Costs	_____
Total	<u>\$10,377,513</u>

¹ The Borrower will use funds other than the proceeds of the Bonds to pay all costs of issuance in excess of \$231,891, which is an amount equal to 2% of the proceeds of the Bonds

Estimated Construction Costs

The total estimated replacement cost for the Development as accepted by FHA at the time of issuing its firm commitment is set forth below. The costs were calculated by HUD based on information supplied by the Borrower.

Land Improvements	\$ _____
Total Structures	_____
General Requirements	_____
Builder's Overhead and Bond Premium	_____
Total Fees ¹	_____
Total Carrying Charges and Financing ²	_____
Legal, Organization and Cost Certification Fees	_____
Builder and Sponsor Profit and Risk Allowance ³	_____
Contingency Reserve and Relocation Expense	_____
Land Value	_____
Total	<u>\$ _____</u>

¹ Includes design and construction supervisory services. Excluding builder's overhead and bond premium.

² Includes (i) FHA examination and inspection fees, (ii) mortgage insurance premiums, (iii) taxes and insurance during the construction period, (iv) the Lender's fees, (v) a portion of the costs of issuance of the Bonds, such as the Underwriter's compensation, fees and expenses of the Trustee, fees and expenses of bond counsel, and fees and expenses of Underwriter's counsel, and (vi) capitalized interest. Capitalized interest is based on the amount to be provided for in the Building Loan Agreement for interest on the Mortgage Note during an 14- month period at an interest rate of 5.57%. A portion of such amount will be used to pay the servicing fee during construction.

³ The Builder and Sponsor Profit and Risk Allowance (BSPRA) is an amount equal to ten percent (10%) of all costs except land, relocation expense and the contingency reserve and is allowed by HUD in determining the maximum amount of the insurable loan (which cannot exceed ninety per cent (90%) of Total Replacement Cost as defined in Line 74 of the Rental Income Analysis and Appraisal by HUD of the Development).

Pursuant to applicable regulations, the maximum principal amount of the Mortgage Note may not exceed 90% of the estimated replacement cost of the Development. To the extent not previously incurred, the Borrower will provide its equity contribution to the Development by cash contribution. No assurance can be given, however, that actual costs will be consistent with FHA's determination. If actual costs are lower, a portion of the Bonds could be redeemed as a result of a reduction in the amount of the Mortgage Note at Final Endorsement for Mortgage Insurance. If, on the other hand, actual costs are higher, the Borrower could be required to seek additional financing to complete the Development. A failure to obtain such financing could cause the Borrower to default on the Mortgage Note. See "CERTAIN RISK FACTORS – Rehabilitation" herein.

Development Operating Budget

In issuing its commitment to insure the Mortgage Note, FHA approved a projection of revenues and expenditures (on a cash basis) for the first twelve months of operation of the Development after the commencement of amortization of the Mortgage Note that anticipated an excess of revenues over expenses. Such projection was based on information supplied to FHA by the Borrower. No representations are made that the projected revenues will be realized. Such operation projections were based on assumptions concerning future events and circumstances which may not materialize. In order to provide for possible variations, FHA requires the Borrower to provide at Initial Endorsement a reserve for cost of equipping and renting the Development subsequent to completion and to pay insurance premiums and fund an initial operating deficit escrow. The Borrower will provide such reserves through a cash deposit or letters of credit to be held by the Lender for such purpose.

Management Agreement

The Borrower has entered into a Management Agreement to engage the Manager to manage the Development. Under the Management Agreement, the Manager will manage the day-to-day operations of the Development after the Development has opened and will also provide certain management and marketing services to the Development prior to the opening.

Section 8 Assistance

The seller of the Development and HUD entered into a project-based Section 8 Housing Assistance Payments Basic Renewal Contract (the "HAP Contract") that is scheduled to expire on July 31, 2010. The HAP Contract will be assigned to the Borrower in connection with the issuance of the Bonds. The Borrower will request a renewal of the HAP Contract for a new 20-year term. There is no assurance that the HAP Contract will be renewed by HUD after its expiration, however, current law requires HUD to renew existing HAP Contracts upon an owner's request, to the extent the owner and the Development are in compliance with the applicable HUD requirements and to the extent that sufficient funds have been appropriated by Congress for such purpose. The HAP Contract covers all 100 units in the Development and provides for HUD to fund certain rental assistance payments on behalf of eligible tenants in the Development based on certain rents determined by HUD ("Contract Rents"). Eligible tenants are defined generally as those households whose income does not exceed 80% (on a scale weighted to reflect family size) of the median income for an area as determined by HUD. The HAP Contract will also require that preference be given to leasing to very low-income tenants (tenants having incomes that do not exceed 50%, on a weighted scale, of the median incomes for the area). Eligible tenants pay a maximum of 1/3 of their monthly adjusted gross income as rent with the HAP Contract contributing the remaining difference between the tenant share and the HUD determined monthly rental rate. The HAP Contract is expected to have an extended term as described above, although the funds to make the assistance payments under the HAP Contract are subject to annual appropriations by Congress. Housing assistance payments are subject to abatement or termination if dwelling units are not properly maintained or occupied and the HAP Contract may be terminated in the event of a default thereunder by the Borrower.

There are numerous proposals, both by HUD and in Congress, to restructure HUD and to modify the Section 8 program. No assurance can be given as to the effect of any future legislative or administrative changes upon HUD or the Section 8 program. Any decrease in the Contract Rents payable under the HAP Contract would reduce the revenues of the Development and could affect the ability of the Borrower to make required payments on the Mortgage Loan.

CERTAIN BONDHOLDERS' RISKS

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

Early Redemption and Loss of Premium

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 only to their principal amount (subject to the exception described below) plus accrued interest in the event such Bonds are redeemed under certain circumstances prior to maturity. This could occur, for example, in the event the Mortgage Note is prepaid as a result of a casualty or condemnation award payments affecting the Development or there is a default under the Mortgage. In addition, if the Borrower fails to comply with the terms of the HAP Contract, HUD may suspend the Section 8 Assistance. If such suspension were to occur, there can be no assurance that the Borrower would have sufficient funds to make the required payments on the Note, which could result in an acceleration of the Mortgage Loan, and a redemption of Bonds. See "THE BONDS — Redemption — Extraordinary Mandatory Redemption." The Bonds are also subject to optional redemption commencing on _____ 20, 20___. See "THE BONDS — Redemption — Optional Redemption."

The Bonds are also subject to redemption in whole on the 15th day following the Initial Construction Loan Certificate Delivery Date in the event the Initial Construction Loan Certificate is not delivered to the Trustee by the Initial Construction Loan Certificate Delivery Date (as such date may be extended pursuant to the Indenture) in an amount equal to at least \$2,850,000. The Bonds are also subject to special mandatory redemption in part in an amount equal to the remainder of the aggregate amount of Bonds Outstanding less the amount of the Project Loan Certificate delivered to the Trustee in the event the Project Loan Certificate is delivered in a principal amount less than \$ _____. If the Project Loan Certificate is not delivered to the Trustee by the Delivery Date, (as such date may be extended as described in APPENDIX B: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Disbursements and Transfers from the Acquisition Fund — Project Loan Certificate"), the Bonds will be redeemed as follows: (a) in part, on the 15th day following the Delivery Date, in an amount equal to the remainder, if any, of (i) the aggregate principal amount of the Bonds then Outstanding less (ii) the amount of the Construction Loan Certificates as delivered to the Trustee; and (b) in whole, on the 15th day following the maturity date of the Construction Loan Certificates. See "THE BONDS — Redemption — Extraordinary Mandatory Redemption."

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.

Taxability of the Bonds

THE BONDS ARE NOT SUBJECT TO 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 owner of the Development) does not comply with the provisions of the Regulatory Agreement and the Loan 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. See "TAX MATTERS" for a discussion of the provisions of the Indenture, the Loan Agreement, the Regulatory Agreement and the other Financing Documents which provide that such documents are subordinate to the National Housing Act, the Mortgage Loan Documents, all applicable HUD mortgage insurance regulations and related administrative requirements, applicable Ginnie Mae regulations and administrative requirements, the Ginnie Mae Documents or if applicable, Section 8 of the Housing Act and the regulations thereunder.

Regulation of Development

The Issuer, the Trustee and the Borrower have entered into the Regulatory Agreement requiring that the Development be maintained as a residential rental housing project within the meaning of Section 142(d) of the Code and the Treasury Regulations thereunder, and that 40% of the units in the Development be held available for occupancy by Low-Income Tenants whose income satisfies the requirements of Section 142(d) of the Code for the periods described under the captions APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT." The Regulatory Agreement also requires that the entire Development be offered for rental to the general public, prohibits rental of certain units to persons related to the Borrower and rentals on a transient basis and imposes other restrictions on the operation of the Development. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT."

The Borrower also intends to qualify 100% of the units in the Development for low income housing tax credits under Section 42 of the Code and will enter into a tax credit regulatory agreement (the "Tax Credit Regulatory Agreement") with respect to such credits. The low income housing tax credit program imposes certain restrictions on the Development including certain rental restrictions, the primary restriction being that rents, including an allowance for utilities, for each unit in the Development may not exceed 30% of the imputed income of the tenant(s) of a unit. In addition, 100% of the units in the Development can only be rented to individuals whose income is 60% or less than the area median income for Houston, Texas. The tax credit rent restrictions may adversely affect the ability to increase rents in the future, including in cases where operating costs rise, since tax credit rent restrictions are based on area median income limits. Furthermore, under the HUD Regulatory Agreement, certain other conditions on Development operations are imposed by FHA.

The Development is also subject to the HAP Contract, which provides for HUD to fund certain rental assistance payments on behalf of eligible tenants in the Development based on certain rents determined by HUD as described under "THE DEVELOPMENT – Section 8 Assistance."

Enforcement of the Regulatory Agreement

As a condition of FHA's insuring the Mortgage Note, the Regulatory Agreement and all other Financing Documents are made expressly subordinate to the obligations under the Mortgage and the other Mortgage Loan Documents, and enforcement of the Regulatory Agreement is expressly limited so that enforcement will not serve as the basis for a declaration of default under the Mortgage or an acceleration of the Mortgage Note or result in any claim under the Mortgage Note, or claim against the Development, the Mortgage Note proceeds, any reserve or deposit made with the Lender or another person or entity required by HUD in connection with the Mortgage Note transaction, or against the rents or other income from the Development for payment under the Regulatory Agreement. Consequently, the rights of the Issuer or the Trustee to enforce a claim for money damages would be severely restricted and, among other things, it would not be possible to accelerate the debt evidenced by the Mortgage Note or to seek FHA Insurance benefits. There is no provision in the Bonds or the Indenture for an acceleration of the indebtedness evidenced by the Bonds or payment of additional interest in the event interest on the Bonds were declared taxable, and the Issuer will not be liable under the Bonds or the Indenture for any such payment on the Bonds whatsoever. See "TAX MATTERS" and APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT."

Violation of Regulatory Agreements

The HUD Regulatory Agreement, the Regulatory Agreement and the Tax Credit Regulatory Agreement impose set-asides, income restrictions on tenants and rent restrictions on the Development. They also prohibit discrimination and impose other requirements. The consequences of a violation of any covenants by the Borrower include: (a) foreclosure of the Development, (b) loss of tax credits, which would require repayment of the tax credit equity investment, recapture of tax credits, and/or removal of the General Partner, (c) taxability of the interest on the Bonds, (d) injunctive relief and (e) damages. Any of these consequences would adversely affect the Borrower and the Development and the repayment of the Bonds.

Issuance of Ginnie Mae Certificates

It is anticipated that the Trustee will acquire the Project Loan Certificate on or before the Delivery Date as such date may be extended pursuant to the terms of the Indenture. The purchase of each Ginnie Mae Certificate is subject to the following conditions, among others: (i) the submission by the Lender to Ginnie Mae of certain documents required by Ginnie Mae in form and substance satisfactory to Ginnie Mae, (ii) the Lender's continued compliance, on the date of issuance of the Ginnie Mae Certificate, with all of Ginnie Mae's eligibility requirements, specifically including, but not limited to, certain net worth requirements and (iii) the Lender's continued ability to issue and deliver each Ginnie Mae Certificate, as such ability may be affected by the Lender's bankruptcy, insolvency or reorganization. In the event that the Project Loan Certificate is not issued as a result of a failure of any of the conditions listed above, the Bonds will be subject to early redemption in whole as discussed under "THE BONDS — Redemption — Extraordinary Mandatory Redemption."

Adequacy of Revenues

The primary security for the Bonds is the Ginnie Mae Certificates. None of the Issuer, the Trustee or the Underwriter has made any independent evaluations of the Borrower's revenues, and no representations are made as to the adequacy of such revenues to maintain the Development and to make payments required under the Loan Agreement. Furthermore, the Loan Agreement does not grant the Owners or the Trustee the right to exercise any right that the Borrower may have under the Borrower's partnership agreement or otherwise to require a partner of the Borrower to make any additional contributions to the Borrower.

Competing Facilities

The Issuer and persons who may be affiliated with the Issuer are not prohibited from developing or operating other facilities that could compete with the Development for tenants. Any competing facilities, if so constructed, could adversely affect occupancy and revenues of the Development.

Risks of Rehabilitation

Rehabilitation of the Development is expected to commence in February, 2010. The Borrower has made arrangements which it anticipates will be sufficient to assure the completion of the rehabilitation of the Development in October, 2010. It is estimated that final endorsement of the Mortgage Note will be obtained within two months thereafter. No assurance can be given, however, that the arrangements made by the Borrower are sufficient and that these steps will be completed prior to that date. If the Initial Construction Loan Certificate is not delivered to the Trustee by the Initial Construction Loan Certificate Delivery Date in an amount equal to at least \$2,850,000, a portion of the Bonds will be redeemed on the fifteenth day following the Initial Construction Loan Certificate Delivery Date in a principal amount equal to the difference between \$2,850,000 and the principal amount of CLCs delivered to the Trustee by that date, at a price of par plus accrued interest to the redemption date. If the Mortgage Note is not finally endorsed by FHA and the Project Loan Certificate is not delivered to the Trustee on or before the Delivery Date (unless such date is extended pursuant to the Indenture), the Bonds are required to be redeemed as follows: (a) in part, on the 15th day following the Delivery Date, in an amount equal to the remainder, if any, of (i) the aggregate principal amount of the Bonds then Outstanding less (ii) the amount of the Construction Loan Certificates as delivered to the Trustee; and (b) in whole, on the 15th day following the maturity date of the Construction Loan Certificates. See the "THE BONDS — Redemption — Extraordinary Mandatory Redemption." The anticipated date for completion of construction of the Development, for delivery of Construction Loan Certificates by the Initial Construction Loan Certificate Delivery Date and for final endorsement of the Mortgage Note by FHA may be subject to various delays, including delays in construction, whether or not occasioned by default, labor or contract disputes, defects in plans, specifications or materials, and unanticipated site conditions, disputes or difficulties in connection with obtaining regulatory permits, delays in cost certification with FHA.

Rental Market Conditions

The economic feasibility of the Development depends in large part upon being substantially occupied. Although representatives of the Borrower believe, based on surveys of the area where the Development will be

located, that a substantial number of persons of low and moderate incomes need housing facilities such as the Development, no assurance can be given that such occupancy levels will be achieved or sustained once the Development is constructed. Occupancy of the Development may be affected by competition from existing low income housing facilities or from low income housing facilities which may be constructed in the area served by the Development.

Secondary Market and Prices

The Underwriter will not be obligated to purchase any of the Bonds and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds contemplated by this Official Statement, and no assurance can be given that the Bonds can be resold at their initial offering prices for any period of time.

Estimated Development Expenses; Management

The success of the Development depends upon economic conditions, successful management of the Development and other factors. Furthermore, should management of the Development in the future prove to be inefficient, increases in operating expenses might exceed increases in rents which can be supported by market conditions. The economic feasibility of the Development also depends to a large extent on operating expenses. No assurances can be given that moneys available to the Borrower from operation of the Development will be sufficient to make the required payments on the Mortgage Note.

Information Not Verified

Information with regard to the Development has been obtained from the Borrower. Much of that information involves predictions with regard to future events, such as the time required to complete the Development and the initial operating expenses of the Development; such information is, by its nature, not subject to verification. Aside from the analyses made by FHA in determining to insure the Mortgage Note, no feasibility study or other independent verification of the Development has been undertaken.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), except with respect to any Bond for any period during which such Bond is owned by either a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" of such user, as provided in section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds (i) will be excludable from the gross income of the owners of the Bonds for federal income tax purposes and (ii) will not be included in an owner's alternative minimum taxable income under section 55 of the Code. Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix __ -- Form of Opinion of Bond Counsel.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on certain information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation

thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by either the Borrower or the Issuer with respect to the Bonds or the Project. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Continuous Compliance Requirement

In rendering its opinion, Bond Counsel to the Issuer (a) will rely upon information furnished by the Borrower, and particularly written representations of officers and agents of the Borrower with respect to certain material facts that are solely within their knowledge relating to the use of the proceeds of the Bonds, and the construction and use of the Project and (b) will assume continuing compliance with covenants of the Issuer, the Borrower and the Trustee with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. If the representations are determined to be inaccurate, or there is a failure to comply with the covenants, then the interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the Issuer is conditioned on compliance by the Issuer and the Borrower with such requirements, and Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

In the case of bonds used to provide a residential rental project within the meaning of section 142(a)(7) of the Code, such as the Bonds, the Code also requires that the bonds, among other requirements, continuously comply with a "low or moderate income occupancy requirement" during a "qualified project period." Such low or moderate income occupancy requirement obligates the Borrower or any subsequent owner of the Project to set aside a specified percentage of the units for persons whose income complies with the requirements of the regulations. The qualified project period will extend for, at a minimum, 10 years and may extend for a period beyond the final repayment of the Bonds. Under section 142(a)(7) of the Code, the failure to satisfy the low or moderate income occupancy requirement on a continuous basis or the failure to satisfy certain of the other requirements may cause interest on the Bonds to be includable in gross income retroactively to the date of issue of the Bonds.

The Issuer and the Trustee have adopted requirements and procedures intended to monitor compliance with the aforementioned requirements with respect to the Project. Such requirements and procedures are set forth in the Indenture, Loan Agreement and Regulatory Agreement. No assurance, however, can be given that in the event of a breach of any of the covenants set forth in such documents, that a remedy will be available to the Issuer and the Trustee through enforcement by a court of competent jurisdiction in such a manner as to satisfy the provisions of the Code. If the Borrower fails to comply with these covenants and the remedies are limited in such a manner as to be inadequate to satisfy the provisions of the Code, then the holder should be aware that there is no right or obligation on the part of the Issuer, Trustee or Borrower to accelerate or redeem the Bonds. Such holders may be required to retain ownership of the Bonds until maturity bearing interest that is includable in gross income for federal income tax purposes.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the [principal amount] [maturity amount] thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii)

the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

UNDERWRITING

Merchant Capital, L.L.C. (the "Underwriter") has agreed to purchase the Bonds for which they will receive a fee equal to ___% of the aggregate principal amount of the Bonds, from which they will be responsible for the payment of their expenses associated with the issuance of the Bonds. On the Closing Date, the Underwriter will pay to the Trustee \$_____ for deposit into the Capitalized Interest Account and \$_____ for deposit into the Acquisition Fund. The Borrower has agreed to promptly reimburse the Underwriter for such deposit.

The Borrower has agreed to indemnify the Issuer and the Underwriter with respect to information in the Official Statement relating to the Borrower, the Development and the description of the sources and uses of proceeds.

RATING

Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. (the "Rating Agency") assigned the rating to the Bonds set forth on the cover page hereto. The rating reflects only the view of the Rating Agency at the time the rating was issued and an explanation of the significance of such rating may be obtained from the Rating Agency. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating can be expected to have an adverse effect on the market price of the Bonds.

The rating shown on the cover page of this Official Statement is dependent in part on the fact that certain funds will be invested in the Investment Agreement. A downgrading of the long-term credit rating of the Investment Agreement Provider may have an adverse effect on the rating 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 the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. Certain legal matters will be passed upon for the Borrower by Balch & Bingham LLP, Montgomery, Alabama and Bryan Cave LLP, Dallas, Texas, and for the Lender by _____, _____. Certain legal matters will be passed upon by Peck, Shaffer & Williams LLP, Cincinnati, Ohio, counsel to the Underwriter.

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

ABSENCE OF LITIGATION

The Issuer

There is not now pending or, to the knowledge of the Issuer threatened, any proceeding or litigation against the Issuer seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective officers is being contested.

At the time of the delivery of and payment for the Bonds, the Issuer will deliver a certificate to the effect that no litigation has been served upon the Issuer or, to its knowledge, is pending or threatened against the Issuer in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of Bonds, or the collection or application of revenues and assets pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Loan Agreement or the other agreements and documents executed and delivered by the Issuer relating to the Bonds.

The Borrower

On the date of delivery of the Bonds, the Borrower will deliver a certificate to the effect that there are no legal proceedings pending or, to the Borrower's knowledge, threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or the payment, collection or application of the proceeds thereof or of the revenues and other moneys and securities pledged or to be pledged under the Indenture or in any way contesting or affecting any authority for or the validity of the Bonds or the Indenture.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Loan 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.

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MISCELLANEOUS

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

ELM RIDGE APARTMENTS, LTD., an Alabama limited partnership

By: ELM RIDGE GP, INC., a California corporation,
its sole General Partner

By: _____
Name: _____
Its: _____

APPENDIX A CERTAIN DEFINITIONS

In addition to the words and terms defined elsewhere in this Official Statement, the following words and terms as used herein will have the following meanings unless the context or use clearly indicates another or different meaning or intent.

"Accountant" means any firm of independent certified public accountants selected by the Issuer.

"Acquisition Fund" means the Acquisition Fund established by the Indenture.

"Act" means Chapter 394, Texas Local Government Code, as amended.

"Act of Bankruptcy" means notice to the Trustee that the Borrower has become insolvent or has failed to pay its debts generally as such debts become due or has admitted in writing its inability to pay any of its indebtedness or has consented to or has petitioned or applied to any agency for the appointment of a receiver, liquidator, trustee or similar official for itself or for all of any substantial part of its properties or assets or that any such trustee, receiver, liquidator or similar official has been appointed or that insolvency, reorganization or liquidation proceedings (or similar proceedings) have been instituted by or against the Borrower.

"Annual Income" means the anticipated annual income of a person (together with the anticipated annual income of all persons that intend to reside with such person in one Unit) calculated pursuant to Section 8 of the Housing Act as required by Section 142(d) of the Code.

"Arbitrage Consultant" means any accountant, law firm or consultant experienced in the calculation of arbitrage rebate selected by the Borrower.

"Arbitrage Consultant's Fee" means the fees charged or incurred by the Arbitrage Consultant in fulfillment of its obligations pursuant to the Loan Agreement and the Indenture, which fee shall be payable pursuant to the Loan Agreement.

"Authorized Denomination" means \$5,000 or any integral multiple thereof.

"Authorized Representative" means, with respect to the Trustee, any trust officer thereof; with respect to the Issuer, any member of the governing body of the Issuer and any other officer or employee of the Issuer designated by certificate of any such member as authorized by the Issuer to perform a specified act or sign a specified document; and with respect to the Borrower, any officer of the Borrower or any other Person or Persons designated to act on behalf of the Borrower by a certificate of the Borrower filed with the Issuer and the Trustee.

"Available Money" means payments under the Ginnie Mae Certificates or any money with respect to which the Trustee has received an opinion of nationally recognized bankruptcy counsel to the effect that the use by the Trustee of such money in accordance with the Indenture would not constitute an avoidable preference or be subject to the automatic stay provisions of Section 547 and 362(a), respectively, of the United States Bankruptcy Code or similar laws of the United States of America or the State in the event a petition in bankruptcy is filed by or against the entity depositing such money.

"Bond" or "Bonds" means the Issuer's Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan – Elm Ridge Apartments) Series 2010.

"Bond Counsel" means McCall, Parkhurst & Horton L.L.P. or any other firm of nationally recognized bond counsel experienced in tax exempt private activity bond financing selected by the Issuer.

"Bond Fund" means the Bond Fund established pursuant to the Indenture.

"Bond Purchase Agreement" means the Bond Purchase Agreement among the Issuer, the Borrower, the Underwriter and any other party as set forth therein.

"Bond Register" means the books for registration of the Bonds kept for the Issuer by the Bond Registrar as provided in the Indenture.

"Bond Registrar" means the paying agent and bond registrar for the Bonds (initially the Trustee having its operations office located in Houston, Texas or other office designated by the Trustee), which will be utilized to perform payments and transfers.

"Bond Year" means each one-year period that ends at the close of business on the day selected by the Borrower. The first and last Bond Years may be short periods. If no day is selected by the Borrower before the earlier of the final Maturity Date of the Bonds or the date that is five years after the Closing Date, then Bond Years end on each anniversary of the Closing Date and on the Maturity Date.

"Bondholder" or "Bondowner" or "Holder" or "Owner" means, when used with respect to the Bonds, the owner of a Bond then outstanding under the Indenture as shown on the registration books maintained by the Trustee pursuant to the Indenture.

"Borrower" means Elm Ridge Apartments, Ltd., an Alabama limited partnership, or its successor and assigns.

"Borrower's Tax Certificate" means the Borrower's Tax Certificate delivered to the Issuer by the Borrower on the Closing Date in which the Borrower certifies to various facts relating to the Development that bear on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

"Business Day" means any day, other than a Saturday or a Sunday, on which banking institutions are open in the State of Texas and in the states in which the principal corporate trust and payment offices of the Trustee and any of the offices of the Bond Registrar designated from time to time by the Bond Registrar for the transfer or exchange of Bonds are located.

"Capitalized Interest Account" means the Capitalized Interest Account of the Acquisition Fund established pursuant to the Indenture.

"Carryover Amount" means, as of any Payment Date, the cash flow carryover requirement set forth as the minimum Bond Fund balance for such Payment Date as set forth in the Schedule attached to the Indenture (or such other amount approved by the Rating Agency).

"Closing Date" means the date upon which the Bonds are issued and delivered in exchange for the proceeds representing the purchase price of the Bonds paid by the original purchasers thereof, being February __, 2010.

"Code" or "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder, or any successor to the Internal Revenue Code of 1986, as amended. Reference to any particular Code section shall, in the event of such successor Code, be deemed to be reference to the successor to such Code section.

"Computation Date" means each Installment Computation Date and the Final Computation Date.

"Condemnation" or the phrase "eminent domain" shall include the taking or requisition by governmental authority or by a person, firm or corporation acting under governmental authority or a conveyance made under threat of such taking or requisition, and "Condemnation Award" shall mean payment for property condemned or conveyed under Condemnation or threat of Condemnation.

"Construction Loan Certificate" means any Ginnie Mae Certificate, other than the Project Loan Certificate, which represents an amount of proceeds of the Mortgage Loan advanced by the Lender to the Borrower.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of February 1, 2010 among the Borrower, the Dissemination Agent (as defined in such agreement) and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means costs to the extent incurred in connection with, and allocable to, the issuance of the Bonds within the meaning of Section 147(g) of the Code including, without limitation, printing costs, costs of reproducing documents, counsel fees (including Bond Counsel, Trustee's counsel, Issuer's counsel and Owner's counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds), initial Trustee fees and expenses with respect to the Bonds, any fee to the Issuer or expenses incurred by the Issuer that pays or reimburses the Issuer for direct and indirect costs of the Issuer related to the issuance of the Bonds, the expenses of the initial purchaser in acquiring the Bonds and legal fees and charges, financial advisory fees, placement agent's fees and accountant fees related to issuance of the Bonds, costs of credit ratings, bond registrar and paying agent fees, title insurance fees, survey fees and recording and filing fees, including any applicable documentary stamp taxes, intangible tax and the mortgage registration tax, fees and charges for execution, transportation and safekeeping of the Bonds, certification and authentication fees, public approval process costs, engineering and feasibility study costs, guarantee fees, other than for qualified guarantees (as defined in Section 1.148-4(f) of the Regulations) and charges and fees in connection with the foregoing.

"Costs of Issuance Fund" means the Costs of Issuance Fund established by the Indenture.

"County" means Travis County, Texas.

"Delivery Date" means the date on which the Project Loan Certificate is delivered to the Trustee or its nominee, which shall be on or before February 28, 2011, unless extended in accordance with the Indenture. If the Project Loan Certificate is not delivered to the Trustee or its nominee on or before February 28, 2011 or, if applicable, such date to which delivery has been extended in accordance with the Indenture, the Delivery Date shall be deemed to be February 28, 2011 or, if applicable, such date to which delivery has been extended.

"Development" means, collectively, the Development Facilities and the Development Site.

"Development Costs" means, to the extent authorized by the Act, any and all costs incurred by the Borrower with respect to the acquisition, rehabilitation and equipping, as the case may be, of the Development, whether paid or incurred prior to or after the date of the Regulatory Agreement, including, without limitation, the value of the land and buildings on the land; costs for site preparation, demolition, and development; costs and fees paid for the planning, execution, and financing of the Development, including, without limitation, Costs of Issuance with respect to each series of Bonds; other expenses reasonable and necessary to determine the feasibility of the Development; contractors and Borrower's overhead and supervisor's fees and costs directly allocable to the Development; and administrative and other expenses reasonable and necessary to the Development and the financing thereof.

"Development Facilities" means the multifamily housing structure and related buildings and other improvements to be constructed on the Development Site by the Borrower as more fully set forth in the Regulatory Agreement, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Development.

"Development Site" means the parcel or parcels of real property described in the Regulatory Agreement, and all rights and appurtenances appertaining thereunto.

"DTC" means The Depository Trust Company, New York, New York.

"Eligible Tenants" means (i) individuals and families of extremely low, low and very low income, (ii) families of moderate income (in each case in the foregoing clauses (i) and (ii) as such terms are defined by the Issuer under the Act), and (iii) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income for a four person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants count as Eligible Tenants.

"Expense Fund" means the Expense Fund established pursuant to the Indenture.

"Favorable Opinion of Bond Counsel" means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds).

"FHA" means the Federal Housing Administration of HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

"FHA Insurance" means the insurance of the Mortgage Note by FHA pursuant to Section 221(d)(4) of the National Housing Act.

"FHA Commitment" means that certain Commitment For Insurance of Advances issued by FHA to the Lender, as amended.

"Final Computation Date" means the date on which the final payment in full of all Outstanding Bonds is made.

"Financing Documents" means the Loan Agreement, the Indenture, the Regulatory Agreement, the Bonds, the Bond Purchase Agreement, the Continuing Disclosure Agreement and any other instrument or document executed in connection with the Bonds, together with all modifications, extensions, renewals and replacements thereof, but excluding the Ginnie Mae Documents and the Mortgage Loan Documents.

"Funds" means the Funds created and established pursuant to the Indenture, including, but not limited to, the Bond Fund, the Acquisition Fund, the Costs of Issuance Fund and the Expense Fund, but excluding the Rebate Fund.

"Ginnie Mae" means the Government National Mortgage Association, an organizational unit within HUD, or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD and his representatives or agents.

"Ginnie Mae Certificate" means a Construction Loan Certificate or the Project Loan Certificate, as the case may be, each being a mortgage-backed security issued by the Lender and guaranteed as to timely payment of interest, in the case of a Construction Loan Certificate, or of principal and interest, in the case of the Project Loan Certificate, by Ginnie Mae pursuant to the National Housing Act, as amended, and the regulations promulgated thereunder and backed by the Mortgage Loan.

"Ginnie Mae Documents" means the commitments issued by Ginnie Mae to the Lender to guaranty the Ginnie Mae Certificates and all other documents, certifications and assurances executed and delivered by the Lender, Ginnie Mae or the Borrower in connection with the Ginnie Mae Certificates.

"Government Obligations" means bonds, notes and other evidences of indebtedness of the United States of America or of any agency or instrumentality thereof backed by the full faith and credit of the United States of America.

"Housing Act" means the United States Housing Act of 1937, as amended, or a successor thereto.

"HUD" means the United States Department of Housing and Urban Development or its successors.

"HUD Regulatory Agreement" means the Regulatory Agreement between the Borrower and HUD with respect to the Development.

"Indenture" means the Trust Indenture dated as of February 1, 2010, by and between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

"Inducement Date" means _____, 20__.

"Initial Construction Loan Certificate" means the Construction Loan Certificate backed by the first advance under the Mortgage Loan issued by the Lender to the Trustee or its nominee in an amount not less than \$2,850,000, or such lesser amount if the Trustee receives confirmation of the rating then outstanding on the Bonds from the Rating Agency.

"Initial Construction Loan Certificate Delivery Date" means March 31, 2010, unless extended pursuant to the Indenture. If the Initial Construction Loan Certificate is not delivered to the Trustee or its nominee on or before March 31, 2010 or, if applicable, such date to which delivery has been extended in accordance with the Indenture, the Initial Construction Loan Certificate Delivery Date shall be deemed to be March 31, 2010 or, if applicable, such date to which delivery has been extended.

"Initial Endorsement" means the initial endorsement of the Mortgage Note by FHA for FHA Insurance.

"Installment Computation Date" means the last day of the fifth and each succeeding fifth Bond Year.

"Investment Proceeds" is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from investing Proceeds.

"Investor Limited Partner" means Summit Tax Credit Fund II-2009, LLC, an Alabama limited liability company.

"Issuer" means Austin Housing Finance Corporation, a housing finance corporation organized and existing under the laws of the State, together with its successors and assigns.

"Issuer Compliance Fee" means the annual prorated amount payable January 1 of each year beginning January 1, 2011 to the Issuer for its ordinary monitoring fees and expenses under the Indenture during the Qualified Project Period in an amount equal to not less than the greater of (a) .0003 times the amount of Bonds Outstanding on January 1, (b) 12 times the number of units in the Project, or (c) \$1,200 per year.

"Lender" means Prudential Huntoon Paige Associates, Ltd., a Delaware corporation, or its successors and assigns or, if any such entity loses its status as an FHA approved mortgagee, any other mortgagee approved by FHA, and their respective successors or assigns.

"Lender Commitment" means the commitment letter relating to the Mortgage Loan from the Lender to the Borrower.

"Letter of Representations" means the Blanket Issuer Letter of Representations provided by the Issuer to DTC.

"Loan" means the loan of the proceeds of the Bonds made to the Borrower pursuant to the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated as of February 1, 2010, among the Issuer, the Borrower, the Trustee and the Lender, and any amendments thereto.

"Low-Income Tenant" means a tenant whose Annual Income is 60% or less of Median Gross Income for the Area, as determined under Section 142(d)(2)(B) of the Code. If all the occupants of a Unit are students (as defined under Section 151(c) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants will not qualify as Low-Income Tenants. The determination of a tenant's status as a Low-

Income Tenant will be made by the Borrower upon initial occupancy of a Unit by such tenant, and annually thereafter, on the basis of a Tenant Income Certification executed by each tenant; provided, however that once a tenant qualifies as a Low-Income Tenant, such tenant will continue to qualify annually upon recertification except as provided in the Regulatory Agreement.

"Maturity Date" means the final maturity date of the Bonds, being January 20, 2051.

"Median Gross Income for the Area" means, with respect to the Development, the median income for the households in the area which includes the standard metropolitan statistical area in which the Development is located, as determined from time to time by the Secretary of HUD, under Section 8 of the Housing Act (or if such program is terminated, median income determined under the program in effect immediately before such termination), in each case as adjusted for family size.

"Mortgage" means the Deed of Trust under which the Borrower is grantor and the Lender is beneficiary, and any amendments thereto.

"Mortgage Loan" means the loan from the Lender to the Borrower evidenced by the Mortgage Note and secured by the Mortgage.

"Mortgage Loan Documents" means the Mortgage, Mortgage Note, HUD Regulatory Agreement and all other documents required by the Lender and/or HUD in connection with the Mortgage Loan.

"Mortgage Note" means the Deed of Trust Note (Multifamily) of the Borrower payable to the order of the Lender in the principal amount of \$_____ and any riders thereto or amendments thereof.

"National Housing Act" means the National Housing Act (12 U.S.C. §1701), as amended, and the applicable regulations thereunder.

"Nonpurpose Investments" means "investment property," within the meaning of Section 148(b) of the Code, that is not a purpose investment to carry out the governmental purpose of the Bonds.

"Opinion" means a written opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel to but shall not be a full time employee of the Issuer, the Borrower or the Trustee.

"Outstanding," as applied to the Bonds, means, as of the applicable date, all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except the following:

- (a) Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption, on or prior to such date;
- (b) Bonds deemed paid pursuant to the defeasance provisions of the Indenture; and
- (c) Bonds in lieu of which others have been executed and authenticated under provisions of the Indenture relating to mutilated, lost, stolen or destroyed Bonds and partial redemptions.;

provided that Bonds that are owned by the Issuer, the Borrower or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or the Borrower shall be deemed not to be Outstanding for purposes of determining whether the Owners of the requisite percentage of Bonds have concurred in any demand, direction, request, notice, consent, waiver or other action under the Indenture, except that for purposes of determining whether the Trustee shall be protected in relying on any such concurrence of Owners, only Bonds known by the Trustee to be so owned shall be deemed not to be Outstanding. Bonds so owned that have been pledged in good faith may be regarded as Outstanding for such purposes, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and the pledgee is not a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or the Borrower. In case of a dispute as to such right, the Trustee shall be fully protected in relying on an Opinion of

counsel. At the time of any such determination, the Issuer shall furnish the Trustee a certificate of an Authorized Representative of the Issuer, upon which the Trustee may rely, describing all Bonds held by the Issuer so to be excluded.

"Payment Date" means the 20th day of each January and July commencing July 20, 2010. In the case of payment of defaulted interest, "Payment Date" also means the date of such payment established pursuant to the Indenture.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the investment of the Issuer's funds:

- (i) Government Obligations;
- (ii) Federal Housing Administration's debentures;
- (iii) Federal Home Loan Mortgage Corporation's (FHLMC) participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) which guarantee timely payment of principal and interest and senior debt obligations;
- (iv) Farm Credit Banks' (Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system wide bonds and notes;
- (v) Federal Home Loan Banks' consolidated debt obligations;
- (vi) Fannie Mae mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) and senior debt obligations;
- (vii) Resolution Funding Corp's (REFCORP) debt obligations;
- (viii) Federal funds, certificates of deposit, time deposits, deposit accounts and bankers' acceptances (having original maturities of not more than 365 days) of any bank (including the Trustee or any affiliate of the Trustee), the unsecured short term obligations of which are rated "A-1+" by the Rating Agency;
- (ix) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);
- (x) Debt obligations rated "AAA" by Standard & Poor's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);
- (xi) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by the Rating Agency;
- (xii) Shares of a money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of "AAAm" or "AAAmG" by the Rating Agency, which only invests in obligations listed in (i) hereof, and repurchase agreements and reverse repurchase agreements relating to such securities, including money market mutual funds from which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund;
- (xiii) Shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least

\$100,000,000, and having a rating of "AAAm" or "AAAmG" by the Rating Agency, for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund.

- (xiv) Repurchase agreements with any institution the unsecured, uninsured and unguaranteed debt obligations of which are rated "AAA" by the Rating Agency, or commercial paper of which is rated "A-1+" by the Rating Agency;
- (xv) Any stripped securities assessed or rated "AAA" by the Rating Agency; and
- (xvi) Any and all other obligations of investment grade and having a national recognized market including, but not limited to, rate guarantee agreements, guaranteed investment contracts, or other similar arrangements offered by any firm, agency, business, governmental unit, bank, insurance company, or other entity, provided that each such obligation shall permit moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys.

"Person" means any individual, entity, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Persons with Special Needs" means persons who (i) are considered to be individuals having a disability under State or federal law, (ii) are elderly, meaning 60 years of age or more, (iii) are designated by the governing board of the Issuer as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (iv) are legally responsible for caring for an individual described by clauses (i), (ii) or (iii) above and meet the income guidelines established by the governing board of the Issuer.

"Principal Office" means the corporate trust office of the Trustee situated in the city in which the Trustee is described as being located or such other corporate trust office designated by the Trustee as its Principal Office for purposes of the Indenture. The Principal Office of the initial Trustee shall be the address designated in the Indenture.

"Proceeds" is defined in Section 1.148-1(b) of the Regulations and generally means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Project Loan Certificate" means the Ginnie Mae Certificate issued after the Mortgage Loan is finally endorsed for FHA Insurance which may be either a Ginnie Mae permanent security with a "PN" designation or a "PLC".

"Qualified Project Costs" means the Development Costs incurred no earlier than 60 days prior to the Inducement Date (or which are qualifying preliminary expenditures, as defined in Section 1.150-2(f)(2) of the Regulations) and no earlier than three years prior to the date reimbursed with Proceeds, but in no event shall such costs have been incurred with respect to a portion of the Development that is placed in service, within the meaning of Section 1.150-2 of the Regulations, earlier than 18 months prior to the date the related costs are reimbursed with Proceeds; provided that such costs are chargeable to a capital account with respect to the Development for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that, only such portion of the interest accrued on the Bonds during, and fees for a "qualified guarantee" (within the meaning of Section 1.148-4 of the Regulations) attributable to the period of, the construction of the Development shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided, however, that, if any portion of the Development is being constructed by the Borrower or a Related Person (whether as a general contractor or a subcontractor), "Qualified Project Costs" shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Related Person in constructing the Development (or any portion thereof), (b) any reasonable fees for supervisory services actually

rendered by the Borrower or such Related Person (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Related Person that are directly attributable to the work performed on the Development and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Development or payments received by such Related Person due to early completion of the Development (or any portion thereof). Qualified Project Costs do not include Costs of Issuance.

"Qualified Project Period" means, with respect to the Development, the period beginning on the first day on which 10% of the Units are occupied and ending on the latest of (i) the date that is 15 years after the date on which 50% of the Units in the Development are occupied, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

"Rating Agency" means Standard & Poor's Ratings Services, Inc. and its successors and assigns.

"Reasonably Required Reserve or Replacement Fund" means any fund described in Section 148(d) of the Code provided that the amount thereof allocable to the Bonds invested at a Yield materially higher than the Yield on the Bonds does not exceed at any time the least of (a) 10% of the stated principal amount of the Bonds (or Sale Proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Bonds), (b) the maximum annual principal and interest requirements of the Bonds, or (c) 125% of average annual principal and interest requirements of the Bonds, within the meaning of Section 148(d) of the Code.

"Rebate Amount" has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with Section 1.148-3 of the Regulations. In the case of any Temporary Period Issue, the "Rebate Amount" as of any Computation Date shall be limited to the "Rebate Amount" attributable to any Reasonably Required Reserve or Replacement Fund.

"Rebate Analyst Fee" means the annual fee of the Rebate Analyst during the term of this Indenture, if any, for its rebate calculation services, in an amount not to exceed \$1,000 per year, that is due and payable every five (5) years, commencing on the fifth anniversary of the Closing Date and every five (5) years thereafter; provided, however, in the event of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates (other than prepayment in accordance with the scheduled amortization of the Mortgage Loan), the maximum amount of such Rebate Analyst Fee payable from moneys withdrawn from the Bond Fund pursuant to the Indenture in any year shall be reduced (from the aforesaid maximum amount per year of \$1,000) by the same fraction that the monthly payment on the Ginnie Mae Certificates is reduced, and the Borrower will be responsible to pay the remaining amount of the Rebate Analyst Fee pursuant to the Loan Agreement.

"Rebate Fund" means the Rebate Fund established pursuant to the Indenture.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code, or to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Regulatory Agreement" means the Regulatory and Land Use Restriction Agreement dated as of February 1, 2010, among the Borrower, the Issuer and the Trustee, together with any amendments and supplements thereto permitted thereby.

"Related Person" has the meaning set forth in Section 144(a)(3) of the Code, and generally means a partner of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein).

"Replacement Proceeds" has the meaning set forth in Section 1.148-1(c) of the Regulations.

"Sale Proceeds" is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

"Series" means any series of Bonds issued pursuant to this Indenture.

"Sinking Fund Redemption Date" means each January 20 and July 20 in each of the years specified in "THE BONDS — Redemption — Mandatory Sinking Fund Redemption."

"Sinking Fund Redemption Requirements" means the aggregate principal amount of the Bonds required to be redeemed on each Sinking Fund Redemption Date specified in "THE BONDS — Redemption — Mandatory Sinking Fund Redemption."

"Special Mandatory Redemption Account" means the Special Mandatory Redemption Account established in the Bond Fund.

"State" means the State of Texas.

"State Restrictive Period" means, with respect to the Development, the period beginning on the first day on which the Borrower takes legal possession of the Development and at least 10% of the Units are available for occupancy and ending on the latest of (i) the date that is 30 years after the first day of the State Restrictive Period, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Issuer and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Surplus Cash" has the meaning specified in the HUD Regulatory Agreement.

"Temporary Period Issue" means any issue of bonds that meets either the six-month exception or the 18-month exception set forth in Section 1.148-7 of the Regulations.

"Tenant Income Certification" means a certification as to income and other matters executed by the household members of each tenant in the Development, in such form as available on the Issuer's website at the time of such execution by the tenant, in satisfaction of the criteria prescribed by the Secretary of HUD under Section 8(f)(3) of the Housing Act for purposes of determining whether a family is a lower-income family within the meaning of Section 8(f)(1) of the Housing Act and regulations and in accordance with the terms of the Regulatory Agreement.

"Transferred Proceeds" means with respect to any portion of the Bonds that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of Section 1.148-9 of the Regulations.

"Treasury Regulations" shall have the meaning of the term "Regulations" set forth in the Regulatory Agreement.

"Trust Estate" means the trust estate pledged by the Issuer and described in the Granting Clauses of the Indenture.

"Trustee" means Regions Bank, an Alabama banking corporation organized and existing under the laws of the State of Alabama or its successor, as Trustee under the Indenture.

"Trustee Fees" means the amount payable by the Borrower to the Trustee pursuant to the Loan Agreement for its ordinary services under the Indenture, in an amount equal to \$3,500 per annum, payable in advance in annual installments on each January 20, commencing January 20, 2011; provided, however, in the event of any unscheduled prepayment of the principal amount of the Ginnie Mae Certificates (other than prepayments in accordance with the scheduled amortization of the Mortgage Loan), the amount of such fees payable from moneys withdrawn from the Bond Fund pursuant to the Indenture shall be reduced by the same fraction that the monthly payment on the Ginnie Mae Certificates is reduced, and the Borrower will be responsible to pay the remaining amount of the Trustee Fees pursuant to the Loan Agreement. Such amount includes the fees of the Trustee in its capacity as Dissemination Agent under the Continuing Disclosure Agreement.

"Unassigned Issuer Rights" means (a) all of the Issuer's right, title and interest in and to all reimbursement and indemnification rights of the Issuer, (b) all rights of the Issuer to receive the Issuer Administration Fees and to collect the Asset Oversight Agent's Fee, (c) the right to receive notices and to make any determination and to grant any approval or consent to anything in the Financing Documents requiring the determination, consent or approval of the Issuer, (d) all rights of the Issuer to enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Borrower's Tax Certificate and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Issuer set forth in the Financing Documents regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act and in the Financing Documents, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of the Financing Documents, and (g) any and all rights required for the Issuer to comply with Section 2306.186 of the Act.

"Underwriter" means Merchant Capital, L.L.C.

"Unit" means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Development.

"Yield" means yield as determined in accordance with Section 148(h) of the Code, and generally, is the discount rate which when used in computing the present value of all payments of principal and interest to be paid on an obligation produces an amount equal to the Issue Price of such obligation.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary, which does not purport to be comprehensive or definitive, of certain provisions of the Indenture, which is qualified in its entirety by reference to the Indenture.

Establishment of Funds for the Bonds

The following Funds and accounts therein will be established and maintained by the Trustee under the Indenture:

- (a) Bond Fund (and the Special Mandatory Redemption Account therein);
- (b) Costs of Issuance Fund;
- (c) Acquisition Fund (and the Capitalized Interest Account therein);
- (d) Rebate Fund; and
- (e) Expense Fund.

Deposits into Acquisition Fund

The Trustee will deposit when and as received:

- (a) in the Acquisition Fund, \$_____ from the proceeds of the Bonds plus \$_____ from money paid by the Underwriter, but not from proceeds of the Bonds; and
- (b) in the Capitalized Interest Account of the Acquisition Fund, \$_____ from moneys paid by the Underwriter, but not from proceeds of the Bonds, to pay interest on the Bonds, to pay accrued interest on the purchased Ginnie Mae Certificates or, with the approval of the Rating Agency, to pay costs incurred with obtaining an extension of the Delivery Date. In no event will proceeds of the Bonds be deposited into the Capitalized Interest Account.

Upon acquisition thereof, the Initial Construction Loan Certificate and all other Construction Loan Certificates will be registered in the name of the Trustee or its nominee in and for the benefit of the Acquisition Fund. See "ESTIMATED SOURCES AND USES OF BOND PROCEEDS."

Disbursements and Transfers from Acquisition Fund

Disbursements Generally. (a) Prior to the Delivery Date, moneys in the Acquisition Fund will be applied to the acquisition of Ginnie Mae Certificates (including the payment of accrued interest on the Ginnie Mae Certificates). Upon the acquisition thereof, the Initial Construction Loan Certificate and all other Construction Loan Certificates will be registered in the name of the Trustee or its nominee in and for the benefit of the Acquisition Fund; provided that, all money received from the Construction Loan Certificates and the Project Loan Certificate will be deposited to the Bond Fund in accordance with the Indenture. On the Delivery Date, moneys in the Acquisition Fund will be disbursed as set forth under "Disbursement on the Delivery Date" below.

(b) Prior to the Delivery Date, the Capitalized Interest Account of the Acquisition Fund will be applied to (i) pay interest on the Bonds, (b) pay accrued interest on the Ginnie Mae Certificates and (c) to the extent available and with the approval of the Rating Agency, to effectuate any extension of the Delivery Date. The Trustee will on each Payment Date occurring prior to the Delivery Date transfer from the Capitalized Interest Account of the Acquisition Fund and deposit in the Bond Fund an amount which, together with money held in the Bond Fund (exclusive of money in the Special Mandatory Redemption Account, except to the extent such funds are to be used for the extraordinary mandatory redemption of Bonds), is equal to the interest on the Bonds due on such Payment

Date; however, amounts transferred from the Capitalized Interest Account of the Acquisition Fund will not be used to pay any principal of the Bonds. On and after the Delivery Date, moneys in the Capitalized Interest Account of the Acquisition Fund will be disbursed as set forth under "Disbursement on the Delivery Date" below.

(c) All income received from the investment of money on deposit in the Acquisition Fund and the Capitalized Interest Account therein will be deposited to the Bond Fund.

Initial Construction Loan Certificate Advance. The Trustee will disburse to the Lender (a) from the Acquisition Fund, an amount equal to the principal amount of the Initial Construction Loan Certificate and (b) from the Capitalized Interest Account, accrued interest on the Initial Construction Loan Certificate from and including the first day of the month in which the Initial Construction Loan Certificate is delivered to the Trustee or its nominee to, but not including, the date the Initial Construction Loan Certificate is delivered to the Trustee or its nominee, but only upon receipt by the Trustee or its nominee of the following: the Initial Construction Loan Certificate bearing interest at the pass-through rate of 5.320% per annum and maturing on or after the Delivery Date, but not later than July 15, 2009, unless the Trustee receives a written confirmation of the existing rating on the Bonds from the Rating Agency.

The Trustee will transfer all money in the Acquisition Fund and the Capitalized Interest Account therein to the Bond Fund for mandatory redemption of the Bonds if the Initial Construction Loan Certificate is not delivered to the Trustee on or before the Initial Construction Loan Certificate Delivery Date; however, such transfer will be delayed if the Initial Construction Loan Certificate Delivery Date is extended as described under "Initial Construction Loan Certificate Delivery Date" below.

Interim Construction Loan Certificates. Following the delivery to the Trustee or its nominee of the Initial Construction Loan Certificate, the Trustee will from time to time disburse to the Lender (a) from the Acquisition Fund, an amount equal to the principal amount of any interim Construction Loan Certificate and (b) from the Capitalized Interest Account of the Acquisition Fund, accrued interest thereon from and including the first day of the month in which the Construction Loan Certificate is delivered to, but not including, the date the Construction Loan Certificate is delivered to the Trustee or its nominee, provided that the pass-through rate of all Construction Loan Certificates held by the Trustee or its nominee is _____% per annum and the maturity date of all Construction Loan Certificates is July 15, 2011.

Project Loan Certificate. The Trustee will disburse to the Lender (a) from the Acquisition Fund, an amount equal to the principal amount of the Project Loan Certificate minus the aggregate principal amount of all Construction Loan Certificates previously delivered to the Trustee or its nominee, and (b) from the Capitalized Interest Account of the Acquisition Fund, accrued interest thereon from and including the first day of the month in which the Project Loan Certificate is delivered to, but not including, the date the Project Loan Certificate is delivered to the Trustee or its nominee, but only upon receipt by the Trustee or its nominee of the Project Loan Certificate bearing interest at the pass-through rate of _____% per annum maturing January 15, 2051 (or such later date as the Trustee receives a written confirmation of the existing rating on the Bonds from the Rating Agency) with prepayment provisions which correspond to the redemption provisions set forth in the Indenture.

The Trustee will deliver to the Lender all Construction Loan Certificates held by it or its nominee for delivery to Ginnie Mae in exchange for the Project Loan Certificate; however, the Construction Loan Certificates will not be so released if the principal amount of the Mortgage Note as finally endorsed is less than the aggregate principal amount of such Construction Loan Certificates unless the Lender has paid to the Trustee or its nominee an amount equal to such difference as a partial redemption of such Construction Loan Certificates. Any amounts so received will be deposited in the Special Mandatory Redemption Account in the Bond Fund and applied to the redemption of Bonds as described in clause (b) under the caption, "THE BONDS — Redemption — Extraordinary Mandatory Redemption."

Redemption. The Trustee will transfer money from the Acquisition Fund in an amount that is equal to the difference between the aggregate principal amount of the Bonds then Outstanding and the principal amount of all Construction Loan Certificates to the Special Mandatory Redemption Account in the Bond Fund if the Project Loan Certificate is not delivered to the Trustee or its nominee on or before the Delivery Date; however, such transfer will be delayed one or more times but not to a date later than the maturity date of the Construction Loan Certificates (as

such date may be extended with the consent of the Rating Agency, the Lender and, if required, Ginnie Mae) if the Trustee has received a timely request from the Borrower or the Lender for such delay accompanied by (a) a cash flow projection demonstrating that the sum of (i) the amounts in the Acquisition Fund and the Bond Fund, (ii) the investment earnings to accrue on the amounts held in the Acquisition Fund and/or the Bond Fund plus payments on any Construction Loan Certificates held by the Trustee scheduled to be received by the Trustee after the extended Delivery Date and prior to the Payment Date following the extended Delivery Date, (iii) any payments on the Project Loan Certificate scheduled to be received by the Trustee after the extended Delivery Date and prior to the Payment Date following the extended Delivery Date, assuming it is dated not earlier than the latest date on which it may be delivered to the Trustee pursuant to such extension request, and (iv) any additional sums paid to the Trustee by or on behalf of the Borrower or the Lender for deposit into the Acquisition Fund (either in the form of a letter of credit or money constituting Available Money) will be at least equal to the debt service on the Bonds through the date which is 15 days after the end of any such extension period (including the redemption price of the Bonds, at par, and excluding any premium thereon) plus the accrued and unpaid Trustee Fees and the Issuer Administration Fee, calculated through the date that is 15 days after the Delivery Date, and (b) arrangements satisfactory to the Trustee for the making of the investments contemplated by the cash flow projection. The Trustee will consent to the extension of the Delivery Date to a date not later than the maturity date of the Construction Loan Certificates held by it, as that maturity date may be extended from time to time, and will consent to the extension of the maturity date of the Construction Loan Certificates to the last date on which the Project Loan Certificate may be delivered pursuant to any extension of the Delivery Date. In the event that the Project Loan Certificate has not been delivered to the Trustee on or before the Delivery Date (as the same may be extended), the Trustee will consent to one or more further extensions of the maturity date of the Construction Loan Certificates. Notwithstanding the foregoing, the Trustee will consent to the extension of the Delivery Date or the maturity date of the Construction Loan Certificates only upon receipt of written confirmation of the rating then outstanding on the Bonds from the Rating Agency and the Rating Agency's approval of the applicable cash flow projection meeting the requirements of the Indenture described above.

At the written direction of the Borrower or the Lender, provided that the such cash flow projection prepared in connection with such extension took into account the payment of such costs, notwithstanding contrary instruction from the other, the Trustee will apply moneys in the Capitalized Interest Account of the Acquisition Fund to pay any costs incurred with obtaining an extension of the Delivery Date or the maturity date of the Construction Loan Certificates pursuant to the Indenture.

Disbursement on Delivery Date. On the Delivery Date, but in no event later than the third anniversary of the Closing Date (as such date may be extended upon receipt of a written Opinion of Bond Counsel to the effect that such extension will not cause interest on the Bonds to become subject to federal income taxation) the Trustee will apply any amount remaining in the Acquisition Fund (including the Capitalized Interest Account therein) in the following order of priority:

(a) first, deposit in the Bond Fund an amount such that the amount on deposit in the Bond Fund will be equal to the difference between (i) the sum of (A) the Carryover Amount for the next Payment Date (or such greater or lesser amount in the event the Delivery Date is extended as permitted by the Rating Agency, as evidenced by receipt of confirmation of the then outstanding rating on the Bonds), (B) the principal of and interest required to be paid on the Bonds on or before the next Payment Date, including any accrued but unpaid amounts, and (C) the Trustee Fees and the Issuer Administration Fee required to be paid on or before the next Payment Date, including any accrued but unpaid amounts, and (ii) the sum of payments of principal and interest scheduled to be paid on the Project Loan Certificate on or before the next Payment Date and scheduled interest earnings under the Investment Agreement;

(b) second, if the amount of the Project Loan Certificate as delivered to the Trustee is less than the aggregate principal amount of the Bonds then Outstanding, transfer to the Special Mandatory Redemption Account an amount equal to the excess of the aggregate principal amount of the Bonds then Outstanding over the amount of the Project Loan Certificate as delivered to the Trustee;

(c) third, to the Lender, to the extent not previously paid, an amount equal to (ai) all amounts provided by the Lender to effect any extension of the Delivery Date, the Initial Construction Loan Certificate Delivery Date and/or the maturity date of the Construction Loan Certificates, as set forth in a

certificate of the Lender, plus (bii) all costs incurred by the Lender in effecting the issuance of any of the Ginnie Mae Certificates in certificated form, as set forth in a certificate of the Lender;

(d) fourth, to the Underwriter, its counsel or the Rating Agency, an amount equal to any costs incurred in connection with obtaining an extension of the Delivery Date, the Initial Construction Loan Certificate Delivery Date and/or an extension of the maturity date of the Construction Loan Certificates; and

(e) fifth, to the Borrower to pay additional "development costs," as defined in the Act and relating to the Development, upon receipt of a certification from the Borrower that the Borrower is in compliance with the provisions of the Loan Agreement.

Extension of Initial Construction Loan Certificate Delivery Date. The Initial Construction Loan Certificate Delivery Date may be automatically extended one or more times if the Trustee will have received a timely request from the Borrower or the Lender for such delay accompanied by: (a) a cash flow projection demonstrating that the sum of (i) the amounts in the Acquisition Fund and the Bond Fund, (ii) the investment earnings to accrue on the amounts held in the Acquisition Fund and/or the Bond Fund plus payments on any Construction Loan Certificates held by the Trustee during the period ending 15 days after the end of any period of delay requested and (iii) any additional sums paid to the Trustee by or on behalf of the Borrower or the Lender for deposit into the Acquisition Fund (either in the form of a letter of credit or accompanied by an unqualified opinion of nationally recognized bankruptcy counsel to the effect that such sums are not subject to the provisions of Sections 362(a) and 547 of the Federal Bankruptcy Code) will be at least equal to the debt service on the Bonds through the date which is 15 days after the end of any such extension period (including the redemption price of the Bonds, at par and excluding any premium thereon) plus accrued and unpaid Trustee's Fees and the Issuer Administration Fee, calculated through the date that is fifteen days after the Initial Construction Loan Certificate Delivery Date. The Trustee will consent to the extension of the Initial Construction Loan Certificate Delivery Date upon receipt of (i) written confirmation from the Rating Agency that such extension will not result in the downgrade or withdrawal of the rating then outstanding on the Bonds and (ii) written approval of Ginnie Mae.

Bond Fund

Deposits into the Bond Fund. The Trustee will deposit in the Bond Fund when and as received:

- (a) amounts, if any, paid by the Underwriter as accrued interest on the Bonds;
- (b) all income, revenues, proceeds and other amounts received from or in connection with the Project Loan Certificate and the Construction Loan Certificates; however, any amounts received by the Trustee prior to the date on which the Trustee acquires the Project Loan Certificate which, to the actual knowledge of the Trustee, represent principal amortization payments on the Mortgage Note, will be returned to the Lender unless such payment by the Lender was required by the applicable rules of Ginnie Mae or FHA;
- (c) all earnings and gains from the investment of money held in the Bond Fund and the Acquisition Fund,
- (d) all amounts transferred to the Bond Fund from the Acquisition Fund as described below; and
- (e) amounts paid by the Borrower pursuant to the Loan Agreement for deposit into a segregated account of the Bond Fund, additional security or any other amounts received by the Trustee which are subject to the lien and pledge of the Indenture for the benefit of the Owners.

Use of Money in Bond Fund. All amounts in the Bond Fund, other than those in the Special Mandatory Redemption Account, will be used by the Trustee in the following priority:

(a) on each Payment Date, for payment of principal of and premium, if any, and interest on the Bonds due on such Payment Date, and on each date on which Bonds are to be redeemed (other than pursuant to extraordinary mandatory redemption) for payment of the redemption price of such Bonds;

(b) on each January 20, for transfer to the Expense Fund for payment of the Trustee Fees and the Rebate Analyst Fee, if due; and

(c) on each January 1, commencing June 1, 2011, transfer to the Expense Fund for payment of the Issuer Compliance Fee.

Subject to the receipt of any approval required from HUD in accordance with applicable HUD requirements, which approval must be obtained by the Borrower or the Lender and furnished to the Trustee, on or after the first Payment Date following the Delivery Date (the "Initial Disbursement Date"), the Trustee will remit to the Borrower, within thirty (30) days after each Payment Date, commencing on the Initial Disbursement Date, and subject to the written approval of the Lender, any moneys in excess of the applicable Carryover Amount with respect to the respective Payment Date remaining in the Bond Fund on such date after making the transfers described in paragraph 2 above; provided that the Borrower certifies to the Trustee that no Event of Default or event which with the passage of time or notice or both would constitute an Event of Default under the Indenture or under the Loan Agreement has occurred.

Special Mandatory Redemption Account. Amounts transferred to the Bond Fund from the Acquisition Fund pursuant to the Indenture or attributable to the receipt by the Trustee of payments under the Ginnie Mae Certificates exceeding regularly scheduled payments of principal and interest will be deposited in the Special Mandatory Redemption Account of the Bond Fund and used by the Trustee solely to redeem Bonds pursuant to the extraordinary mandatory redemption provisions of the Indenture. See "THE BONDS – Redemption – Extraordinary Mandatory Redemption."

Costs of Issuance Fund

The Trustee will deposit in the Costs of Issuance Fund, moneys from the Borrower for the purpose of paying Costs of Issuance of the Bonds and related costs. See "ESTIMATED SOURCES AND USES OF BOND PROCEEDS." In no event will proceeds of the Bonds be deposited into the Costs of Issuance Fund.

Any amounts deposited in the Costs of Issuance Fund will be used on or after the Closing Date to pay Costs of Issuance of the Bonds. Any money remaining in the Costs of Issuance Fund 90 days following the Closing Date will be transferred to the Borrower.

Rebate Fund

The Rebate Fund is to be separate from any other Fund established and maintained under the Indenture or under any laws governing the creation and use of funds by the Issuer. There are to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture. Money deposited in the Rebate Fund is to be held by the Trustee in trust for payment to the federal government of the United States of America, and neither the Issuer nor the Borrower nor the holder of any Bonds has any rights in or claim to such money.

Expense Fund

Deposits into Expense Fund. The Expense Fund will be separate from any other Fund established and maintained under the Indenture. The Trustee will deposit into the Expense Fund only the amounts (a) transferred thereto pursuant to the Indenture and (b) paid by the Borrower pursuant to clauses (d)(iii) and (h) in the second paragraph under the caption Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Amounts Payable." In no event will the Trustee use any amounts representing payments on the Ginnie Mae Certificates to pay the Issuer Compliance Fee.

Use of Money in Expense Fund. All amounts in the Expense Fund will be disbursed by the Trustee as follows:

- (a) on each January 1, commencing January 1, 2011, for payment of the Issuer Compliance Fee; and
- (b) on each January 20, commencing January 20, 2010, for payment of the Trustee Fees and the Rebate Analyst Fee, if due.

To the extent that sufficient funds are not available to pay the expenses set forth above, the Trustee will not use any other funds held under the Indenture to pay such expenses.

Permitted Investments

The Trustee will invest and reinvest any moneys held in the Funds in Permitted Investments.

Disposition of Balance in Funds

Except as otherwise specifically provided in the Indenture, any money held in any of the Funds created by the Indenture following payment in full of the Bonds or provision for their payment as provided therein will be used to pay the Trustee Fees and expenses as provided in the Indenture, the Issuer Fees and to reimburse the Issuer for any costs incurred by it in connection with the Development or otherwise as provided in the Loan Agreement and, to the extent not so used, will be paid to the Borrower.

No Disposition of Ginnie Mae Certificates

Without the consent of the Owners of 100% of the Bonds, neither the Issuer nor the Trustee will sell or otherwise dispose of the Ginnie Mae Certificates (other than delivery of the Ginnie Mae Certificates to the Lender in accordance with its terms) after its acquisition for an amount less than an amount sufficient, together with other amounts then held under the Indenture and available for the payment of the Bonds, to defease the Bonds in accordance with the Indenture on the first date following such sale on which the Bonds may be redeemed as set forth under paragraph (a) "THE BONDS — Redemption — Optional Redemption."

Continuing Disclosure

Pursuant to the Loan Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements under Securities and Exchange Commission Rule 15c2-12 and the Issuer will have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. The Trustee has covenanted and agreed that it will comply with and carry out all provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture to the contrary, failure of the Trustee to comply with the Continuing Disclosure Agreement will not be considered an Event of Default under the Indenture; however, the Trustee will, subject to the provisions of the Indenture, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds (upon receipt of satisfactory indemnification), or any Bondholder or Beneficial Owner (as defined in the Continuing Disclosure Agreement) may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borrower or the Trustee, as the case may be, to comply with its obligations pursuant to the foregoing requirements. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT."

Events of Default; Acceleration; Remedies

The following events will be Events of Default under the Indenture:

- (a) default in the due and punctual payment of the principal of, premium, if any, or interest on any Bond when and as the same will become due and payable, whether at maturity as expressed therein,

by proceedings for redemption (except as otherwise provided under "THE BONDS — Redemption — Notice of Redemption"), by acceleration, or otherwise; or

(b) default in the performance or observance of any other of the covenants, promises, stipulations, agreements or conditions on the part of the Issuer contained in the Indenture or in the Bonds and failure to remedy the same after notice thereof pursuant to the Indenture.

A default under the Mortgage Loan Documents will not constitute a default under the Indenture, and vice versa. Notwithstanding the occurrence of any Event of Default under the Indenture or under the Loan Agreement or an event of default under the Regulatory Agreement, the Trustee will continue to purchase the Ginnie Mae Certificates from the Lender, provided that said Ginnie Mae Certificates are delivered to the Trustee not later than the maturity date of the Construction Loan Certificates, as the same may be extended pursuant to the Indenture and the funds on deposit in the Acquisition Fund and the Bond Fund remain available for such purpose.

If an Event of Default described in paragraph (a) above occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and will, if requested by the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Issuer, the Lender and the Borrower, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, but only from the revenues and receipts specifically pledged in the Indenture for such purpose, including, without limitation, amounts paid pursuant to the Ginnie Mae Certificates and amounts on deposit in the Bond Fund and accounts therein.

If an Event of Default described in paragraph (b) above occurs at any time after delivery of the Project Loan Certificate, then, and in each and every such case during the continuance of such Event of Default, the Trustee will, if requested by the Owners of 100% of the aggregate principal amount of the Bonds then Outstanding, by notice in writing to the Issuer, the Lender and the Borrower, declare the principal of all of the Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, but only from the revenues and receipts specifically pledged in the Indenture for such purpose, including, without limitation, amounts paid pursuant to the Ginnie Mae Certificates and amounts on deposit in the Bond Fund and accounts therein.

The Trustee will give or cause to be given notice of any such declaration of acceleration to the respective Owners of the Bonds at their addresses appearing on the Bond Register. Notice of such declaration of acceleration having been given as aforesaid, anything to the contrary contained in the Indenture or in the Bonds notwithstanding, interest will cease to accrue on such Bonds from and after the date established for payment of the Bonds pursuant to such declaration of acceleration if and to the extent that money to make such payment is on hand with the Trustee and available for such purpose in any of the Funds on that date.

Upon the occurrence and during the continuance of an Event of Default under the Indenture, the Trustee may proceed to protect and enforce its rights as the owner of the Ginnie Mae Certificates and the rights of the Owners by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement contained in the Indenture; provided, however, that no Event of Default under the Indenture will be deemed to be a default by the Borrower under the Mortgage Note.

Upon the occurrence of an Event of Default under the Indenture, if requested to do so and upon written request by the Owners of the required percentage of the aggregate principal amount of the Bonds then Outstanding and if indemnified as provided in the Indenture, the Trustee will exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, upon being advised by counsel, deems most expedient in the interests of the Owners.

No remedy conferred by the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, but each such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Owners under the Indenture 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 default or Event of Default under the Indenture will impair any such right or power or will be construed to be a waiver of any such default or 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 default or Event of Default under the Indenture, whether by the Trustee or by the Owners, will extend to or will affect any subsequent default or Event of Default under the Indenture or will impair any rights or remedies consequent thereon.

Right of Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding and subject to certain provisions in the Indenture, the Owners of a majority in aggregate principal amount of Bonds then Outstanding will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings thereunder; provided, however, that such direction may not be otherwise than in accordance with the provisions of law and of the Indenture and provided, further, that the Owners of the Bonds will look solely to the Trustee for the benefits of the Ginnie Mae Certificates and any payment of any claim on the Ginnie Mae Certificates may be made to the Trustee without any liability or accountability to the Owners to see to the application of the benefits of the Ginnie Mae Certificates.

Supplemental Indentures Not Requiring Consent of Owners

Subject to certain provisions of the Indenture, the Issuer and the Trustee may from time to time and at any time, without the consent of or notice to any of the Owners but upon 30 days' written notice to the Lender, enter into Supplemental Indentures for the following purposes:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not adverse to the Owner of any Bond;
- (b) to impose on the Trustee (with its consent) for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture theretofore in effect;
- (d) to subject to the Indenture additional revenues, properties or collateral;
- (e) to modify, amend or supplement the Indenture in such manner as required to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or state securities ("Blue Sky") law, and, if they so determine, to add to the Indenture such other terms, conditions and provisions as may be required by said Trust Indenture Act of 1939, as amended, or similar federal statute or state securities law;
- (f) to make any change required by the Rating Agency in connection with obtaining and maintaining a rating on the Bonds;
- (g) to authorize different denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;

- (h) to make such changes as are required to provide for the conversion of the Bonds to certificated form;
- (i) to make such changes as are elsewhere expressly permitted by the Indenture;
- (j) to make any other change in the Indenture which will not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding; and
- (k) to make any other changes that will become effective only at the time when no Bonds remain Outstanding and that are not of the nature described in clause (c) above.

Before the Issuer and the Trustee will adopt any such Supplemental Indenture which does not require the consent of the Owners or simultaneously with such adoption, there will be or have been delivered to the Issuer and the Trustee an Opinion of Bond Counsel, stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms and will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Supplemental Indentures Requiring Consent of Owners

Exclusive of Supplemental Indentures provided for above and subject to the terms and provisions contained in the Indenture, the Owners of two-thirds in aggregate principal amount of the Bonds then Outstanding will have the right from time to time, notwithstanding any other provision of the Indenture, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture as are deemed necessary or 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 or in any Supplemental Indenture; however, nothing in the Indenture will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of or premium, if any, on any Bond or the rate of interest thereon, or (c) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bonds, or (d) a privilege or priority of any Bond over any other Bond, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, without the consent and approval of the Owners of all of the Bonds then Outstanding, or any change as described under "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — No Disposition of Ginnie Mae Certificates," without the consent of the Owners of all the Bonds.

If at any time the Issuer requests the Trustee to enter into any Supplemental Indenture for any of the purposes described in the foregoing paragraph, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be sent to the Lender and to each Owner of Bonds then Outstanding by registered or certified mail to the address of such Owner as it appears on the Bond Register; however, failure to give such notice, or any defect therein, will not affect the validity of any proceedings pursuant to the Indenture. Such notice, which at the request of the Trustee will be prepared by the Issuer at the Borrower's expense, will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as will be prescribed by the Issuer following the giving of such notice, the Owners of two-thirds in aggregate principal amount of the Bonds then Outstanding will have consented to and approved the execution thereof as provided in the Indenture, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing such Supplemental Indenture or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided in the Indenture, the Indenture will be and be deemed to be modified and amended in accordance therewith.

Defeasance of Bonds

Following the Delivery Date, in the event that the Issuer or the Borrower has deposited or caused to be deposited, as trust funds in a special fund with the Trustee (the "Trust Account"), money and/or Government Obligations that are not subject to redemption prior to maturity sufficient in amount, together with known earned income from the investments thereof, but without regard to reinvestment thereof, to pay the principal of and interest on the Bonds or such portion thereof as the same become due and payable and to refund or defease such then Outstanding Bonds and to pay the costs of such refunding or defeasance, and makes irrevocable provisions for redemption of such Bonds, if applicable, then in such case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (collectively, the "Defeased Bonds") in the covenants of the Indenture, in the Trust Estate, and in the funds and accounts obligated to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon will cease and become void, except that such Owners will have the right to receive payment of the principal of, premium, if any, and interest on the Defeased Bonds from the Trust Account and, in the event the funds in the Trust Account are not available for such payment, will have the residual right to receive payment of the principal of and premium, if any, and interest on the Defeased Bonds from the Trust Estate (but only if the Indenture has not been discharged as described below) without any priority of lien or charge against the Trust Estate or those covenants with respect thereto except to be paid therefrom (except that such rights as exist with respect to payment, exchange and transfer of such Bonds under the pertinent provisions of the Indenture will continue in full force and effect). In such event, the Borrower will cause an accounting for such period or periods to be prepared by an Accountant as will be requested by the Issuer to be prepared and filed with the Issuer and the Trustee and, upon the request of the Issuer, the Trustee will execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction. Notwithstanding the foregoing, upon such discharge the provisions of the Indenture relating to the Rebate Fund will continue in effect. The Trustee will, as it deems necessary, provide for the random selection of any Defeased Bonds that constitute less than all of the Bonds, for notice of the defeasance to be given to the Owners of the Defeased Bonds and to such other persons as the Trustee will determine, and for any required replacement of Bond certificates for Defeased Bonds. After the establishment and full funding of such Trust Account, the Defeased Bonds will be deemed to be discharged and the Trustee then may apply any money in any other Fund or account established for the payment or redemption of the Defeased Bonds to such lawful purposes as it may determine, subject only to the rights of the Owners of any other Bonds then Outstanding and the rights of the Issuer and the Trustee under the Indenture. Notwithstanding the foregoing, no Bonds will be defeased unless the Trustee has received written confirmation from the Rating Agency, if any, that such defeasance will not result in a reduction or withdrawal of the rating on the Defeased Bonds.

The Trustee will notify the Issuer and the Lender of the defeasance of any Bonds. The Issuer and the Lender may rely on any notice provided to it by the Trustee pursuant to the Indenture. However, the Trustee may in its discretion request that the Issuer provide to the Trustee, at the expense of the Borrower, (a) an Opinion of Bond Counsel stating that the Defeased Bonds are no longer deemed Outstanding under the Indenture or (b) verification by an accountant or other qualified verification agent acceptable to the Trustee of the conformity of the Trust Account with the provisions of the Indenture.

Discharge of Indenture

The obligations of the Trustee under the Indenture will remain in effect with respect to all Bonds until the principal of, premium, if any, and interest on all Bonds has been paid in full or discharged, notwithstanding that the lien of the Indenture may have been discharged with respect to some of the Bonds pursuant to the above paragraph. Any money held by the Trustee after payment or discharge of principal of, premium, if any, and interest on all of the Bonds and all amounts due to the Trustee under the Indenture will be free from the trust of the Indenture and will promptly thereafter be transferred to the Issuer to the extent certified to the Trustee by the Issuer as amounts owed to the Issuer under the Loan Agreement, and then to the Borrower and the Trustee will be released and discharged with respect thereto.

The Trustee

The Trustee has accepted the trusts and obligations imposed upon it by the Indenture and has agreed to perform and observe faithfully all of the duties, conditions and requirements imposed upon it in the Indenture. Except during the continuance of an Event of Default, the Trustee will undertake to perform such functions and

duties and only such functions and duties as are specifically set forth in the Indenture, and no implied duties or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs, subject to the limitations on liability set forth in the Indenture.

The Trustee will not be liable with respect to any action taken or omitted to be taken under the Indenture except for its own negligence or willful misconduct; provided that: (a) subject to the second sentence of the preceding paragraph, the Trustee will be obligated to take only such actions as are specifically set forth in the Indenture or as are specifically required to be taken by the Trustee when requested in writing from time to time in accordance with the Indenture by the Issuer or by the Owners of not less than the aggregate principal amount of Outstanding Bonds specified in the Indenture with respect to the action in question; and (b) in the absence of bad faith on the part of the Trustee, the Trustee may rely, without any independent investigation or inquiry, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the procedural requirements of the Indenture; but in the case of any such certificate or opinion which by any provision is specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not it conforms to the procedural requirements of the Indenture; and (c) the Trustee will not be liable for any error of judgment made in good faith by the Trustee unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and (d) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding (or such lesser amount as may be specified in the Indenture) or otherwise in accordance with the express provisions of the Indenture.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as an obligation or a duty of the Trustee. The Trustee will not be required to give any bond or surety in respect of the execution of its trusts and powers under the Indenture or otherwise in respect of the premises.

Nothing contained in the Indenture or in the Bonds will be construed to impose any duties upon the Trustee beyond those expressly contained in the Indenture. All immunities, indemnities and other provisions of the Indenture as related to the duties and liabilities of the Trustee will apply to the Bonds.

Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds. In accepting the trust created in the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and, except as otherwise provided in the Indenture, all persons, including without limitation the Owners and the Issuer, having any claim against the Trustee arising from the Indenture may look for payment only to the Funds and accounts held by the Trustee under the Indenture.

Resignation of Trustee

The Trustee may resign and be discharged from the trusts created by the Indenture by giving the Issuer, the Lender and the Borrower at least 60 days' advance written notice. Such resignation will take effect on the day specified in such notice, but the Trustee will not be discharged from the trusts created by the Indenture until a successor Trustee has been approved and appointed and such successor has accepted such appointment. Subsequent to such date, the Trustee will have no further duties and obligations under the Indenture.

Removal of Trustee

The Trustee may be removed at any time, either with or without cause, by the Issuer at the written request of the Borrower or the Owners of a majority in aggregate principal amount of Outstanding Bonds, provided that all fees and expenses of the Trustee that are due and owing pursuant to the Indenture shall first be paid.

The Trustee may be removed at any time, either with or without cause, by the Issuer so long as there has been no Event of Default which then remains uncured and provided that all fees and expenses of the Trustee that are due and owing pursuant to the Indenture shall first be paid.

Any removal of the Trustee pursuant to the Indenture shall be effected by delivery to the Trustee, the Lender and the Borrower of a written instrument to that effect signed by an Authorized Representative of the Issuer.

Such removal shall take effect on the day specified in such notice, but the Trustee shall not be discharged from the trusts created under the Indenture until a successor Trustee has been approved and appointed and such successor has accepted such appointment. Subsequent to such date, the Trustee shall have no further duties and obligations under the Indenture.

Appointment of Successor Trustee

In case at any time the Trustee shall resign, be removed or otherwise become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee under the Indenture, and the Issuer shall promptly appoint a successor trustee. Any such appointment shall be made by a written instrument executed by an Authorized Representative of the Borrower and the Issuer. The Issuer shall direct the successor Trustee to mail notice by first class mail, postage prepaid, at least once within 30 days of such appointment, to the Lender, the Borrower and the Owners of all Outstanding Bonds at their addresses on the Bond Register.

If, in a proper case, no appointment of a successor Trustee shall be made within 90 days after the receipt by the Issuer of the Trustee's notice of resignation or of removal of the Trustee as described above, the retiring Trustee, at the expense of the Borrower, or any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

There shall at all times be a Trustee under the Indenture which shall be an association or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 and assets under trust of at least \$50,000,000, and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to the preceding paragraph. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of the Indenture, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time any successor Trustee shall cease to be eligible in accordance with the provisions of the Indenture and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified above.

Amendments of Loan Agreement, Regulatory Agreement and Ginnie Mae Certificates Not Requiring Consent of Owners

Subject to the provisions of the Indenture, the Loan Agreement and the Regulatory Agreement, the Issuer and the Trustee may, without the consent of or notice to the Owners, consent to any amendment, change or modification of the Regulatory Agreement, the Ginnie Mae Certificates or the Loan Agreement as follows:

- (a) as may be required by the provisions of, or as contemplated in, the Loan Agreement, the Regulatory Agreement, the Ginnie Mae Certificates or the Indenture;
- (b) for the purpose of curing any ambiguity or formal defect or omission therein;
- (c) to make any change therein that may be required by Ginnie Mae or HUD to conform such instruments to the requirements of applicable federal law or regulations and/or the terms of any the Mortgage Loan Documents or the Ginnie Mae Documents;
- (d) to make any change therein required by the Rating Agency in connection with obtaining and maintaining a rating on the Bonds; or

(e) to make any other change therein which will not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding.

Amendments of Loan Agreement, Regulatory Agreement and Ginnie Mae Certificates Requiring Consent of Owners

Except for amendments, changes or modifications as provided above, neither the Issuer nor the Trustee will consent to any amendment, change or modification of the Regulatory Agreement, the Ginnie Mae Certificates or the Loan Agreement without the written approval or consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding given and procured as provided in the Indenture. If at any time the Issuer and the Borrower request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly state the nature of such proposed amendment, change or modification and will state that a copy of the instrument embodying the same is on file at the Principal Office of the Trustee for inspection by all Owners.

Amendment by Unanimous Consent

Notwithstanding any other provision of the Indenture, the Issuer and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Ginnie Mae Certificates upon receipt of the consent of the Owners of all Bonds then Outstanding.

HUD Requirements

Notwithstanding anything in the Indenture or any other Financing Document to the contrary:

In the event of any conflict between any provision contained elsewhere in the Indenture or in any other Financing Document and any provision contained in this "HUD Requirements" caption, the provision contained in this caption will govern and be controlling in all respects.

The provisions of the Indenture and the other Financing Documents are subject and subordinate to the National Housing Act, all applicable HUD mortgage insurance (and Section 8 of the Housing Act, if applicable) regulations and administrative requirements, the Mortgage Loan Documents, all applicable Ginnie Mae regulations and related administrative requirements and the Ginnie Mae Documents; and in the event of any conflict between the provisions of the Indenture or the provisions of any of the other Financing Documents and the provisions of the National Housing Act, any applicable HUD regulations, HUD requirements, the Mortgage Loan Documents, any applicable Ginnie Mae regulations, Ginnie Mae requirements, and/or the Ginnie Mae Documents, the said National Housing Act, HUD regulations, HUD requirements, Mortgage Loan Documents, Ginnie Mae regulations, Ginnie Mae requirements and Ginnie Mae Documents will be controlling in all respects.

No amendment to the Indenture or any of the other Financing Documents will be made without the prior written consent of HUD if, in the opinion of counsel to the Lender, such amendment would result in a conflict with the National Housing Act, any applicable HUD regulations, HUD requirements, Ginnie Mae regulations, Ginnie Mae requirements, the Mortgage Loan Documents or the Ginnie Mae Documents.

Enforcement of the provisions of the Indenture or the provisions of any of the other Financing Documents will not result in any claim under the Mortgage Loan, or any claim against the Development, Mortgage Loan proceeds, any reserve or deposit made with the Lender or another Person required by HUD or the Lender in connection with the Mortgage Loan transaction, or against the rents or other income from the Development (other than available Surplus Cash).

The Borrower will not be deemed to be in violation of the Indenture or any other Financing Documents if it will take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable mortgage insurance regulations, related administrative requirements, the Mortgage Loan Documents,

applicable Ginnie Mae regulations, related administrative requirements and the Ginnie Mae Documents and, if applicable, Section 8 of the Housing Act and regulations promulgated thereunder.

The provisions of this caption will inure to the benefit of the Borrower, the Issuer, Lender and HUD, and their successors and assigns.

Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms of the Indenture or any of the other Financing Documents will be made in accordance with the National Housing Act and the HUD regulations, including specifically 24 C.F.R. 207.261 or any successor regulation. Any assignment, transfer or pledge not made in accordance with the terms of this paragraph and said HUD regulations will be void.

A default under the Indenture or any other Financing Document will not constitute a default under the Mortgage Note, Mortgage or any other Mortgage Loan Document.

Nothing contained in the Indenture or any other Financing Document will restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between the Lender and HUD.

Development funds held by the Lender on behalf of the Borrower under the contract of mortgage insurance are required to be maintained separate and apart from the Funds established and held for payments to the Owners and the various escrows and Funds under the Indenture and the other Financing Documents.

Except for funds held under the Indenture, any pledge of Development funds for the benefit of the Owners is limited to a pledge of principal and interest payments received by the Trustee on the Ginnie Mae Certificates. There is no pledge of gross revenues of the Development or any Development assets.

The Lender will maintain certain HUD-required escrow funds outside the terms of the Indenture. The enforcement of the Indenture will not result in the Trustee or any Owner having any right to, interest in, or claim against any HUD-required escrow fund, the Development, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Mortgage Loan transaction, or the rents or other income from the Development (other than available Surplus Cash).

The Bonds are not a debt of the United States of America, HUD or any other governmental agency and are not guaranteed by the full faith and credit of the United States.

In the event that proceeds are received from a Condemnation Award or from the payment of a claim under a hazard insurance policy, early redemption of the Bonds can arise only subsequent to a prepayment of the insured mortgage and subsequent payment under the Ginnie Mae Certificates.

The HUD Regulatory Agreement requires the establishment of a reserve fund for replacements, and therefore, the Indenture does not provide for the creation of such a reserve fund.

The provisions of this caption will not be used to and will not be construed so as to allow the Indenture to violate any applicable provision of State law to the extent such law is not otherwise preempted by applicable federal statute, regulation or rule.

APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary, which does not purport to be complete, comprehensive or definitive, of certain provisions of the Loan Agreement, which is qualified in its entirety by reference to the Loan Agreement.

Loan of Bond Proceeds

The Issuer will simultaneously with the execution and delivery of the Loan Agreement proceed with the issuance and sale of the Bonds. The Issuer will deposit the proceeds of sale of the Bonds in accordance with the Indenture.

The Lender will make the Mortgage Loan to the Borrower, and will promptly deliver, or cause to be delivered, the Ginnie Mae Certificates to the Trustee if and when issued, in accordance with the Indenture; provided, however, that the Lender will have no obligation to make the Mortgage Loan unless and until the Initial Endorsement has occurred and all other terms and conditions of the FHA Commitment and Lender Commitment have been satisfied.

The Borrower will take all actions required of it to cause the Ginnie Mae Certificates to be promptly issued and delivered as contemplated by the Loan Agreement, including the funding of all required escrows and reserves.

The Trustee will make disbursements from the Acquisition Fund and the Capitalized Interest Account therein, and will acquire the Ginnie Mae Certificates from the Lender in accordance with the Indenture.

In the event that the Mortgage Note commences amortization prior to the date that the Project Loan Certificate is purchased by the Trustee, the Lender will retain for its own account all payments on the Mortgage Note that represent principal amortization payments thereof which are received prior to the date of purchase of the Project Loan Certificate by the Trustee and will not pass through such principal amortization payments to the Trustee, unless otherwise required by Ginnie Mae; however, the retention of such principal amortization payments by the Lender may result in a reduction in the amount of the Project Loan Certificate when issued equal to any such principal amortization payments.

Limitation of Issuer's Liability

All obligations of the Issuer incurred under the Loan Agreement and under the Regulatory Agreement and the Indenture will be special limited obligations of the Issuer, payable solely and only from Bond proceeds and the Trust Estate. The Issuer will have no obligations under any documents or instruments mentioned in the Loan Agreement, other than the Loan Agreement, the Indenture, the Regulatory Agreement and the Bonds. The Bonds will be limited obligations of the Issuer as provided therein and in the Indenture, and will be payable solely from the Trust Estate pledged therefor under the Indenture. No Owner of any of the Bonds will ever have the right to compel any exercise of the taxing power of the State or any political subdivision thereof, nor to enforce the payment thereof against any property of the State or any such political subdivision thereof, including the Issuer, except as provided in the Indenture.

No board member, officer, employee or agent of the Issuer, including any person executing the Loan Agreement, will be liable personally under the Loan Agreement or for any reason relating to the issuance of the Bonds. No recourse will be had for the payment of the principal of, premium, if any, or interest on the Bonds, or for any claim based thereon, or otherwise in respect thereof, or based on or in respect of the Loan Agreement or any amendment hereto, against any board member, officer, employee or agent, as such, of the Issuer or any successor whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, as part of the consideration for the issuance of the Bonds, expressly waived and released.

Amounts Payable

The Borrower will make payments required by the Mortgage Note, as and when the same become due. For so long as the Bonds are Outstanding and except as otherwise contemplated by the Loan Agreement or by the Indenture, or as may be required by HUD, the Borrower will not execute any amendment to the Mortgage Note that results in a decrease in the amount payable thereunder without the consent of the Owners of all the Bonds Outstanding on the effective date of such amendment.

To the extent not paid pursuant to the Mortgage Note or the Indenture, the Borrower also shall pay, or cause to be paid, as and when the same become due, (a) to the Trustee, the Trustee Fees as provided in the Indenture (including an annual minimum fee equal to \$3,500 per annum) and subject to the limitations herein, and expenses reasonably incurred by it as Trustee under the Indenture, including without limitation the reasonable fees and the expenses of its counsel, and its fees and expenses if the Trustee is the Dissemination Agent in connection with the Borrower's compliance with its obligations under the Loan Agreement, all charges for exchange or registration of transfer of Bonds and all other such amounts which the Borrower assumes or agrees to pay under the Loan Agreement, including any cost or expense necessary to cancel and discharge the Indenture upon payment in full of the Bonds (which amounts described in this clause (a) shall be paid upon demand and in any event no later than thirty (30) days after receipt of request for payment thereof); (b) to the Trustee the amount, if any, required to pay the principal of and interest on the Bonds when due (including without limitation such amounts resulting from "negative arbitrage" on the investment of Proceeds); (c) to the trustee under the Mortgage its reasonable fees and expenses, if any, for services rendered thereunder; (d) (i) to the Trustee, for remittance to the Issuer, on or prior to the 5th day of each calendar month, commencing January 5, 2011, 1/12th of the Issuer Administration Fee, and (ii) to the Trustee, for remittance to the Issuer, on or prior to the 5th day of each calendar month, commencing January 5, 2011, 1/12th of the Issuer Compliance Fee, and (iii) to the Issuer or to any payee designated by the Issuer, all expenses of the Issuer, its agents or employees incurred at any time related to the Bonds or the Development or the financing thereof, including, without limitation, legal and advisory fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Development or the Bonds or in connection with questions or other matters arising under such documents, which amounts described in this clause (d) shall be paid upon demand and in any event no later than thirty days after receipt of request for payment thereof; (e) to the rebate analyst the reasonable fees of calculating the Rebate Amount; (f) any Rebate Amount; and (g) to FHA, Ginnie Mae and the Lender all fees and expenses associated with obtaining FHA and Ginnie Mae approvals necessary for the issuance of the FHA Commitment and the Ginnie Mae Certificates; however, the aggregate of all such amounts paid to the Issuer, or to the Trustee on its behalf, shall not equal or exceed an amount which would cause the "yield" on any "purpose investment" to be "materially higher" than the "yield" on the Bonds, as such terms are defined in the Code.

Obligations of Borrower

The obligation of the Borrower to make payments on the Mortgage Note, to make all other payments provided for in the Loan Agreement and to perform and observe the other agreements and covenants on its part in the Loan Agreement will be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee, the Lender or any other Person. Subject to prepayment of the Mortgage Note in full and termination as provided in the Loan Agreement, the Borrower will not suspend or discontinue any such payment under the Loan Agreement or on the Mortgage Note (any reamortization of payments on the Mortgage Note in accordance with the Indenture and the Mortgage will not constitute a suspension or discontinuance of payments on the Mortgage Note) or fail to perform and observe any of its other agreements and covenants contained in the Loan Agreement or terminate the Loan Agreement for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may deprive the Borrower of the use and enjoyment of the Development, failure of consideration or commercial frustration of purpose, any damage to or destruction of the Development or any part thereof, the taking by eminent domain of title to or the right to temporary use of all or any part of the Development, any change in the tax or other laws of the United States of America, the State or any political or taxing subdivision of either thereof, or any failure by the Issuer to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreement.

Notwithstanding any provisions in the Loan Agreement or any of the other Financing Documents to the contrary, enforcement of the provisions of the Loan Agreement or any of the other Financing Documents will not result in any claim against the Development, the Development, Mortgage Loan proceeds, any reserve or deposit required by HUD or the Lender in connection with the Mortgage Loan, or the rents or other income from the Development (other than available Surplus Cash) and, with the exception of the indemnification and fees and expenses provisions in favor of the Issuer or the Trustee contained in the Loan Agreement subject to the provisions of the Loan Agreement described under "HUD Requirements" below, the liability of the Borrower for any breach or default by or obligation of the Borrower under the Loan Agreement or any of the other Financing Documents will be limited to the undistributed Surplus Cash, which is otherwise distributable pursuant to the terms of the HUD Regulatory Agreement and to the collateral given now or in the future by the Borrower pursuant to the Indenture or otherwise for the Borrower's obligations under the Loan Agreement. By executing the Loan Agreement, each of the Issuer and the Trustee affirms that no pledge has been made and that it has no claim, and will not later assert any claim, against the Development, the Mortgage Loan proceeds, any reserve or deposit made with the Lender or required by HUD in connection with the Mortgage Loan transaction or against the income from the Development for payment of any obligation contained in the Loan Agreement or in any of the other Financing Documents; provided, however, that nothing in the Loan Agreement or any of the other Financing Documents will alter, affect or diminish the rights of the Lender under the Mortgage Loan Documents.

Additional Charges

The Borrower agrees to pay when due each and all of the following:

(a) (i) All indemnity payments required to be made under certain provisions of the Loan Agreement and the Indenture to the Issuer and the Trustee; (ii) all fees (including legal fees) and expenses incurred by the Issuer to exercise its Unassigned Issuer Rights under the Loan Agreement; and (iii) all other expenses incurred by the Issuer and Trustee in relation to the Development which are not otherwise required to be paid by the Borrower under the terms of the Loan Agreement or any separate fee agreement, including costs incurred as a result of a request by the Borrower.

(b) Any and all extraordinary fees and expenses of the Issuer and of the Trustee incurred by or on behalf of either of them at any time related to the Development which are not paid from the amounts held under the Indenture, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of the Indenture, the Financing Documents or any other documents relating to the Development or the Bonds or in connection with any federal or state tax audit or any questions or other matters arising under such documents. Such costs and expenses shall include, without limitation, charges for title insurance (including endorsements), filing, recording and escrow charges, fees for appraisal, architectural and engineering review, construction services and environmental services, mortgage taxes, document review and preparation, expenses of legal counsel and any other reasonable fees and costs for services, regardless of whether such services are furnished by the Issuer's or Trustee's employees or agents or independent contractors; provided that the Borrower may, without creating a default under the Loan Agreement, contest in good faith the reasonableness of any such fees, charges or expenses. Amounts payable or reimbursable, as the case may be, pursuant to this paragraph will include, but not be limited to, (i) all costs of printing any replacement bonds required to be issued under the Indenture to the extent such costs are not paid by the Holders and (ii) the fees and expenses of any experts retained by the Trustee and/or the Issuer pursuant to the terms of the Indenture or any of the Financing Documents.

(c) Any Costs of Issuance in excess of amounts available in the Costs of Issuance Fund; and

(d) The Rebate Amount to the extent that the funds available under the Indenture for the payment thereof are not sufficient or available therefor and any amount necessary to pay the Arbitrage Consultant's Fee.

Operation of Development

The Borrower will operate or cause the Development to be operated as a housing project pursuant to Section 221(d)(4) of the National Housing Act, as a qualified low-income housing project pursuant to Section 42(g) of the Code, and in accordance with the Loan Agreement, the Regulatory Agreement, the Code and the Act. Further, all work performed in connection with the Development will be performed in strict compliance with all applicable federal, state and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.

Events of Default

Each of the following will constitute an event of default under the Loan Agreement:

- (a) The Borrower defaults in the performance of any covenant, agreement or obligation under the Loan Agreement or the Regulatory Agreement and such default remains uncured for a period of 30 days after written notice thereof has been given by the Issuer or the Trustee to the Borrower;
- (b) An Event of Default under the Indenture occurs and is continuing;
- (c) Any warranty, representation or other statement made by or on behalf of the Borrower contained in the Loan Agreement or the Indenture or in any instrument furnished in connection with the issuance or sale of any Bonds was false or misleading in any material respect at the time it was made; or
- (d) An Act of Bankruptcy of the Borrower.

Notwithstanding the foregoing, no Event of Default under the Loan Agreement will constitute (a) an event of default under the Bonds or (b) a default under any of the Mortgage Loan Documents, unless the facts and circumstances giving rise to such Event of Default constitute a default under the Mortgage Loan Documents. Notwithstanding the occurrence of any Event of Default under the Loan Agreement, the Indenture or the Regulatory Agreement, the Trustee will continue to purchase the Ginnie Mae Certificates from the Lender, as and when proffered, provided that said Ginnie Mae Certificates are delivered to the Trustee not later than the Construction Loan Certificate Maturity Date and/or the Project Loan Certificate Delivery Date, as the same may be extended pursuant to the Indenture.

Remedies on Default

Upon the occurrence of an event described under "Events of Default" above, the Issuer and the Trustee will look solely to the Borrower for the payment of all sums or the performance of all or any part of the monetary obligations due or incurred as a result of such event of default.

In addition to the remedies granted to the Issuer and the Trustee under the Loan Agreement, the Issuer, or the Trustee acting on behalf of the Issuer, may take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants under the Loan Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee under the Loan Agreement;
- (b) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Development which were in violation of the Loan Agreement during the period such violation continued; and
- (c) except as provided in the Loan Agreement, take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Loan Agreement.

The Issuer and the Trustee will cooperate in any action taken by the other with respect to the Loan Agreement to enforce the covenants contained therein. The Borrower will pay all costs and expenses that may be incurred by the Issuer or the Trustee in connection with the exercise of such rights.

HUD Requirements

In the event of any conflict between any provision contained elsewhere in the Loan Agreement or in any other Financing Document and any provision of the Loan Agreement described in this "HUD Requirements" caption, the provision contained in this "HUD Requirements" caption will govern and be controlling in all respects.

The provisions of the Loan Agreement and the other Financing Documents are subject and subordinate to the National Housing Act, all applicable HUD mortgage insurance (and Section 8 of the Housing Act, if applicable) regulations and related administrative requirements, the Mortgage Loan Documents, all applicable Ginnie Mae regulations and administrative requirements and the Ginnie Mae Documents; and in the event of any conflict between the provisions of the Loan Agreement or the provisions of any of the other Financing Documents and the provisions of the National Housing Act, any applicable HUD regulations, HUD requirements, the Mortgage Loan Documents, any applicable Ginnie Mae regulations, Ginnie Mae requirements and/or the Ginnie Mae Documents, the said National Housing Act, HUD regulations, HUD requirements, Mortgage Loan Documents, Ginnie Mae regulations, Ginnie Mae requirements and Ginnie Mae Documents will be controlling in all respects.

No amendment to the Loan Agreement or any of the other Financing Documents shall be made without the prior written consent of HUD if, in the opinion of Lender's counsel, such amendment would result in a conflict with the National Housing Act, any applicable HUD regulations, HUD requirements, Ginnie Mae regulations, Ginnie Mae requirements, the Mortgage Loan Documents or the Ginnie Mae Documents.

Enforcement of the provisions of the Loan Agreement or the provisions of any of the other Financing Documents shall not result in any claim under the Mortgage Loan, or any claim against the Development, Mortgage Loan proceeds, any reserve or deposit made with the Lender or another Person required by HUD or the Lender in connection with the Mortgage Loan transaction, or against the rents or other income from the Development (other than available Surplus Cash).

The Borrower shall not be deemed to be in violation of the Loan Agreement or any other Financing Documents if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable mortgage insurance regulations, related administrative requirements, the Mortgage Loan Documents, applicable Ginnie Mae regulations, related administrative requirements and the Ginnie Mae Documents and, if applicable, Section 8 of the U.S. Housing Act of 1937 and regulations promulgated thereunder.

The provisions of the Loan Agreement described in this caption shall inure to the benefit of the Borrower, the Issuer, the Lender and HUD, and their successors and assigns.

Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms of the Indenture or any of the other Financing Documents shall be made in accordance with the National Housing Act and the HUD regulations, including specifically 24 C.F.R. §207.261 or any successor regulation. Any assignment, transfer or pledge not made in accordance with the terms of the Loan Agreement described in this "HUD Requirements" caption and said HUD regulations shall be void.

A default under the Loan Agreement or any other Financing Document shall not constitute a default under the Mortgage Note, Mortgage or any other Mortgage Loan Document, except as described in "Events of Default" above.

Nothing contained in the Loan Agreement or any other Financing Document shall restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between the Lender and HUD.

Development funds held by the Lender on behalf of the Borrower under the contract of mortgage insurance are required to be maintained separate and apart from the funds established and held for payments to the Owners and the various escrows and funds under the Indenture and the other Financing Documents.

Except for funds held under the Indenture, any pledge of Development funds for the benefit of the Owners is limited to a pledge of principal and interest payments received by the Trustee on the Ginnie Mae Certificates. There is no pledge of gross revenues of the Development or any Development assets.

The Lender will maintain certain HUD-required escrow funds outside the terms of the Loan Agreement. The enforcement of the Loan Agreement will not result in the Trustee or any Owner having any right to, interest in, or claim against any HUD-required escrow fund, the Development, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Mortgage Loan transaction, or the rents or other income from the Development (other than available Surplus Cash).

The Bonds are not a debt of the United States of America, HUD or any other governmental agency and are not guaranteed by the full faith and credit of the United States.

In the event that proceeds are received from a Condemnation Award or from the payment of a claim under a hazard insurance policy, early redemption of the Bonds can arise only subsequent to a prepayment of the insured mortgage and subsequent payment under the Ginnie Mae Certificates.

The HUD Regulatory Agreement requires the establishment of a reserve fund for replacements, and therefore, the Loan Agreement does not provide for the creation of such a reserve fund.

The provisions of the Loan Agreement described under this caption will not be used to and will not be construed so as to allow the Loan Agreement to violate any applicable provision of State law to the extent such law is not otherwise preempted by applicable federal statute, regulation or rule.

APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a summary, which does not purport to be complete, comprehensive or definitive, of certain provisions of the Regulatory Agreement, which is qualified in its entirety by reference to the Regulatory Agreement.

Tax-Exempt Status of the Bonds

The Borrower will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income, as defined in Section 61 of the Code, for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds). With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that prior to the final maturity of the Bonds, unless it has received and filed with the Issuer and Trustee an opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid or payable on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax):

- (a) that the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period, to the end that the interest on the Bonds will be excluded from gross income for federal income tax purposes. In particular, the Borrower has covenanted and agreed, among other things, at all times during the Qualified Project Period, as follows:
 - (i) that the Development will qualify as residential rental property and will be owned, managed and operated at all times during the Qualified Project Period as a "qualified residential rental project" comprised of residential Units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code;
 - (ii) that the Development will consist of one building or structure or several proximate and interrelated buildings or structures, each of which will be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries meet at one or more points) except for the interposition of a road, street, stream or similar property, (B) will be owned by the same person for federal income tax purposes, and (C) will be financed pursuant to a common plan;
 - (iii) that substantially all of the Development will consist of similarly constructed Units together with functionally related and subordinate facilities for use by Development tenants, such as swimming pools, other recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers, security personnel or maintenance personnel and other facilities that are reasonably required for the Development;
 - (iv) that each Unit will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other units;
 - (v) that each Unit will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations contained in the Regulatory Agreement and the Loan Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel that are functionally related and subordinate to and reasonably required for the Development), that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Persons with Special Needs, Low-Income Tenants and other Eligible Tenants as provided in the Regulatory Agreement, and that at no time will any portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;
 - (vi) that at no time during the Qualified Project Period will any Unit in any building or structure in the Development which contains fewer than five Units be occupied by the Borrower;

- (vii) that at no time during the Qualified Project Period will any of the Units be utilized on a transient basis by being leased or rented for a period of less than thirty days or by being used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer park or trailer court; and
 - (viii) that the land and the facilities will be functionally related and subordinate to the Units comprising the Development and will be of a size and character that is commensurate with the size and number of such Units.
- (b) The Borrower has represented, covenanted and agreed, continuously during the Qualified Project Period, that
- (i) at least 40% of the Units (except for Units occupied or reserved for a resident manager or security or maintenance personnel that are functionally related and subordinate to the Development and are reasonably required for the Development) (the "Set Aside") that are available for occupancy will be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. A vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit will be redetermined; and
 - (ii) the Borrower will obtain income certifications from each Low-Income Tenant and maintain complete and accurate records pertaining to Low-Income Tenants and file and maintain all documents, reports and records required by Section 142(d) of the Code and the Regulatory Agreement, including Tenant Income Certifications.

Housing Development During the State Restrictive Period

The Issuer and the Borrower have recognized and declared their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the State Restrictive Period.

To the same end, the Borrower has represented, covenanted and agreed, among other things, as follows during the State Restrictive Period:

- (a) except for Units occupied or reserved for a resident manager and maintenance and security personnel that are reasonably required for the Development, to assure that 100% of the Units will be reserved for Eligible Tenants;
- (b) to comply with the provisions of Section 2306.269 of the Act regarding tenant and manager selection;
- (c) to provide regular maintenance to keep the Development sanitary, decent and safe and to comply with the requirements of Section 2306.186 of the Act; and
- (d) to renew any available rental subsidies which are sufficient to maintain the economic viability of the Development, pursuant to Section 2306.185(c) of the Act.

Persons With Special Needs

The Borrower has represented, covenanted and warranted that (a) at least 5% of the Units within the Development have been designed to be accessible to Persons with Special Needs and hardware and cabinetry will be stored on site or will be provided to be installed on an as needed basis in such Units, and (b) during the State Restrictive Period it will use its best efforts (including giving preference to Persons with Special Needs) to: (i) make at least 5 percent of the Units within the Development available for occupancy by Persons with Special Needs, (ii) make reasonable accommodations for such persons and (iii) allow reasonable modifications at the tenant's sole

expense (including the cost of removing the modifications and restoring the related Unit at the end of the tenant's occupancy) pursuant to the Housing Act. During the State Restrictive Period, the Borrower will maintain written policies regarding the Borrower's outreach program and marketing program to Persons with Special Needs.

Sale or Transfer of the Development or Change in General Partner

The Borrower has covenanted and agreed not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (a) complying with any applicable provisions of the Regulatory Agreement, the Loan Agreement and the other Financing Documents and (b) obtaining the prior written consent of the Issuer. Such consent of the Issuer will not be unreasonably withheld and will be given if certain conditions to the sale or other disposition set forth in the Regulatory Agreement are met or waived in writing by the Issuer. Except as provided in the Regulatory Agreement, the Borrower may not change its general partner by transfer, sale or otherwise without the prior written consent of the Issuer.

Term

The Regulatory Agreement and all and each of the provisions thereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided in the Regulatory Agreement and, except as otherwise provided in this section, will terminate in its entirety at the end of the State Restrictive Period and be of no further force and effect, it being expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture; provided, however, that the provisions related to the Qualified Project Period that are not incorporated into the State Restrictive Period will terminate in their entirety at the end of the Qualified Project Period.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements set forth in the Regulatory Agreement will terminate, without the requirement of any consent by the Issuer or the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal or Texas law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions of the Regulatory Agreement, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a qualified residential rental project which meets the requirements of the Code and Texas law, including, but not limited to, the provisions set forth in the Regulatory Agreement. The provisions of the preceding sentence will cease to apply and the requirements referred to therein will be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Development for federal income tax purposes and for the purposes of Texas law.

Default; Enforcement by the Trustee and the Issuer

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured by the Borrower for a period of 60 days after written notice thereof will have been given by the Issuer or the Trustee to the Borrower, then the Trustee, acting on its own behalf or on behalf of the Issuer, will declare an "Event of Default" to have occurred under the Regulatory Agreement; provided, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default will not constitute an Event of Default under the Regulatory Agreement and will not be declared an Event of Default so long as (a) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (b) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Following the declaration of an Event of Default under the Regulatory Agreement, the Trustee or the Issuer, may, at its option, take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee under the Regulatory Agreement;

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Development during regular business hours following reasonable notice; and

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Regulatory Agreement.

All rights and remedies in the Regulatory Agreement given or granted are cumulative, nonexclusive and in addition to any and all rights and remedies that the parties may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance provided for in this section, promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer will to the extent that it has actual knowledge thereof, by notice in writing, use its best efforts to inform the Trustee and the Borrower (provided that the failure to notify will not adversely affect the Issuer's or the Trustee's rights under the Regulatory Agreement) that a violation of the Regulatory Agreement has occurred.

Enforcement of Certain Provisions by Tenants and Other Private Parties

(a) Following the declaration of an Event of Default under the Regulatory Agreement with respect to the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period" above only, a tenant of the Development or any private party may, at its option by mandamus or other suit, including injunctive relief, require the Borrower to perform its obligations and covenants under the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period" and the caption "Maximum Allowable Rents" above.

(b) If the Issuer, a tenant of the Development, or any private party brings an action to enforce the obligations and covenants of the Borrower under the provisions under subsections (b) and (c) of "Housing Development During the State Restrictive Period" above, such party will have the right to recover attorney's fees directly from the Borrower, without recourse to the Development, if such party is successful in an action seeking enforcement of the obligations and covenants of the Borrower under the Regulatory Agreement. This is the only monetary relief a tenant of the Development or other private parties may receive under the Regulatory Agreement and any such recovery is subject to the provisions set forth under "Default; Enforcement by the Trustee and the Issuer" above.

Amendments

Subject to the provisions of the Regulatory Agreement, the Regulatory Agreement will be amended only by a written instrument executed by the parties thereto, or their successors in title, and duly recorded in the real property records of Travis County, Texas, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the exclusion from gross income of interest on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax), and is not contrary to the provisions of the Act.

HUD Requirements

Notwithstanding anything in the Regulatory Agreement to the contrary, except the requirements in 26 U.S.C. § 42(h)(6)(E)(ii), the provisions of the Regulatory Agreement are expressly subordinate to the National Housing Act, the Mortgage Loan Documents, all applicable HUD mortgage insurance (and Section 8 of the Housing Act, if applicable) regulations and related administrative requirements, all applicable Ginnie Mae regulations and administrative requirements and the Ginnie Mae Documents. In the event of any conflict between the provisions of

the Regulatory Agreement and the provisions of the National Housing Act, any applicable HUD regulations, related HUD administrative requirements, the Mortgage Loan Documents, any applicable Ginnie Mae regulations, Ginnie Mae administrative requirements and/or the Ginnie Mae Documents, the National Housing Act, the Mortgage Loan Documents, the HUD regulations, related HUD administrative requirements, Ginnie Mae regulations, Ginnie Mae administrative requirements and Ginnie Mae Documents will control.

In the event of foreclosure or transfer of title by deed in lieu of foreclosure, any and all land use covenants contained in the Regulatory Agreement will automatically terminate.

Failure to comply with the land-use covenants contained in the Regulatory Agreement will not serve as a basis for default on the HUD insured mortgage.

Enforcement of the covenants in the Regulatory Agreement will not result in any claim against the Development, any reserve or deposit required by HUD in connection with the mortgage loan transaction or the rents or other income from the property other than:

1. Available surplus cash, if the mortgagor is profit-motivated;
2. Available distributions and residual receipts authorized for release by HUD, if the mortgagor is limited distribution; or
3. Available residual receipts authorized by HUD if the mortgagor is non-profit.

Any subsequent amendment to the Regulatory Agreement is subject to prior HUD approval.

No action shall be taken in accordance with the rights granted in the Regulatory Agreement to preserve the tax exemption of the interest on the Bonds, or prohibiting the Borrower from taking any action that might jeopardize the tax exemption, except in strict accord with the National Housing Act, applicable HUD mortgage insurance regulations, the Mortgage Loan Documents, or if applicable, Section 8 of the Housing Act and the regulations thereunder.

The provisions of the Regulatory Agreement described under this caption will not be used to and will not be construed so as to allow the Loan Agreement to violate any applicable provision of State law to the extent such law is otherwise preempted by applicable federal statute, regulation or rule.

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APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

Relating to:

AUSTIN HOUSING FINANCE CORPORATION

\$ _____
MULTIFAMILY HOUSING REVENUE BONDS
(GNMA COLLATERALIZED MORTGAGE LOAN — ELM RIDGE APARTMENTS)
SERIES 2010

Dated as of: February 1, 2010

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THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of February, 2010, between Regions Bank, as dissemination agent (the "Dissemination Agent") and Elm Ridge Affordable Partners, Ltd. (the "Borrower").

RECITALS

WHEREAS, Austin Housing Finance Corporation (the "Issuer") has issued or will issue its Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan — Elm Ridge Apartments) Series 2010 in the original principal amount of \$_____ (the "Bonds") pursuant to a Trust Indenture dated as of February 1, 2010 (the "Indenture") between the Issuer and Regions Bank, as trustee (the "Trustee") and has loaned or will loan the proceeds thereof to the Borrower pursuant to a Loan Agreement dated as of February 1, 2010 (the "Loan Agreement") among the Borrower, the Issuer, the Trustee and _____ for the purpose of financing costs of acquiring, constructing, rehabilitating and equipping an approximately 130-unit multifamily housing facility in the City of Austin, Travis County, Texas (the "Project") and paying certain financing costs pertaining thereto, including costs of issuance of the Bonds; and

WHEREAS, the Bonds have been offered and sold pursuant to a final Official Statement dated February __, 2010 (the "Offering Document"); and the Issuer has entered into a Bond Purchase Agreement, dated February __, 2010 (the "Bond Purchase Agreement"), with respect to the sale of the Bonds, with the Borrower and the Participating Underwriter, as hereinafter defined; and

WHEREAS, the Borrower wishes to provide for the disclosure of certain information concerning the Bonds, the Project and other matters on an on-going basis as set forth herein for the benefit of Bondholders (as hereinafter defined) in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule"), and the Dissemination Agent has agreed to serve as dissemination agent hereunder;

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Indenture and/or the Loan Agreement, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Indenture and the Loan Agreement, as those agreements are amended and supplemented from time to time. Notwithstanding the foregoing, the term "Dissemination Agent" shall originally mean the Trustee, or any successor trustee under the Indenture; any such successor dissemination agent shall automatically succeed to the rights and duties of the Dissemination Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"*Annual Financial Information*" shall mean a copy of the annual audited financial information prepared for the Borrower which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Borrower may change the accounting principles used for preparation of such financial information so long as the Borrower includes as information provided to the public a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

"*Beneficial Owner*" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bondholders" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"EMMA System" shall mean the Electronic Municipal Market Access System at www.emma.msrb.org.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean any of the events listed in items (i) through (xiii) below the occurrence of which the Borrower obtains knowledge, and which the Borrower determines would constitute material information for Bondholders, provided, that the occurrence of an event described in clauses (i), (iii), (iv), (v), (viii), (ix) and (xi) shall always be deemed to be material. The following events with respect to the Bonds, if material, shall constitute Material Events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of security holders;
- (viii) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities;
- (xi) Rating changes;
- (xii) The cure, in the manner provided under the Indenture, of any payment or nonpayment related default under the Indenture; and
- (xiii) The issuance of any Additional Bonds or other indebtedness on a parity with the Bonds.

The SEC requires the listing of (i) through (xi) although some of such events may not be applicable to the Bonds.

"Operating Data" shall mean the average occupancy rates and average monthly rental rates for the Project for the prior fiscal year and the current Project occupancy rates and average rental rates.

"Participating Underwriter" shall mean any of the original underwriters or placement agents of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the State of Texas.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Borrower to the Dissemination Agent; (ii) two (2) business days with respect to Material Event occurrences disclosed by the Borrower by written notice to the Dissemination Agent; or (iii) two (2) business days with respect to the failure, on the part of the Borrower, to deliver Annual Financial Information and

Operating Data to the Dissemination Agent which period commences upon written notification by the Borrower to the Dissemination Agent of such failure, or upon the Dissemination Agent's actual knowledge of such failure.

(B) This Agreement applies to the Bonds and any additional bonds issued under the Indenture.

(C) The Dissemination Agent shall have no obligation to make disclosure about the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Dissemination Agent in its separate capacity as Trustee under the Indenture or the duties of the Borrower under the Loan Agreement. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, apart from the relationship created by the Indenture or the Loan Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except in its capacity as Trustee under the Indenture or except as may be provided by written notice from the Borrower.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Borrower's direction to the Dissemination Agent with respect to information to be made public. In its actions under this Agreement, the Dissemination Agent is acting not as Trustee but as the Borrower's agent; provided that the Dissemination Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Trustee under the Indenture as fully as if the applicable provisions of the Indenture and the Loan Agreement were set forth herein. The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Borrower shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 150 days after the end of each fiscal year of the Borrower beginning with fiscal year ending December 31, 2010 and continuing with each fiscal year thereafter, for which the information is provided taking into account the Turn Around Period.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(3) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of Borrower to provide the Annual Financial Information or Operating Data by the date required herein.

(C) Information Provided by Dissemination Agent to Public.

(1) The Borrower directs the Dissemination Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Dissemination Agent agrees to act as the Borrower's agent in so making public, the following:

(a) the Annual Financial Information and Operating Data received from the Borrower;

(b) Material Event occurrences of which the Dissemination Agent receives notice from the Borrower;

(c) the notices of failure to provide information which the Borrower has agreed to make public pursuant to subsection (B)(3) of this Section 2 to the extent of the Dissemination Agent's actual knowledge thereof;

(d) such other information as the Borrower shall determine to make public through the Dissemination Agent at the Borrower's additional expense and shall provide to the Dissemination Agent in the form required by subsection (C)(2) of this Section 2. If the Borrower chooses to include any information in any Annual Financial Information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of a Material Event; and

(2) The information which the Borrower has agreed to make public shall be in the following form:

(a) as to all notices, reports and financial statements, if any, to be provided to the Dissemination Agent by the Borrower, in the form required by the Indenture or the Loan Agreement or other applicable document or agreement and in form suitable for dissemination to the public hereunder; and

(b) as to all other notices or reports, in such form as the Dissemination Agent shall deem suitable for the purpose of which such notice or report is given and in form suitable for dissemination to the public hereunder.

(3) The Dissemination Agent shall make public the Annual Financial Information and the Operating Data received from the Borrower, the Material Event occurrences of which notice has been received from the Borrower and notice of the failure to provide the Annual Financial Information and Operating Data of which the Dissemination Agent has actual knowledge within the applicable Turn Around Period. Notice of the failure to provide the Annual Financial Information and/or Operating Data shall be in substantially the form of Exhibit A hereto. Notwithstanding the foregoing, Annual Financial Information, Operating Data and notice of Material Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required in the Indenture, and in any event shall not be made public before the date of such notice. If on any such date, information required to be provided by the Borrower to the Dissemination Agent has not been provided on a timely basis, the Dissemination Agent shall make such information public as soon thereafter within the applicable Turn Around Period as it is provided to the Dissemination Agent.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Borrower or the Dissemination Agent under this Agreement if it is transmitted as provided in subsection (D)(2) of this Section 2 by the following means:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Indenture;

(b) in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or

(c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Borrower or the Dissemination Agent is authorized to transmit information to the SEC by

whatever means are mutually acceptable to the Dissemination Agent or the Borrower, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Annual Financial Information and Operating Data shall be transmitted to the MSRB through the EMMA System;

(b) notice of all Material Event occurrences and all notices of the failure to provide Annual Financial Information or Operating Data within the time specified in Section 2(B)(1) hereof shall be transmitted to the MSRB through the EMMA System;

(c) all information described in clauses (a) and (b) shall be made available to any Bondholder upon written request, but need not be transmitted to the Bondholders who do not so request; and

(d) to the extent the Borrower is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB through the EMMA System, or may be included by specific reference to documents available to the public on the EMMA System or filed with the SEC.

Nothing in this subsection shall be construed to relieve the Dissemination Agent, as Trustee, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Indenture.

With respect to requests for periodic or occurrence information from Bondholders, the Dissemination Agent may require that any such requests be in writing and may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Dissemination Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning the information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Borrower for response.

(E) Dissemination Agent Compensation. The Borrower shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement as provided in the Loan Agreement and the Indenture.

(F) Indemnification of Dissemination Agent. In addition to any and all rights of the Dissemination Agent or the Issuer to reimbursement, indemnification and other rights pursuant to the Indenture or the Loan Agreement or under law or equity, the Borrower shall indemnify and hold harmless the Dissemination Agent and the Issuer and their respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorney fees actually incurred) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Agreement; provided that the Borrower shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 3. Amendment or Waiver.

Notwithstanding any other provision of this Agreement, the Borrower and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any reasonable amendment requested by the Borrower) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a dissemination agent who agrees to continue to provide, to the MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities law provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws, (iii) notice of the termination of this Agreement is provided to the MSRB and (iv) the Borrower shall have paid to the Dissemination Agent its fees due hereunder to and including the effective date of such termination of this Agreement.

This Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity and the Borrower shall have paid to the Dissemination Agent its fees due hereunder to and including the effective date of such termination of this Agreement.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the written request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

The occurrence of any event of default as provided in this Agreement shall not constitute an event of default under the Indenture or the Loan Agreement.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and Bondholders, and, except for the rights granted to HUD and the Lender in Section 7 hereof, shall create no rights in any other person or entity.

Section 5. Additional Disclosure Obligations.

The Borrower acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Borrower, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Borrower under such laws.

Section 6. Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower:	Elm Ridge Affordable Partners, Ltd. c/o Summit Asset Management, L.L.C. 105 Tallapoosa Street, Suite 300 Montgomery, Alabama 36014 Attention: Daniel Hughes
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To the Dissemination Agent:	Regions Bank 417 North 20 th Street, Suite 1420 Birmingham, Alabama 35203 Attention: Corporate Trust Department
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 7. HUD Requirements.

For purposes of this Section 7, in addition to the terms defined elsewhere in this Disclosure Agreement, the words and terms defined in the Indenture shall have the same meanings when used herein as are ascribed thereto in the Indenture. Notwithstanding anything contained in this Disclosure Agreement to the contrary, neither the Dissemination Agent, nor any other person may assert any claim arising hereunder against the Borrower's interest in the Project, the proceeds of the mortgage on the Project, any reserve or deposit made with the Lender or with any other entity that is required by FHA in connection with the giving of the Mortgage Loan, or in the rents or other income of the Project for the payment of any charge due hereunder except to the extent available from "surplus cash" as that term is defined in the FHA Regulatory Agreement; provided, however, that nothing contained in this

Section 7 or elsewhere in this Disclosure Agreement or any other documents executed in connection with the Bonds shall alter, affect or diminish the rights of the Lender under the Mortgage Loan Documents.

In the event of any conflict between the provisions of this Disclosure Agreement and the National Housing Act, as amended, the regulations and administrative requirements promulgated thereto or the Mortgage Loan Documents, such acts, regulations, administrative requirements and Mortgage Loan Documents shall control. No amendment of this Agreement shall conflict with any such acts, regulations, administrative requirements or Mortgage Loan Documents. This Disclosure Agreement and the restrictions hereunder are subordinate to the Mortgage Loan Documents. This Disclosure Agreement is a Financing Document (as defined in the Indenture) and is subject to the provisions of Section 12.08 of the Indenture, which provisions are hereby incorporated herein by reference, and is subject to the provisions of Sections 7.8 and 7.9 of the Loan Agreement, which provisions are hereby incorporated herein by reference.

IN WITNESS WHEREOF, the Dissemination Agent and the Borrower have each caused their duly authorized officers or authorized agents to execute this Agreement, as of the day and year first above written.

ELM RIDGE AFFORDABLE PARTNERS, LTD.,
an Alabama limited partnership

By: Elm Ridge GP, Inc., a California corporation, its sole
General Partner

By: _____
Its: _____

REGIONS BANK, as Trustee

By: _____
Ann Harris, Vice President

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL FINANCIAL INFORMATION/OPERATING DATA**

Name of Issuer: Austin Housing Finance Corporation

Name of Bond Issue: \$_____ Austin Housing Finance Corporation Multifamily Housing
Revenue Bonds (GNMA Collateralized Mortgage Loan - Elm Ridge
Apartments) Series 2010

Name of Borrower: Elm Ridge Affordable Partners, Ltd., a Texas limited partnership

Initial Dated Date of Bonds: February 1, 2010

NOTICE IS HEREBY GIVEN that the above-captioned borrower (the "Borrower") has not provided the **[Annual Financial Information] [and] [the Operating Data]** with respect to Elm Ridge Apartments in connection with the above-named bonds (the "Bonds") as required by a Continuing Disclosure Agreement dated as of February 1, 2010 (the "Continuing Disclosure Agreement"), between the Borrower and the undersigned. The Borrower **[has informed the undersigned that it anticipates that the [Annual Financial Information] [and] [the Operating Data] will be filed by _____] [has not informed the undersigned when it anticipates the [Annual Financial Information] [and] [the Operating Data] will be provided to the undersigned.]**

Dated: _____

REGIONS BANK, as Dissemination Agent on
Behalf of Borrower

By: _____
Authorized Agent

cc: Borrower

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APPENDIX F
FORM OF OPINION OF BOND COUNSEL

[TO BE PROVIDED]

Exhibit E

The Bond Purchase Agreement is included in the Transcript of Proceedings

BOND PURCHASE AGREEMENT

by and among

MERCHANT CAPITAL, L.L.C.

AUSTIN HOUSING FINANCE CORPORATION

and

ELM RIDGE AFFORDABLE PARTNERS, LTD.

Dated February __, 2010

Relating to:

Austin Housing Finance Corporation

\$ _____

Multifamily Housing Revenue Bonds

(GNMA Collateralized Mortgage Loan – Elm Ridge Apartments), Series 2010

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BOND PURCHASE AGREEMENT

Merchant Capital, L.L.C. (the "Underwriter") hereby offers to enter into the following agreement with the Austin Housing Finance Corporation (the "Issuer") and Elm Ridge Affordable Partners, Ltd. (the "Borrower"), for the sale by the Issuer on behalf of the Borrower and the purchase by the Underwriter of the Bonds described below. Upon your acceptance of this offer and your execution and delivery of this Agreement, this Agreement will be binding upon each of the Issuer, the Borrower and the Underwriter. This offer is made subject to its acceptance, evidenced by your execution and delivery of this Agreement by the Issuer and the Borrower to the Underwriter, at or prior to 5:00 p.m., Eastern Time, on the date hereof, and will expire if not so accepted at or prior to such time (or such later time as the Underwriter may agree in writing).

Section 1. Definitions.

The capitalized terms used in this Agreement have the meanings assigned to them in the Glossary of Terms attached as Exhibit A hereto or as defined in the Trust Indenture.

Section 2. Purchase and Sale.

2.1 Subject to the terms and conditions set forth in this Agreement, the Underwriter will purchase all (but not less than all) of the Bonds identified in Item 1 in Exhibit B attached hereto for a total purchase price equal to the aggregate purchase price set forth as Item 2 on Exhibit B attached hereto. Additionally, the Underwriter agrees to deposit with the Trustee on the issuance date of the Bonds an amount of \$_____ for deposit into the Capitalized Interest Account of the Acquisition Fund and \$_____ for deposit into the Acquisition Fund, and the Borrower agrees to immediately reimburse the Underwriter for such deposit from amounts other than proceeds of the Bonds.

2.2 The Bonds will (i) be issued pursuant to the Trust Indenture and (ii) have the payment related terms (that is, the dated date, maturity date, interest rate, interest payment dates, and redemption provisions) set forth in Item 3 of Exhibit B attached hereto, and will otherwise correspond to the description thereof contained in the Official Statement.

Section 3. Offering of Bonds.

The Underwriter will make a bona fide public offering of the Bonds at the initial price or prices shown in the Official Statement only in a manner consistent with applicable federal and state securities laws. The Underwriter reserves the right to change such prices as it deems necessary in connection with the offering of the Bonds. Concessions from the public offering price may be allowed to selected dealers and special purchasers. The Issuer and the Borrower authorize the Underwriter to complete the cover page of the Official Statement to insert the reoffering prices for the Bonds selected by the Underwriter in its complete discretion.

Section 4. Official Statement; Disclosure Matters.

4.1 The Issuer and the Borrower each hereby (a) confirms its authorization or ratification of the use by the Underwriter of the Preliminary Official Statement in the marketing of the Bonds and (b) authorizes the Underwriter to prepare, use and distribute (at the expense of the Borrower) the Official Statement in final form in connection with the offering and sale of the Bonds.

4.2 The Issuer and the Borrower acknowledge that the Underwriter is required to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission promulgated under

the Securities Exchange Act of 1934 (the "Rule") in connection with the offer and sale of the Bonds and each agrees to the extent permitted by applicable law to cooperate (at the cost and expense of the Borrower) with the Underwriter so as to enable the Underwriter to comply with the Rule.

4.3 The Borrower hereby certifies and agrees that the Preliminary Official Statement has been "deemed final" by the Borrower as of its date, except for final information as to the offering prices, interest rates, selling compensation, amount of proceeds, delivery dates, other terms depending on such factors, and other information permitted to be omitted under part (b)(1) of the Rule.

4.4 The Issuer hereby represents that the information in the Official Statement under the captions "THE ISSUER" and "LITIGATION – Issuer" and the Borrower hereby represents that the remaining information in the Official Statement is fair and accurate and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. The Issuer has not participated in the preparation of the Official Statement and makes no representations with respect thereto except as expressly set forth in the preceding sentence.

4.5 The Issuer and the Borrower will, at the expense of the Borrower, supply to the Underwriter, within the earlier of (a) seven business days from the date of this Agreement or (b) sufficient time to accompany any confirmation requesting payment which the Underwriter might send to its customers with respect to the Bonds, sufficient quantities of the Official Statement to enable the Underwriter (1) to send a single copy of the Official Statement to any potential customer upon request until the earlier of (x) 90 days from the End of the Underwriting Period (as defined in paragraph 4.6 below) or (y) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period and (2) to comply with any applicable rules of the Municipal Securities Rulemaking Board. The Underwriter agrees to promptly file the Official Statement with a nationally recognized municipal securities information repository.

4.6 During the period commencing on the date of this Agreement and ending on the earlier of (a) 90 days from the End of the Underwriting Period or (b) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the End of the Underwriting Period, if any event shall occur which would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in the light of the circumstance under which they were made, not misleading, and in the judgment of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer and the Borrower will, at the expense of the Borrower, prepare or cooperate in the preparation of such supplement or amendment to the Official Statement in a form approved by the Underwriter and furnish or cooperate in the furnishing to the Underwriter (at the expense of the Borrower) a reasonable number of copies of an amendment of, or a supplement to, the Official Statement so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. If the Official Statement is so supplemented or amended prior to the Closing, the approval by the Underwriter of a supplement or amendment to the Official Statement shall not preclude the Underwriter from thereafter terminating this Agreement in accordance with the provisions of Section 12(d) hereof. The "End of the Underwriting Period" means the later of the delivery of the Bonds by the Issuer to the Underwriter or when the Underwriter no longer retains (directly or as a syndicate member) an unsold balance of the Bonds for sale to the public; provided, that the "End of the Underwriting Period" shall be deemed to be the Closing Date, unless the Underwriter otherwise notifies the Issuer in writing prior to such date that there is an unsold balance of the Bonds, in which case the End of the Underwriting Period

shall be deemed to be extended for 30 days. The deemed End of the Underwriting Period may be extended for two additional periods of 30 days each upon receipt of an additional written notification from the Underwriter and the Borrower containing the same information as required in the initial written notice.

4.7 If, during the period referred to in the preceding paragraph 4.6, the Issuer becomes aware of any event relating to the Issuer which would cause the Official Statement to contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein with respect to the Issuer, in the light of the circumstance under which they were made, not misleading, the Issuer will promptly notify the Underwriter of such event.

4.8 If, during the period referred to in the preceding paragraph 4.6, the Borrower becomes aware of any event which would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Borrower will promptly notify the Underwriter and the Issuer of such event.

4.9 The Borrower represents and warrants to the Underwriter and the Issuer that none of the Borrower or any affiliates thereof are in default under any undertakings with respect to continuing disclosure requirements designed to comply with the Rule in connection with any issue of municipal securities.

Section 5. Closing.

The Closing will take place at the time on the date set forth in Item 4 of Exhibit B or at such other time or on such other date as might have been mutually agreed upon by the Issuer, the Borrower and the Underwriter.

Section 6. Representations of the Issuer.

6.1 The Issuer hereby makes the following representations to the Underwriter:

(a) The Issuer is duly organized and existing under and pursuant to the constitution and the laws of the State of Texas.

(b) The Issuer has, and as of the Closing Date will have, full legal right, power and authority to (i) execute and deliver the Issuer Documents, (ii) assist in the preparation of the Official Statement, and (iii) otherwise consummate the transactions contemplated by the Issuer Documents.

(c) The Issuer has duly authorized the (i) execution and delivery of the Issuer Documents, (ii) performance by the Issuer of its obligations contained in the Issuer Documents, (iii) use and distribution of the Official Statement and (iv) consummation by the Issuer of all of the transactions contemplated on the part of the Issuer by the Issuer Documents and the Official Statement.

(d) This Agreement is, and, when executed and delivered by the Issuer and the other parties thereto, the other Issuer Documents will be, the legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting

creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

(e) To the best of the Issuer's knowledge, all consents, approvals, orders or authorizations of, notices to, or filings, registrations or declarations with any governmental authority, board, agency, commission or body having jurisdiction which are required on behalf of the Issuer for the execution and delivery by the Issuer of the Issuer Documents or the consummation by the Issuer of the transactions contemplated hereby or thereby, have been obtained or will be obtained prior to Closing.

(f) The execution and delivery by the Issuer of the Issuer Documents, and the consummation by the Issuer of the transactions contemplated hereby and thereby are not prohibited by, do not violate any provision of, and will not result in the breach of or default under (i) the Act or any organizational documents of the Issuer, (ii) to the Issuer's knowledge, any applicable law, rule, regulation, judgment, decree, order or other requirement to which the Issuer is subject, or (iii) to the Issuer's knowledge any contract, indenture, agreement, mortgage, lease, note, commitment or other obligation or instrument to which the Issuer is a party or by which the Issuer or its properties is bound.

(g) To the Issuer's knowledge, there is no legal action, suit, proceeding, investigation or inquiry at law or in equity, before or by any court, agency, arbitrator, public board or body or other entity or person, pending or threatened against or affecting the Issuer or its officials, in their respective capacities as such, nor, to the knowledge of the Issuer, any basis therefor, (i) which would restrain or enjoin the issuance or delivery of the Bonds or the collection of revenues pledged under the Trust Indenture or (ii) which would in any way contest or affect the organization or existence of the Issuer or the entitlement of any officers of the Issuer to their respective offices or (iii) which would contest or have a material and adverse effect upon (A) the due performance by the Issuer of the transactions contemplated by the Official Statement or the Issuer Documents or (B) the validity or enforceability of the Bonds, the Issuer Documents or any other agreement or instrument to which the Issuer is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby and thereby, or (iv) which would contest the exclusion from gross income for federal income tax purposes of the interest on the Bonds or (v) which contests in any way the completeness or accuracy of the Official Statement.

(h) Other than the Issuer Documents, the Issuer has not entered into any contract or arrangement that might give rise to any lien or encumbrance on the revenues or other assets, properties, funds or interests pledged pursuant to the Indenture except to the extent that real or personal property taxes may be a lien against the Development property.

(i) The Issuer has not knowingly taken or, to its knowledge, omitted to take on or prior to the date hereof any action, that would adversely affect the excludability from gross income for federal income tax purposes of the interest on the Bonds.

(j) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is an issuer whose arbitrage certifications may not be relied upon.

(k) On the Closing Date, each of the representations and warranties of the Issuer contained in the Issuer Documents and all other documents executed by the Issuer in connection with the Bonds shall be true, correct and complete.

6.2 Any certificate signed by any official of the Issuer and delivered to the Underwriter in connection with the delivery of the Bonds will be deemed to be a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

6.3 It is understood that the representations, warranties and covenants of the Issuer contained in this Section 6 and elsewhere in this Agreement shall not create any general obligation or liability of the Issuer, and that any obligation or liability of the Issuer hereunder or under the Issuer Documents is payable solely out of the revenues and other income pledged therefor and that no officer or employee of the Issuer shall be personally liable for any such obligation or liability. It is further understood and agreed that the Issuer makes no representations or warranties, except as set forth in paragraph 4.4 above, as to the Preliminary Official Statement and the Official Statement or as to (i) the financial condition, results of operation, business or prospects of the Borrower, (ii) any statements (financial or otherwise), representations, documents or certification provided or to be provided by the Borrower in connection with the offer or sale of the Bonds, or (iii) the correctness, completeness or accuracy of such statements, representations, documents or certifications.

Section 7. Representations and Warranties of the Borrower.

7.1 The Borrower hereby makes the following representations and warranties to the Underwriter, all of which will continue in effect subsequent to the purchase of the Bonds:

(a) The Borrower is a limited partnership duly organized and existing under and pursuant to the constitution and the laws of the State of Alabama, qualified to own its properties and conduct its business in the State of Texas.

(b) The Borrower has, and as of the Closing Date will have, full legal right, power and authority to (i) execute and deliver the Borrower Documents, (ii) assist in the preparation of the Official Statement, and (iii) otherwise consummate the transactions contemplated by the Borrower Documents.

(c) The Borrower has duly authorized the (i) execution and delivery of the Borrower Documents, (ii) performance by the Borrower of the obligations contained in the Borrower Documents, (iii) preparation of the Official Statement and (iv) consummation by the Borrower of all of the transactions contemplated by the Borrower Documents.

(d) This Agreement is, and, when executed and delivered by the Borrower and the other parties thereto, the Borrower Documents will be, the legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

(e) To the best of the Borrower's knowledge, all consents, approvals, orders or authorizations of, notices to, or filings, registrations or declarations with any governmental authority, board, agency, commission or body having jurisdiction which are required on behalf of the Borrower for the execution and delivery by the Borrower of the Borrower Documents or the consummation by the Borrower of the transactions contemplated hereby or thereby, have been obtained or will be obtained prior to Closing.

(f) The execution and delivery by the Borrower of the Borrower Documents and the consummation by the Borrower of the transactions contemplated hereby and thereby are not

prohibited by, do not violate any provision of, and will not result in the breach of or default under (i) the organizational documents of the Borrower, (ii) to the best of the Borrower's knowledge, any applicable law, rule, regulation, judgment, decree, order or other requirement to which the Borrower is subject, or (iii) any contract, indenture, agreement, mortgage, lease, note, commitment or other obligation or instrument to which the Borrower is a party or by which the Borrower or its properties is bound.

(g) There is no legal action, suit, proceeding, investigation or inquiry at law or in equity, before or by any court, agency, arbitrator, public board or other entity or person, pending or threatened against or affecting the Borrower or its general partner, in their respective capacities as such, nor, to the best knowledge of the Borrower, any basis therefor, (i) which would restrain or enjoin the issuance or delivery of the Bonds or the collection of revenues pledged under or pursuant to the Borrower Documents or (ii) which would in any way contest or affect the organization or existence of the Borrower or the entitlement of the general partner of the Borrower to its position or (iii) which would contest or have a material and adverse effect upon (A) the due performance by the Borrower of the transactions contemplated by the Official Statement or the Borrower Documents, (B) the validity or enforceability of the Bonds, the Borrower Documents or any other agreement or instrument to which the Borrower is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby and thereby, (C) the exclusion from gross income for federal income tax purposes of the interest on the Bonds or (D) the financial condition or operations of the Borrower, or (iv) which contests in any way the completeness or accuracy of the Official Statement. The Borrower is not subject to any judgment, decree or order entered in any lawsuit or proceeding brought against it that would have such an effect.

(h) On the Closing Date, the Borrower shall not have granted any interests in or rights or options to sell the Bonds to any other party.

(i) All permits (including building permits), licenses and authorizations necessary for the ownership and operation of the Development in the manner contemplated by the Official Statement and each of the Borrower Documents have been obtained or will be obtained, and said ownership and operation are not, to the best knowledge of the Borrower, in conflict with any zoning or similar ordinance applicable to the Development. The Development conforms to all material environmental regulations known to the Borrower.

(j) None of the Borrower, any guarantor of the Borrower or any "related person" to the Borrower within the meaning of Section 147 of the Code has acquired or shall acquire, pursuant to any arrangement, formal or informal, any Bonds.

(k) The Borrower has not taken or omitted to take on or prior to the date hereof any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(l) On the Closing Date, each of the representations and warranties of the Borrower contained in the Borrower Documents and all other documents executed by the Borrower in connection with the Bonds shall be true, correct and complete.

(m) The Borrower has reviewed and agreed to the conditions for purchase of Ginnie Mae Certificates and funding of Mortgage Loan draws set forth in the Indenture and the Loan Agreement.

7.2 Each of the representations and warranties set forth in this section will survive the Closing.

7.3 Any certificate signed by any general partner of the Borrower and delivered to the Underwriter in connection with the delivery of the Bonds will be deemed to be a representation and warranty by the Borrower to the Underwriter as to the statements made therein.

Section 8. Covenants of the Issuer.

8.1 The Issuer hereby makes the following covenants with the Underwriter:

(a) In the event the Official Statement, the Bonds or the Bond Documents are amended or supplemented in such a way as to have, in the reasonable judgment of the Underwriter, a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering price, the Underwriter shall have the right, pursuant to Section 12(d) hereof, to terminate this Agreement without liability. Neither the receipt by the Underwriter of notice of a proposed supplement or amendment nor the consent by the Underwriter to such supplement or amendment shall abrogate the Underwriter's rights under Section 12(d) hereof.

(b) Prior to the Closing, (except as provided in the Bond Documents) the Issuer will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Issuer Documents without the prior written consent of the Underwriter.

(c) Prior to the Closing, the Issuer will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interests which will be pledged pursuant to the Trust Indenture, including, without limitation, the Bonds or the Bond Documents.

(d) The Issuer will not take any action which will in any way cause the proceeds of the Bonds to be applied in a manner other than as provided in the Trust Indenture and described in the Official Statement or which would cause the interest on the Bonds to be includable in the gross income of the holders thereof for federal income tax purposes.

(e) Prior to the Closing, the Issuer will obtain, as advised by Bond Counsel, all governmental consents, approvals, orders or authorizations of any governmental authority or agency that would constitute a condition precedent to the performance by it of obligations under the Issuer Documents and the Bonds.

(f) The Issuer will reasonably cooperate with the Underwriter upon request, without cost to the Issuer, in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter may designate; provided that the foregoing shall not require the Issuer to expend its own funds, execute a general consent to service of process or to qualify as a foreign corporation in connection with such qualification in any foreign jurisdiction.

Section 9. Covenants of the Borrower.

9.1 The Borrower hereby makes the following covenants with the Underwriter and the Issuer:

(a) The Borrower will not supplement or amend the Official Statement, the Bonds or the Bond Documents or cause the Official Statement, the Bonds or the Bond Documents to be

supplemented or amended without providing reasonable notice of such proposed supplement or amendment to the Underwriter. It is understood that, in the event the Official Statement, the Bonds or the Bond Documents are amended or supplemented in such a way as to have, in the reasonable judgment of the Underwriter, a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering price, the Underwriter shall have the right, pursuant to Section 12(d) hereof, to terminate this Agreement without liability. Neither the receipt by the Underwriter of notice of a proposed supplement or amendment nor the consent by the Underwriter to such supplement or amendment shall abrogate the Underwriter's rights under Section 12(d) hereof.

(b) Prior to the Closing, the Borrower will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Borrower Documents without the prior written consent of the Underwriter.

(c) Prior to the Closing (except as provided in the Borrower Documents), the Borrower will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interests which will be pledged pursuant to the Trust Indenture, including, without limitation, the Bonds or the Bond Documents.

(d) The Borrower will cooperate with the Issuer to cause the Bonds to be delivered to the address and at the time specified by the Underwriter in conjunction with the Closing.

(e) The Borrower will not take or omit to take any action which will in any way cause the proceeds of the Bonds, or other moneys on deposit in any fund or account in connection with the Bonds, to be applied in a manner other than as provided in the Trust Indenture and described in the Official Statement or which would cause the interest on the Bonds to be includable in the gross income of the holders thereof for federal income tax purposes.

(f) The Borrower will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter may designate.

(g) The Borrower shall cause to be included in any instrument transferring any interest in the Development (except the Mortgage Loan Documents) specific reference to the covenants, conditions and restrictions contained in the Loan Agreement.

(h) The Borrower agrees to cause the necessary amount to be paid to the Trustee on the Closing Date for deposit in the Costs of Issuance Fund as set forth in the Trust Indenture to pay costs of issuance not payable from amounts available in the Mortgage Loan.

(i) The Borrower agrees to provide or cause to provide to the Underwriter for payment to the Trustee a Underwriter's purchase payment for the Bonds in the amount required by the Rating Agency as a starting cash flow deposit pursuant to the cash flow analysis required in connection with the rating of the Bonds.

Section 10. Conditions of Closing.

10.1 The obligations of the Underwriter to consummate at the Closing the transactions contemplated hereby are subject to receipt by the Underwriter of the items described in Section 10.2 hereof and to the satisfaction of the following conditions:

(a) The Underwriter will not have discovered any material error, misstatement or omission in the representations and warranties made in this Agreement, which representations and warranties will be deemed to have been made again at and as of the time of the Closing and will then be true in all material respects.

(b) The Issuer, the Borrower and the Lender will have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by such respective parties at or prior to Closing.

(c) The Bonds, the Bond Documents, the Mortgage Loan Documents and the Official Statement shall each have been executed and delivered by each of the parties thereto, shall be in full force and effect on and as of the Closing Date and shall not have been amended, modified or supplemented prior to the Closing except as may have been agreed to in writing by the Underwriter and no event of default shall exist under any such documents.

(d) The Lender shall have made its Mortgage Loan with respect to the Development, and FHA shall have initially endorsed the Mortgage Loan for FHA Insurance providing for a principal amount equal to \$_____ bearing interest at a rate of ____% per annum, and the Lender shall provide a letter confirming its authorization from Ginnie Mae to issue the Ginnie Mae Certificates.

(e) The Rating Agency shall have published and not withdrawn a rating with respect to the Bonds of "AAA" and such rating shall be in effect on the Closing Date, the documents delivered at the Closing shall satisfy the conditions to the continuance of such rating and no action shall have been taken or threatened with a view to the suspension or withdrawal of such rating as of the Closing.

10.2 In addition to the conditions set forth in Section 10.1, the obligations of the Underwriter to consummate at the Closing the transactions contemplated hereby are subject to receipt by the Underwriter of the following items:

(a) An approving opinion of McCall, Parkhurst & Horton L.L.P., as Bond Counsel, dated the Closing Date and addressed to or with a reliance letter to the Underwriter and the Issuer, together with a supplemental opinion of McCall, Parkhurst & Horton L.L.P., as Bond Counsel, satisfactory in form and substance to the Underwriter, dated the Closing Date and addressed to the Underwriter.

(b) An opinion or opinions of Balch & Bingham, LLP and Bryan Cave, LLP counsel to the Borrower satisfactory in form and substance to the Underwriter, dated the Closing Date and addressed to the Underwriter, the Issuer, the Trustee and Bond Counsel.

(c) An opinion of counsel to the Issuer, satisfactory in form and substance to the Underwriter, dated the Closing Date and addressed to the Underwriter, the Issuer, the Trustee and Bond Counsel.

(d) An opinion of _____, counsel to the Lender, satisfactory in form and substance to the Underwriter, dated the Closing Date and addressed to the Underwriter, the Issuer, the Trustee and Bond Counsel.

(e) An opinion of Peck, Shaffer & Williams LLP, counsel to the Underwriter, satisfactory in form and substance to the Underwriter.

(f) A certificate of the Issuer, dated the Closing Date and signed by an authorized official or officer of the Issuer, to the effect that (i) each of the Issuer's representations contained herein and in all other Issuer Documents, which representations will be deemed to have been made again at and as of the time of Closing, are true and correct in all material respects; (ii) the Issuer has performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing; and (iii) such other matters as the Underwriter may request.

(g) A certificate of the Issuer, dated the Closing Date and signed by an authorized officer of the Issuer, in form and substance satisfactory to the Issuer, Underwriter and Bond Counsel, respecting certain tax matters as may be reasonably required by Bond Counsel to enable it to give its opinion.

(h) A certificate of the Borrower, dated the Closing Date and signed by its general partner, to the effect that (i) each of the Borrower's representations and warranties contained herein and in all Borrower Documents, which representations and warranties will be deemed to have been made again at and as of the time of Closing, are true and correct in all material respects; (ii) the Borrower has performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it at or prior to the Closing; (iii) since the date of the Official Statement and except as set forth therein, there has not been any material adverse change in its operations, financial or otherwise; and (iv) such other matters as the Underwriter may request.

(i) A certificate of the Borrower, dated the Closing Date and signed by its general partner, in form and substance satisfactory to the Underwriter and Bond Counsel, respecting certain tax matters as may be reasonably required by Bond Counsel to enable it to give its opinion.

(j) A certificate of the Lender, dated the Closing Date, and signed by an authorized officer of the Lender in substantially the form attached hereto as Exhibit C.

(k) A certificate of the Trustee, dated the Closing Date and signed by an authorized officer of the Trustee, in form and substance satisfactory to the Underwriter.

(l) A certificate of the Issuer, dated the Closing Date and signed by an authorized official or officer of the Issuer, to the effect that the information regarding the Issuer contained in the Official Statement under the headings "THE ISSUER" and "LITIGATION – Issuer" is true and correct in all material respects.

(m) Certified copies of the Borrower's organizational documents and resolutions of its general partners (if applicable) authorizing the execution and delivery of the Borrower Documents.

(n) Copies of the proposed forms of management agreement and residency agreement to be used by the Borrower.

(o) Certificates of the Manager, the architect and the contractor for the Development as to the information describing such parties in the Official Statement and their authority to enter into their respective agreements with respect to the Development.

(p) Confirmation from the Underwriter that it has received the sum of \$_____ (equal to the amount required to be paid by the Underwriter to the Trustee in accordance with Section 4.02(1) of the Trust Indenture) in immediately available funds from or on behalf of the Borrower to provide for the cash flow deposit to be made pursuant to the cash flow analysis prepared in connection with the rating of the Bonds.

(q) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy as of the Closing Date of the respective representations and warranties of the Issuer and the Borrower herein contained and of the Official Statement, and to evidence compliance by the Issuer and the Borrower with this Agreement and all applicable legal requirements, and the due performance and satisfaction by the Issuer, the Borrower and the Lender at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer, the Borrower and the Lender.

10.3 If any of the conditions set forth in Section 10.1 or 10.2 have not been met on the Closing Date, the Underwriter may, at its sole option, terminate this Agreement or proceed to Closing upon waiving any rights under this Agreement with respect to any such condition. If this Agreement is terminated pursuant to this Section, no party will have any rights or obligations to any other, except as provided in Section 13.

Section 11. Actions and Events at the Closing.

The following events will take place at the Closing:

(a) The Issuer will cause the Trustee to deliver the Bonds to the Underwriter, at the place set forth in Item 4 in Exhibit B. The Bonds so delivered will be in the form required by the Trust Indenture, duly authenticated by the Trustee, and will be fully registered in the name of CEDE & Co., as nominee of The Depository Trust Company, New York, New York.

(b) The Issuer and the Borrower, as applicable, will deliver or cause to be delivered to the Underwriter at the place set forth in Item 4 in Exhibit B, or at such other place or places as the Issuer, the Borrower and the Underwriter may mutually agree upon, the materials described in Section 10.1 and Section 10.2.

(c) The Underwriter will deliver to the Trustee, for the account of the Issuer, a wire, payable in immediately available funds, in an amount equal to the purchase price of the Bonds as set forth in Item 2 of Exhibit B.

Section 12. Termination of Agreement.

The Underwriter may terminate this Agreement, without liability therefor, by notifying the Issuer and the Borrower at any time prior to the Closing, if:

(a) Legislative, executive or regulatory action or a court decision which, in the reasonable judgment of the Underwriter, casts sufficient doubt on the legality of obligations such as the Bonds or the exclusion of interest on obligations such as the Bonds from gross income for federal income tax purposes, so as to impair materially the marketability of the Bonds;

(b) Any action by the Securities and Exchange Commission or a court which would require any registration under the Securities Act, in connection with the issuance, placement or

sale of the Bonds, or qualification of the Trust Indenture under the Trust Indenture Act of 1939, as amended;

(c) Any general suspension of trading in securities on the New York Stock Exchange or the establishment by the New York Stock Exchange, by the Securities and Exchange Commission, by any federal or state agency or by the decision of any court, of any limitation on prices for such trading, or any outbreak of hostilities or occurrence of any other national or international calamity or crisis, the effect of which on the financial markets of the United States shall be such as to make it impracticable for the Underwriter to proceed with the purchase and offering of the Bonds;

(d) Any event or condition which, in the judgment of the Underwriter, (i) renders untrue or incorrect, in any material respect as of the time to which the same purports to relate, the information contained in the Official Statement, or (ii) requires that information not reflected in the Official Statement should be reflected therein in order to make the statements and information contained therein not misleading in any material respect as of such time, or (iii) has a material adverse effect upon the marketability of the Bonds, or (iv) would materially and adversely affect the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(e) The rating of the Bonds shall have been downgraded or withdrawn by the Rating Agency.

Section 13. Fees and Expenses.

13.1 The Borrower shall pay to the Underwriter a fee in the amount of \$_____ (___% of the principal amount of the Bonds), plus reimbursement of the purchase premium of \$_____, payable in immediately available funds on the Closing Date.

13.2 The Borrower shall pay the costs of issuance of the Bonds, including all expenses incident to the performance of the Underwriter's obligations hereunder, including, but not limited to, (i) the cost of the preparation, printing or other reproduction of this Agreement, the preliminary and final Official Statement, the Trust Indenture and the other Bond Documents in reasonable quantities for distribution; (ii) the cost of engraving, reproducing and signing the definitive Bonds; (iii) the reasonable fees and disbursements of all applicable legal counsel, including Bond Counsel, Lender's Counsel, Trustee's Counsel (if any), Issuer's Counsel and Underwriter's Counsel; (iv) the initial fees and costs of paying the Trustee and all paying agents, transfer agents and registrars; (v) the fees and expenses of the Issuer; (vi) cash flow preparation and certification fees and expenses; (vii) Rating Agency fees; (viii) Lender fees and related costs; (ix) CUSIP fees; (x) the cost of qualifying the Bonds for sale in various states chosen by the Underwriter and the cost of preparing or printing any Preliminary Blue Sky Survey and any Legal Investment Survey to be used in connection with such sale; and (xi) all other applicable fees of professionals hired in conjunction with the issuance of the Bonds.

13.3 The Underwriter will pay all expenses (other than those described in Section 13.2) incurred by the Underwriter in connection with its public offering and sale of the Bonds.

13.4 In the event that the Issuer, the Borrower or the Underwriter shall have paid obligations of the other as set forth in this Section, appropriate adjustments will promptly be made.

13.5 The Borrower shall indemnify the Issuer and the Underwriter with respect to the foregoing costs and expenses in the event that the purchase provided for herein is not consummated

unless, insofar as indemnification of the Underwriter is concerned, such purchase is prevented at the Closing Date by the Underwriter's default.

Section 14. Indemnification.

14.1 The Borrower will indemnify and hold harmless the Issuer, the Lender and the Underwriter against any losses, claims, expenses (including, without limitation, to the extent permitted by law, reasonable attorneys' fees and expenses actually incurred), damages or liabilities, causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the "Liabilities"), joint or several, to which the Issuer, the Lender or the Underwriter may be threatened or become subject, caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Development, the loan of the proceeds of the Bonds, this Agreement or any document related to the Bonds, the Development or the loan of the proceeds of the Bonds or any transaction or agreement, written or oral, pertaining to the foregoing, (ii) any untrue statement or alleged untrue statement of any material fact contained in the Official Statement, or any amendment or supplement thereto so long as the Borrower shall have participated in or agreed to any such amendment or supplement, or (iii) the omission or alleged omission to state in the Official Statement a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. This indemnification provision shall not be construed as a limitation on any other liability which the Borrower may otherwise have to any indemnified person, provided that in no event shall the Borrower be obligated for double indemnification. Notwithstanding the foregoing, the Borrower shall not be required to indemnify the Indemnified Parties for the negligence or willful misconduct of any Indemnified Party other than the Issuer, or for the bad faith, fraud or willful misconduct of the Issuer.

14.2 The indemnity agreements in paragraph 14.1 of this Section shall be in addition to any liability which any indemnifying party may otherwise have and shall extend on the same terms and conditions to each partner, principal, official, board member, officer, attorney or employee of such party and to each person, if any, who controls (as such term is used in Section 15 of the Securities Act of 1933 and Section 20 of the Securities Exchange Act of 1934, as amended) such party (the Issuer, the Lender, the Underwriter, and all of the foregoing indemnified parties being referred to individually as an "Indemnified Party" and collectively as the "Indemnified Parties"); provided, however, that an indemnifying party under paragraph 14.1 of this Section shall not be liable to the Underwriter under this Section to the extent that any such Liabilities arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information furnished by the Underwriter expressly for use in the Official Statement; and provided further that no indemnifying party hereunder shall be liable for any settlement effected by an Indemnified Party without the written consent of the indemnifying party (which consent shall not be unreasonably withheld).

14.3 Promptly after receipt by an Indemnified Party under paragraph 14.1 of this Section of notice of the commencement of any action against such Indemnified Party in respect of which indemnity or reimbursement may be sought against any indemnifying party under any such paragraph, such Indemnified Party will notify the indemnifying party in writing of the commencement thereof; provided that any delay or failure to give such notification shall be of no effect except to the extent that the indemnifying party is prejudiced thereby.

14.4 In case any action, claim or proceeding, as to which the indemnifying party is to provide indemnification hereunder, shall be brought against the Indemnified Party and the Indemnified Party notifies the indemnifying party of the commencement thereof, the indemnifying party may, or if so requested by the Indemnified Party shall, participate therein or assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Party; provided that, except as provided below, the

indemnifying party shall not be liable for the expenses of more than one separate counsel representing the Indemnified Parties in the action, claim or proceeding.

14.5 If the indemnifying party shall not have employed counsel to have charge of the defense of the action, claim or proceeding, or if any Indemnified Party shall have concluded reasonably that there may be a defense available to it or to any other Indemnified Party which is different from or in addition to those available to the indemnifying party or to any other Indemnified Party (hereinafter referred to as a "separate defense"), (i) the indemnifying party shall not have the right to direct the defense of the action, claim or proceeding on behalf of the Indemnified Party, and (ii) legal and other expenses incurred by the Indemnified Party (including without limitation, to the extent permitted by law, reasonable attorney's fees and expenses actually incurred) shall be borne by the indemnifying party; provided, that an indemnifying party shall not be liable for the expenses of more than one additional separate counsel for each Indemnified Party with respect to such separate defenses. For the purpose of this paragraph, an Indemnified Party shall be deemed to have concluded reasonably that a separate defense is available to it or any other Indemnified Party if (a) such Indemnified Party shall have requested an unqualified written opinion from Independent Counsel to the effect that a separate defense exists, and such Independent Counsel shall have delivered such opinion to the Indemnified Party within ten (10) days after such request or (b) the indemnifying party agrees that a separate defense is so available. For purposes of this paragraph, Independent Counsel shall mean any attorney, or firm or association of attorneys, duly admitted to practice law before the supreme court of any state and not a full-time employee of any Indemnified Party. Nothing contained in this paragraph 14.5 will preclude any Indemnified Party, at its own expense, from retaining additional counsel to represent such party in any action with respect to which indemnity may be sought from the Borrower hereunder. Notwithstanding anything to the contrary, the Issuer may employ its own counsel (whether one or more separate counsel) in any manner it deems appropriate and the Borrower shall indemnify the Issuer for all costs of such counsel.

14.6 In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph 14.1 or 14.2 of this Section 14 is for any reason held to be unavailable, the Borrower and the Indemnified Party (other than the Issuer) shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Party (other than the Issuer) may be subject, so that the Indemnified Party (other than the Issuer) is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Indemnified Party (other than the Issuer) in connection with the issuance and administration of the Bonds bears to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds.

14.7 The Indemnified Parties, other than the Underwriter and the Issuer, shall be considered to be third-party beneficiaries of this Agreement for purpose of this Section 14. The provisions of this Section 14 will be in addition to all liability which the Borrower may otherwise have and shall survive any termination of this Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

Section 15. No Pecuniary Liability of Issuer.

No provision, covenant, or agreement contained in this Agreement, and no obligation herein imposed upon the Issuer, or the breach thereof, shall constitute an indebtedness of the Issuer or the State of Texas or any political subdivision thereof within the meaning of any Texas Constitutional provision or statutory limitation or shall constitute or give rise to a pecuniary liability of the Issuer or the State of Texas or any political subdivision thereof or a charge against its general credit or taxing powers. In making the agreements, provisions and covenants set forth in this Agreement, the Issuer has not obligated

itself, except to the extent that the Issuer is authorized to act pursuant to Texas law and except with respect to the Trust Estate, as defined in the Indenture. The Issuer and any of its officials, board members, officers, employees, members or agents shall have no monetary liability arising out of the obligations of the Issuer hereunder or in connection with any covenant, representation or warranty made by the Issuer herein, and neither the Issuer nor its officials shall be obligated to pay any amounts in connection with the transactions contemplated hereby other than from revenues or moneys received from the Borrower.

Section 16. Limitation of Liability.

Notwithstanding any provision herein to the contrary, none of any member, officer, partner, agent or employee of the Issuer or the Borrower, including any person executing this Agreement, shall bear any liability as a result of any failure of the Issuer or the Borrower to perform the obligations of each, respectively, set forth in this Agreement.

Section 17. Miscellaneous.

17.1 All notices, demands and formal actions hereunder will be in writing and mailed, telecopied or delivered to the following address or such other address as either of the parties shall specify:

If to the Underwriter:	Merchant Capital, L.L.C. 2660 EastChase Lane, Suite 400 Lakeview Center Montgomery, AL 36117-6886 Attention: John B. Rucker, III
If to the Issuer:	Austin Housing Finance Corporation P.O. Box 1088 Austin, TX 78767-1088 Attention: Multifamily Bond Financing Program
If to the Borrower:	Elm Ridge Affordable Partners, Ltd. c/o Summit Asset Management, LLC 105 Tallapoosa Street, Suite 300 Montgomery, AL 36104 Attention: Jonathan D. Killough

with a copy to the Tax
Credit Investor:

17.2 This Agreement will inure to the benefit of and be binding upon the parties hereto and their successors and assigns and, except as provided in Sections 14, 18 and 19, will not confer any rights upon any other person. The terms "successor" and "assigns" will not include any Underwriter of any of the Bonds from the Underwriter merely because of such purchase.

17.3 This Agreement may not be assigned by any of the parties hereto prior to the Closing.

17.4 If any provision of this Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or

any other reason, such circumstances will not have the effect of rendering the provision in question inoperable or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

17.5 This Agreement will be governed by and construed in accordance with the laws of the State of Texas.

17.6 This Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

Section 18. Limitation on Claims.

Notwithstanding anything contained in this Agreement to the contrary, neither the Issuer, nor the Underwriter, nor any other person may assert any claim arising hereunder against the Borrower's interest in the Development, the proceeds of the mortgage on the Development, any reserve or deposit made with the Lender or with any other entity that is required by FHA in connection with the giving of the Mortgage Loan, or in the rents or other income of the Development for the payment of any charge due hereunder except to the extent available from "surplus cash" as that term is defined in the FHA Restrictive Covenants; provided, however, that nothing contained in this Section 18 or elsewhere in this Agreement or any other documents executed in connection with the Bonds shall alter, affect or diminish the rights of the Lender under the Mortgage Loan Documents.

Section 19. HUD Requirements.

For purposes of this Section 19, the words and terms defined in the Trust Indenture shall have the same meanings when used herein as are ascribed thereto in the Trust Indenture. In the event of any conflict between the provisions of this Agreement and the National Housing Act, as amended, the regulations and administrative requirements promulgated thereto or the Mortgage Loan Documents, such acts, regulations, administrative requirements and Mortgage Loan Documents shall control. No amendment of this Agreement shall conflict with any such acts, regulations, administrative requirements or Mortgage Loan Documents. This Agreement and the restrictions hereunder are subordinate to the Mortgage Loan Documents. This Agreement is a Financing Document and is subject to the provisions of Section 12.08 of the Trust Indenture.

[Signature page of Underwriter]

If the foregoing is in accordance with your understanding, please sign and return to us two counterparts hereof and, upon the acceptance hereof by the Issuer and the Borrower, this Agreement and such acceptance shall constitute the binding agreement among us as to the matters set forth above.

Very truly yours,

MERCHANT CAPITAL, L.L.C.

By: _____
Executive Vice President

[Signature page of Issuer]

Accepted as of the date first above written:

AUSTIN HOUSING FINANCE CORPORATION, as
Issuer

By _____
President

Attest:

By _____
Secretary

[Signature page of Borrower]

Accepted as of the date first above written:

ELM RIDGE APARTMENTS, LTD., an Alabama
limited partnership

By: ELM RIDGE GP, INC., a California
corporation, its sole General Partner

By: _____
Name: _____
Its: _____

EXHIBIT A

GLOSSARY OF TERMS

"Act" means Chapter 394, Texas Local Government Code, as amended.

"Agreement" means this Bond Purchase Agreement, as amended from time to time.

"Bond Documents" means this Agreement, the Trust Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Certificates, the Continuing Disclosure Agreement, and other applicable documents related to this financing.

"Bonds" means \$_____ in original aggregate principal amount of the Issuer's Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan - Elm Ridge Apartments) Series 2010.

"Borrower" means Elm Ridge Affordable Partners, Ltd., an Alabama limited partnership.

"Borrower Documents" means the Bond Documents and the Mortgage Loan Documents to which the Borrower is a party.

"Borrower's Tax Certificate" means the Borrower's Tax Letter of Representation delivered to the Issuer by the Borrower on the Closing Date in which the Borrower certifies to various facts relating to the Development that bear on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

"Closing" means the proceeding at which the actions described in Section 11 are performed.

"Closing Date" means the date on which the Closing takes place, expected to be February __, 2010.

"Code" means the Internal Revenue Code of 1986, as amended, and all applicable regulations promulgated thereunder.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of February 1, 2010, between the Borrower and Regions Bank, as Dissemination Agent.

"Development" means Elm Ridge Apartments, a 130-unit residential multifamily rental housing facility in Austin, Travis County, Texas.

"FHA" means the Federal Housing Administration, and any successors thereto.

"FHA Insurance" means the insurance by FHA of the repayment of the Mortgage Loan under Section 221(d)(4) of the National Housing Act of 1934, as amended.

"Ginnie Mae" means the Government National Mortgage Association, and any successors thereto.

"Ginnie Mae Certificates" means the fully modified mortgage-backed pass-through securities to be issued by the Lender with respect to the Mortgage Loan and guaranteed as to timely payment of principal and interest by Ginnie Mae.

"Issuer" means Austin Housing Finance Corporation.

"Issuer Documents" means the Bond Documents to which the Issuer is a party.

"Lender" means _____.

"Loan Agreement" means the Loan Agreement dated as of February 1, 2010 among the Issuer, the Borrower, the Trustee and the Lender, as amended from time to time.

"Mortgage Loan" means the mortgage loan in the maximum principal amount of \$_____ to be made by the Lender to the Borrower to provide financing for the Development, the repayment of which is to be insured by the FHA Insurance.

"Mortgage Loan Documents" means the Note, Mortgage, building loan agreement, construction contract and other documents and instruments required to be executed and delivered in connection with the closing of the Mortgage Loan.

"Note" means the mortgage note from the Borrower to the Lender evidencing the obligation to repay the Mortgage Loan.

"No-Arbitrage Certificate" means the No-Arbitrage Certificate of the Issuer dated the Closing Date.

"Official Statement" means the final Official Statement relating to the Bonds (including the cover page and appendices), dated February __, 2010.

"Preliminary Official Statement" means the Preliminary Official Statement relating to the Bonds (including the cover page and appendices), dated February __, 2010.

"Rating Agency" mean the Standard & Poor's Ratings Service.

"Regulatory Agreement" means the Regulatory and Land Use Restriction Agreement dated as of February 1, 2010, among the Issuer, the Borrower, and the Trustee, as amended from time to time.

"Tax Certificates" means, together, the No-Arbitrage Certificate and the Borrower's Tax Certificate.

"Trust Indenture" means the Trust Indenture dated as of February 1, 2010 between the Trustee and the Issuer, as amended from time to time.

"Trustee" means Regions Bank, or a successor thereto, as Trustee under the Trust Indenture.

"Underwriter" means Merchant Capital, L.L.C.

EXHIBIT B
TERMS OF BONDS

- | Item | |
|---------------------------------|---|
| 1. Title of Bonds: | Austin Housing Finance Corporation \$_____ Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan – Elm Ridge Apartments) Series 2010 |
| 2. Purchase Price: | As set forth on Schedule I |
| 3. (a) Date of the Bonds: | February 1, 2010 |
| (b) Interest Payment Dates: | as described in the Final Official Statement, dated as of even date herewith used in conjunction with the sale of the Bonds |
| (c) Aggregate Principal Amount: | \$_____ |
| (d) Maturity and Interest Rate: | See Schedule I |
| (i) Maturity | See Schedule I |
| (ii) Interest Rate | See Schedule I |
| (e) Redemption Provisions: | as described in the Final Official Statement used in conjunction with the sale of the Bonds |
| 4. (a) Time of Closing: | 12:00 noon, Eastern Time |
| (b) Date of Closing: | February __, 2010, or such other date as may be approved by the Underwriter |
| (c) Place of Closing: | Offices of McCall, Parkhurst & Horton L.L.P., Dallas, Texas |
| (d) Delivery of Bonds: | Regions Bank, as agent for The Depository Trust Company, New York, New York |

SCHEDULE I

MATURITIES, PRINCIPAL AMOUNT, INTEREST RATES AND PURCHASE PRICES

Maturity Date	Principal Amount	Interest Rate	Purchase Price*
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(Plus Accrued Interest)

*Plus a supplemental purchase price payment of \$_____.

EXHIBIT C

CERTIFICATE OF LENDER

Re: Austin Housing Finance Corporation \$_____ Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan - Elm Ridge Apartments) Series 2010 (the "Bonds")

The undersigned for and on behalf of _____ (the "Lender"), hereby certifies, represents and warrants to the Austin Housing Finance Corporation (the "Issuer"), Elm Ridge Affordable Partners, Ltd. (the "Borrower") and Merchant Capital, L.L.C. (the "Underwriter"):

(1) The Lender (i) is a duly and lawfully organized _____, and is duly authorized to transact business in Texas, (ii) is organized and operated for the purposes, among others, of making mortgage loans to provide financing for the acquisition and rehabilitation of residential rental housing apartment projects and of issuing mortgage-backed securities (the "Ginnie Mae Certificates") guaranteed as to timely payment of principal and interest by Government National Mortgage Association ("Ginnie Mae") to obtain funds to make such mortgage loans, (iii) has full lawful power and authority under its organizational documents and applicable laws to, assuming the issuance of the HUD Firm Commitment, the occurrence of the Initial Advance under the Mortgage Loan as defined in the Loan Agreement among the Issuer, the Borrower, the Lender and Regions Bank, as trustee, an no intervening event which would affect the Lender's current powers and authority, to issue the Ginnie Mae Certificates and to perform its obligations thereunder, (iv) by proper action has duly authorized the execution and delivery of the Loan Agreement, and (v) the Loan Agreement as to provisions relating to the Lender's issuance of Ginnie Mae Certificates constitutes, and the Ginnie Mae Certificates, when issued, will constitute, valid, legal and binding obligations of the Lender enforceable in accordance with their terms, except as such enforcement may be limited, however, by the fact that the Ginnie Mae Certificates do not constitute a liability of, nor evidence any recourse against, the Lender, since it is based on and backed by the Mortgage, and recovery may be made from Ginnie Mae in the event of any failure of timely payment as provided for in the Ginnie Mae Guaranty contained on the face of the Ginnie Mae Certificates.

(2) The execution and delivery of the Loan Agreement and the issuance and delivery of the Ginnie Mae Certificates, and the consummation of the transactions contemplated hereby and thereby, do not conflict with or constitute a breach of or a default under the Lender's organizational documents or, to the Lender's knowledge, under the terms and conditions of any agreement or commitment to which the Lender is a party and by which the Lender is bound.

(3) Each of the representations and warranties of the Lender contained in the Loan Agreement are true and correct as of the date hereof.

(4) The Lender is, and shall, to the best of its ability, remain until the acquisition of the Ginnie Mae Certificates by the Trustee, (i) approved by FHA to originate and service mortgage loans insured by FHA under Section 221(d)(4) of the National Housing Act and applicable regulations thereunder, and (ii) approved by Ginnie Mae to issue mortgage-backed securities guaranteed by Ginnie Mae pursuant to Section 306(g) of the National Housing Act and applicable regulations thereunder.

(5) The information contained in the Official Statement with respect to the Bonds (the "Official Statement") under the subcaption, "PRIVATE PARTICIPANTS – The Lender" and under the caption "GINNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM," do not

contain an untrue statement of a material fact or fail to state a material fact necessary in order to make the statements made not misleading as of the date hereof, and such information is "final" within the meaning of Rule 15c2-12(b) under the Securities and Exchange Act of 1934.

(6) The undersigned officer of the Lender has not been advised of any action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board of body, pending, threatened against or affecting the Lender wherein an unfavorable decision, ruling or finding would, in any way, materially adversely affect the transactions contemplated by the rehabilitation or operation of the Development or which might result in any material adverse change in the business, operations, properties, assets, liabilities or conditions (financial or other) of the Lender.

IN WITNESS WHEREOF, the undersigned has signed this certificate as of the _____ day of February, 2010.

[LENDER]

By: _____
Name: _____