

RESOLUTION NO. 20151001-AHFC002

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (THE TIMBERS APARTMENTS PROJECT) SERIES 2015; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; AUTHORIZING THE EXECUTION OF A GROUND LEASE; AUTHORIZING REPRESENTATIVES OF THE AUSTIN HOUSING FINANCE CORPORATION TO EXECUTE DOCUMENTS; AND APPROVING RELATED MATTERS

WHEREAS, Austin Housing Finance Corporation (the "Issuer") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended (the "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 Issuer 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 Issuer (the "Board") has determined to (i) authorize the issuance of the Issuer's Multifamily Housing Revenue Bonds (The Timbers Apartments Project), Series 2015 (the "Bonds"), in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Issuer and the trustee named in the Indenture (the "Trustee"), to obtain funds to finance the Project (defined below), in accordance with the Constitution and laws of the State of Texas and (ii) authorize the execution and delivery of a ground lease (the "Ground Lease") by the Issuer, as lessor, and Timbers Clayton 104 Apartments, L.P. (the "Borrower"), a Texas limited partnership, as lessee, and approves AHFC 1034 Clayton Lane Non- Profit Corporation, a Texas nonprofit corporation (previously established by the Issuer) to act as General Partner of the Borrower; and

WHEREAS, the Issuer desires to use the proceeds of the Bonds to fund a mortgage loan to the Borrower in order to finance the costs of acquisition and rehabilitation of the residential rental project located in Austin, Texas (the "Project") containing units occupied by persons of low and moderate income, as determined by the Issuer, as required by Section 142(d) of the Internal Revenue Code and to pay costs of issuance of the Bonds (if necessary); and

WHEREAS, the Issuer, the Trustee and the Borrower will execute and deliver a Financing Agreement (the "Financing Agreement") in which the Issuer will lend funds to the Borrower to enable the Borrower to finance the Project; and

WHEREAS, the Issuer, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Tax Regulatory Agreement"), which will be filed of record in the real property records of Travis County, Texas; and

WHEREAS, the Board has further determined that the Issuer will deliver the Bonds to Dougherty & Company LLC, as underwriter (the "Underwriter") under a bond purchase agreement (the "Bond Purchase Agreement"); and

WHEREAS, the Board has examined proposed forms of the Indenture, the Financing Agreement, the Bond Purchase Agreement, the Tax Regulatory Agreement and the Ground Lease, 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 Issuer 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 \$8,000,000.

Section 1.2 - Approval, Execution and Delivery of the Indenture. The form and substance of the Indenture (including the form of Bonds therein) are approved in substantially final form, and the authorized representatives of the Issuer named in this Resolution each are authorized to execute and attest (if required) to the Indenture and to deliver the Indenture to the Trustee.

Section 1.3 - Approval, Execution and Delivery of the Financing Agreement and Regulatory Agreement. The form and substance of the Financing Agreement and the Regulatory Agreement are approved in substantially final form, and the authorized representatives of the Issuer named in this Resolution each are authorized to execute and attest the Financing Agreement and the Regulatory Agreement.

Section 1.5 - 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 in substantially final form solely with respect to the Bonds, and the authorized representatives of the Issuer 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 1.6 - Approval, Execution and Delivery of the Ground Lease. The form and substance of the Ground Lease are approved in substantially final form, and the authorized representatives of the Issuer named in this Resolution each are authorized to execute and attest

(if required) the Ground Lease, and to deliver the Ground Lease to the Borrower. AHFC 1034 Clayton Lane Non-Profit Corporation is approved to act as Managing Member of the Borrower.

Section 1.7 - Approval of Issuer Information for Official Statement. The Board authorizes the use of the information pertaining to the Issuer therein in the form that has been presented to the Board at the meeting at which this Resolution was adopted; provided that, by adoption of this Resolution the Issuer does not accept responsibility for the content of the Official Statement except for the information specifically approved by this Section.

Section 1.8 - Execution and Delivery of Other Documents. The authorized representatives of the Issuer named in this Resolution each are authorized to execute, attest to, and to affix the Issuer'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 1.9 - Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit A** - Indenture
- Exhibit B** - Financing Agreement
- Exhibit C** - Tax Regulatory Agreement
- Exhibit D** - Bond Purchase Agreement
- Exhibit E** - Official Statement Issuer Information
- Exhibit F** - Ground Lease

Section 1.10 - Power to Revise Form of Documents. The authorized representatives of the Issuer named in this Resolution each are authorized to make or approve such revisions in the form of the documents attached as, in the judgment of such authorized representative or authorized representatives, and following consultation with McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, may be necessary or convenient to carry out or assist in carrying out the purpose of this Resolution; such approval to be evidenced by the execution of such documents by the authorized representatives of the Issuer named in this Resolution.

Section 1.11 - Authorized Representatives. The President, Vice President, Treasurer and Secretary and Manager are hereby named as authorized representatives of the Issuer for purposes of executing, attesting, affixing the Issuer's seal to, and delivering the documents and instruments referred to herein.

Section 1.12 - Meeting. The meeting was held on October 1, 2015 and a quorum was present. The meeting was held in accordance with the Issuer's bylaws.

ADOPTED: October 1, 2015

ATTEST: 
Jannette S. Goodall
Secretary

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
AUSTIN HOUSING FINANCE CORPORATION §

We, the undersigned officers of the Board of Directors of Austin Housing Finance Corporation, hereby certify as follows:

1. The Board of Directors of said corporation convened in REGULAR MEETING ON THE 1ST DAY OF OCTOBER, 2015, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted officers and members of said Board, to wit:

Steve Adler, President
Ora Houston, Member
Delia Garza, Member
Sabino Renteria, Member
Gregorio Casar, Member
Ann Kitchen, Member
Don Zimmerman, Member
Leslie Pool, Member
Ellen Troxclair, member
Kathie Tovo, Member
Sherrie Gallo, Member

and all of said persons were present, except the following absentees: None, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

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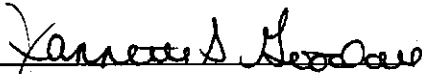
was duly introduced for the consideration of said Board and read in full. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried, with all members of said Board shown present above voting "Aye," except as follows:

NOES: 1

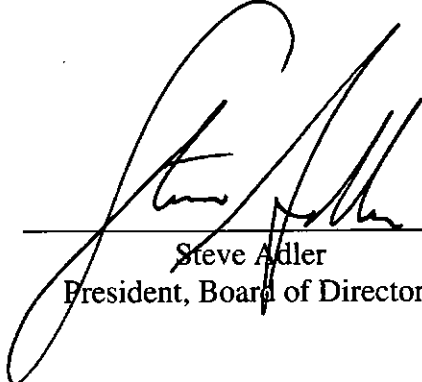
ABSTENTIONS: 0

2. A true, full and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; said Resolution has been duly recorded in said Board's minutes of said Meeting; the above and foregoing paragraph is a true, full and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose.

SIGNED the 1st day of October, 2015.



Jannette S. Goodall
Secretary, Board of Directors



Steve Adler
President, Board of Directors

Exhibit A

Indenture

TRUST INDENTURE

Dated as of October 1, 2015

between

AUSTIN HOUSING FINANCE CORPORATION,
as Issuer

and

WILMINGTON TRUST, NATIONAL ASSOCIATION
as Trustee

Relating to

\$ _____
Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project)
Series 2015

INDEX

(This Index is not a part of the Indenture
but rather is for convenience of reference only)

	<u>Page</u>
Preambles	1
Granting Clauses	1
 ARTICLE I DEFINITIONS	
Section 1.01 Definitions	3
Section 1.02 Interpretation	15
Section 1.03 Captions and Headings	15
Section 1.04 Content of Certificates and Opinions	16
 ARTICLE II AUTHORIZATION AND TERMS OF BONDS	
Section 2.01 Authorization and General Terms of Bonds	17
Section 2.02 Maturity and Interest	17
Section 2.03 Execution and Authentication of Bonds	17
Section 2.04 Source of Payment of Bonds	18
Section 2.05 Payment and Ownership of Bonds	18
Section 2.06 Registration and Transfer of Bonds; Restrictions on Transfer	19
Section 2.07 Mutilated, Lost, Wrongfully Taken or Destroyed Bonds	20
Section 2.08 Cancellation of Bonds	20
Section 2.09 Reserved	21
Section 2.10 Book-Entry Only System	21
Section 2.11 Delivery of the Bonds	22
 ARTICLE III REDEMPTION OF BONDS	
Section 3.01 Terms of Redemption of Bonds	23
Section 3.02 Reserved	23
Section 3.03 Notice of Redemption	23
Section 3.04 Payment of Redeemed Bonds	25
 ARTICLE IV REVENUES AND FUNDS	
Section 4.01 Creation of Funds	26
Section 4.02 Allocation of Bond Proceeds and Other Deposits	26

	<u>Page</u>
Section 4.03	Bond Fund27
Section 4.04	Project Fund.....27
Section 4.05	Costs of Issuance Fund.....28
Section 4.06	Collateral Fund.....28
Section 4.07	Completion of the Project.....28
Section 4.08	Expense Fund.....28
Section 4.09	Rebate Fund29
Section 4.10	Investment of Special Funds and Rebate Fund.....31
Section 4.11	Moneys to be Held in Trust32
Section 4.12	Valuation.....32
Section 4.13	Nonpresentment of Bonds.....33
Section 4.14	Repayment to the Borrower from the Bond Fund33

ARTICLE V THE TRUSTEE

Section 5.01	Standard of Care.....34
Section 5.02	Regarding the Trustee.....34
Section 5.03	Use of Proceeds.....38
Section 5.04	Trustee May Hold Bonds.....38
Section 5.05	Trust Imposed.....38
Section 5.06	Compensation of Trustee38
Section 5.07	Qualifications of Trustee.....40
Section 5.08	Merger of Trustee.....41
Section 5.09	Resignation by the Trustee41
Section 5.10	Removal of the Trustee41
Section 5.11	Appointment of Successor Trustee42
Section 5.12	Concerning Any Successor Trustee42
Section 5.13	Successor Trustee as Trustee, Paying Agent and Bond Registrar42
Section 5.14	Appointment of Co-Trustee or Separate Trustee.....43
Section 5.15	Notice of Certain Events.....44
Section 5.16	Filing of Financing Statements44

ARTICLE VI DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

Section 6.01	Defaults; Events of Default.....46
Section 6.02	Notice of Default.....46
Section 6.03	Acceleration47

	<u>Page</u>
Section 6.04	Other Remedies; Rights of Holders.....47
Section 6.05	Right of Holders to Direct Proceedings.....48
Section 6.06	Application of Moneys48
Section 6.07	Remedies Vested in Trustee50
Section 6.08	Rights and Remedies of Holders.....50
Section 6.09	Termination of Proceedings50
Section 6.10	Waivers of Events of Default51

ARTICLE VII SUPPLEMENTAL INDENTURES

Section 7.01	Supplemental Indentures Generally52
Section 7.02	Supplemental Indentures Not Requiring Consent of Holders.....52
Section 7.03	Supplemental Indentures Requiring Consent of Holders53
Section 7.04	Consent of Borrower and Mortgage Lender.....54
Section 7.05	Responsibilities of Trustee55
Section 7.06	Authorization to Trustee; Effect of Supplement55
Section 7.07	Opinion of Counsel.....55
Section 7.08	Modification by Unanimous Consent55

ARTICLE VIII DEFEASANCE

Section 8.01	Release of Indenture.....57
Section 8.02	Payment and Discharge of Bonds.....57
Section 8.03	Survival of Certain Provisions.....58

ARTICLE IX COVENANTS AND AGREEMENTS OF THE ISSUER

Section 9.01	Covenants and Agreements of the Issuer.....59
Section 9.02	Observance and Performance of Covenants, Agreements, Authority and Actions60
Section 9.03	Enforcement of Issuer's Obligations61

ARTICLE X AMENDMENTS TO FINANCING AGREEMENT, NOTE AND TAX REGULATORY AGREEMENT

Section 10.01	Amendments Not Requiring Consent of Holders62
Section 10.02	Amendments Requiring Consent of Holders.....62
Section 10.03	Opinion of Bond Counsel63

ARTICLE XI MEETINGS OF HOLDERS

Section 11.01	Purposes of Meetings64
---------------	------------------------------

	<u>Page</u>
Section 11.02	Call of Meetings64
Section 11.03	Voting64
Section 11.04	Meetings65
Section 11.05	Miscellaneous65

ARTICLE XII MISCELLANEOUS

Section 12.01	Limitation of Rights.....66
Section 12.02	Severability66
Section 12.03	Notices66
Section 12.04	Suspension of Mail and Courier Service.....67
Section 12.05	Payments Due on Saturdays, Sundays and Holidays.....67
Section 12.06	Instruments of Holders67
Section 12.07	Priority of this Indenture68
Section 12.08	Extent of Covenants; No Personal Liability68
Section 12.09	Binding Effect.....68
Section 12.10	Counterparts68
Section 12.11	Governing Law.....68
Section 12.12	HUD Loan Documents and Regulations Control69
Signatures S-1
Exhibit A - Bond Form.....	A-1
Exhibit B – Cash Flow Statement.....	B-1

TRUST INDENTURE

THIS TRUST INDENTURE dated as of October 1, 2015 (the "**Indenture**"), is made by and between the **AUSTIN HOUSING FINANCE CORPORATION** a public nonprofit housing finance corporation organized under the laws of the State of Texas (the "**Issuer**") and **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national banking association, with its designated corporate trust office located in Dallas, Texas, as Trustee (the "**Trustee**") under the circumstances summarized in the following recitals (the capitalized terms not defined in the recitals and granting clauses being used therein are defined in Article I hereof):

A. Pursuant to and in accordance with the laws of the State, including without limitation, the Act, the Issuer has determined to issue and sell the Bonds in the aggregate principal amount of \$_____ and to use the proceeds to be derived from the sale thereof to make a loan to the Borrower to assist in the financing of the Project to be undertaken by the Borrower;

B. The Bonds will be secured by this Indenture, and the Issuer is authorized to execute and deliver this Indenture and to do or cause to be done all acts provided or required herein to be performed on its part;

C. All acts and conditions required to happen, exist and be performed precedent to and in the issuance of the Bonds and the execution and delivery of this Indenture have happened, exist and have been performed, or at the delivery of the Bonds will exist, will have happened and will have been performed (i) to make the Bonds, when issued, delivered and authenticated, valid obligations of the Issuer in accordance with the terms thereof and hereof and (ii) to make this Indenture a valid, binding and legal trust agreement for the security of the Bonds in accordance with its terms; and

D. The Trustee has accepted the trusts created by this Indenture, and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of Bond Service Charges on the Bonds according to their true intent and meaning, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured and enforced, and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Bonds by the Holders, and for other good and valuable consideration, the receipt of which is acknowledged, the Issuer has executed and delivered this Indenture and absolutely assigns hereby to the Trustee (except Reserved Rights), and to its successors in trust, and its and their assigns, all right, title and interest of the Issuer in and to (i) the Revenues, including, without limitation, all Loan Payments, Collateral Payments and other amounts receivable by or on behalf of the Issuer under the Financing Agreement in respect of repayment of the Loan, (ii) the Special Funds, including all accounts in those Funds and all moneys deposited therein and the investment earnings on such moneys, (iii) subject to the provisions of the Bond Resolution, all right, title and interest of the Issuer in the proceeds derived from the sale of the Bonds, and any securities in which moneys in the Special Funds are invested, and (except for moneys required to be rebated to the United States of America under the Code) the proceeds derived therefrom, and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred, as and for additional security hereunder by the Issuer or by anyone in its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such

property at any and all times and to hold and apply the same subject to the terms of the Indenture, (iv) the Note and (v) the Financing Agreement, except for the Reserved Rights (the foregoing collectively referred to as the "Trust Estate"),

TO HAVE AND TO HOLD unto the Trustee and its successors in that trust and its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, and subject to the provisions hereof,

(a) except as provided otherwise herein, for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds issued or to be issued under and secured by this Indenture,

(b) for the enforcement of the payment of the principal of and interest on the Bonds, when payable, according to the true intent and meaning thereof and of this Indenture, and

(c) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this Indenture,

in each case, without preference, priority or distinction, as to lien or otherwise, of any one Bond over any other by reason of designation, number, date of the Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each Bond and all Bonds shall have the same right, lien and privilege under this Indenture and shall be secured equally and ratably hereby, it being intended that the lien and security of this Indenture shall take effect from the date hereof, without regard to the date of the actual issue, sale or disposition of the Bonds, as though upon that date all of the Bonds were actually issued, sold and delivered to purchasers for value; provided, however, that

(i) if the principal of the Bonds and the interest due or to become due thereon shall be well and truly paid, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the Outstanding Bonds shall have been paid and discharged in accordance with Article VIII hereof, and

(ii) if all of the covenants, agreements, obligations, terms and conditions of the Issuer under this Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee all sums of money due or to become due to them in accordance with the terms and provisions hereof,

(iii) this Indenture and the rights assigned hereby shall cease, determine and be void, except as provided in Section 8.03 hereof with respect to the survival of certain provisions hereof; otherwise, this Indenture shall be and remain in full force and effect.

It is declared that all Bonds issued hereunder and secured hereby are to be issued, authenticated and delivered, and that all Revenues assigned hereby are to be dealt with and disposed of under, upon and subject to, the terms, conditions, stipulations, covenants, agreements, obligations, trusts, uses and purposes provided in this Indenture. The Issuer has agreed and covenanted, and agrees and covenants with the Trustee and with each and all Holders, as follows:

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ARTICLE I
DEFINITIONS

Section 1.01 Definitions.

In addition to the words and terms defined elsewhere in this Indenture or by reference to the Financing Agreement, unless the context or use clearly indicates another meaning or intent:

"Act" means Texas Local Government Code, Chapter 394, 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 court or other legal authority 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.

"Additional Payments" means the amounts required to be paid by the Borrower pursuant to the provisions of Section 4.4 of the Financing Agreement.

"Administrative Expenses" means the Ordinary Trustee Fees and Expenses, the Dissemination Agent Fee and the Issuer Administration Fee.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authorized Attesting Officer" means the Secretary of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

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

"Authorized Denomination" means \$5,000, or any integral multiple of \$5,000 in excess thereof.

"Authorized Official" means the President or Vice President or Program Manager and any other officer or employee of the Issuer designated by certificate of any of the foregoing as authorized by the Issuer to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Official is an Authorized Official until such time as such provider files with it a written certificate identifying a different person or persons to act in such capacity.

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

"Beneficial Owner" means with respect to the Bonds, the Person owning the Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the right to receive payments and notices with respect to the Bonds held in a Book Entry System.

"Bond Fund" means the Bond Fund created in Section 4.01 hereof.

"Bond Payment Date" means each Interest Payment Date and any other date Bond Service Charges on the Bonds are due, whether at maturity, upon redemption, or acceleration or otherwise.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated _____, 2015, among the Underwriter, the Issuer and the Borrower.

"Bond Resolution" means the certain resolution relating to the issuance and sale of the Bonds, adopted by the Governing Body on October 1, 2015.

"Bond Service Charges" means, for any period or payable at any time, the principal of and interest on the Bonds for that period or payable at that time whether due at maturity or upon redemption, or acceleration.

"Bonds" means the Issuer's Multifamily Housing Revenue Bonds (The Timbers Apartments Project) Series 2015, authorized in the Bond Resolution and Section 2.01 hereof in an amount not to exceed \$8,000,000.

"Bond Counsel" means McCall, Parkhurst & Horton L.L.P. or other counsel nationally recognized as having an expertise in connection with the exclusion of interest on obligations of states and local governmental units from the gross income of owners thereof for federal income tax purposes.

"Bond Year" means each annual period of twelve months ending on October 1; provided; however, that the first annual period commences on the date of the original issuance and delivery of the Bonds and ends on October 1, 2016 and the last of which ends on the maturity of the Bonds.

"Book Entry Form" or "Book Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (a) physical Bond certificates in fully registered form are issued only to a Depository or its nominee, with the physical Bond certificates "immobilized" in the custody of the Depository and (b) the ownership of book entry interests in Bonds and Bond Service Charges thereon may be transferred only through a book entry made by others than the Issuer or the Trustee. The records maintained by others than the Issuer or the Trustee constitute the written record that identifies the owners, and records the transfer, of book entry interests in those Bonds and Bond Service Charges thereon.

"Borrower" means Timbers Clayton 104 Apartments, L.P., a Texas limited partnership, the General Partner of which is AHFC 1034 Clayton Lane Non-Profit Corporation, a Texas nonprofit corporation.

"Borrower Documents" means the Financing Documents and the Mortgage Loan Documents to which the Borrower is a party.

"Borrower's Tax Certificate" means the Borrower's Federal Tax Certificate delivered to the Issuer by the Borrower on the Closing Date in which the Borrower certifies to various facts relating to the Project that bear on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

"Business Day" means a day, other than a Saturday or a Sunday, on which (a) banking institutions in the City of Dallas, Texas or in the city in which the principal office of the Trustee is located are authorized or obligated by law or executive order to be closed, or (b) The New York Stock Exchange is closed.

"Cash Flow Projection" means a cash flow projection prepared by an independent firm of certified public accountants qualified and experienced in the preparation of cash flow projections for structured finance transactions similar to the Bonds, designated by the Borrower and acceptable to the Trustee, establishing, to the satisfaction of the Trustee, the sufficiency of (a) the amount on deposit in the Special Funds, (b) projected investment income to accrue on amounts on deposit in the Special Funds during the applicable period and (c) any additional Eligible Funds delivered to the Trustee by or on behalf of the Borrower to pay Bond Service Charges, in each instance, when due and payable, including, but not limited to, any cash flow projection prepared in connection with the initial issuance and delivery of the Bonds.

"City" means Austin, Texas.

"Closing Date" means October __, 2015.

"Code" means the Internal Revenue Code of 1986, as amended and in force and effect on the date hereof.

"Collateral Fund" means the Collateral Fund created in Section 4.01 hereof.

"Collateral Payments" means the amounts required to be paid by the Mortgage Lender, for the benefit of the Borrower in respect to the repayment of the Loan, to the Trustee for deposit into the Collateral Fund pursuant to Section 4.2 of the Financing Agreement and the Funding Agreement and Section 4.06 hereof as a prerequisite to the advance of money in the Project Fund.

"Completion Certificate" means the certificate attached as Exhibit C to the Financing Agreement.

"Completion Date" has the meaning set forth in the Completion Certificate.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Conditional Redemption" shall have the meaning set forth in Section 3.03 hereof.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of the date hereof between the Borrower and the Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Controlling Holders" means in the case of consent or direction to be given hereunder, the Holders of the majority in aggregate principal amount of the Outstanding Bonds.

"Controlling HUD and GNMA Requirements" means the National Housing Act and any applicable HUD or GNMA regulations, and related HUD or GNMA administrative requirements and prohibitions.

"Costs of Issuance" means the "issuance costs" with respect to the Bonds within the meaning of Section 147(g) of the Code.

"Costs of Issuance Fund" means the Costs of Issuance Fund created in Section 4.01 hereof.

"Depository" means, with respect to the Bonds, DTC, until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under a federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds or Bond Service Charges thereon, and to effect transfers of book entry interests in Bonds.

"Designated Office" of the Trustee means the office of the Trustee at the Notice Address set forth in this Section 1.01 or at such other address as may be specified in writing by the Trustee as provided in Section 12.03.

"Designated Operations Office" of the Trustee means Wilmington Trust, National Association, Rodney Square North, 1100 N. Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Operations, or such other office as may be specified in writing by the Trustee according to the provisions described in Section 12.03.

"Dissemination Agent" means Wilmington Trust, National Association, or any successor, as Dissemination Agent under the Continuing Disclosure Agreement.

"Dissemination Agent Fee" means the fee payable to the Dissemination Agent as compensation for its services and expenses in performing its obligations under the Continuing Disclosure Agreement.

"DTC" means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

"DTC Participant" means any participant contracting with DTC under its book entry system and includes securities brokers and dealers, banks and trust companies and clearing corporations.

"Eligible Funds" means, as of any date of determination, any of:

- (a) the proceeds of the Bonds;
- (b) moneys received by the Trustee from the Mortgage Lender as Collateral Payments;
- (c) any supplemental purchase price of the Bonds received from the Underwriter or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer);
- (d) the Underwriter's Premium;
- (e) any other amounts, including the proceeds of refunding bonds, for which, in each case, the Trustee has received an Opinion of Counsel (which opinion may assume that no Holder or Beneficial Owner of Bonds is an "insider" within the meaning of the Bankruptcy Code) to the effect that (A) the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court and (B) payments of such amounts to Holders would not be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;
- (f) any payments made by the Borrower and held by the Trustee for a continuous period of 123 days, provided that no Act of Bankruptcy has occurred during such period; and
- (g) investment income derived from the investment of the moneys described in (a) through (f).

"Eligible Investments" means:

- (a) Government Obligations; or
- (b) Money market funds rated AAAM by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended, which may be administered by the Trustee or its affiliates.

"Event of Default" means any of the events described as an Event of Default in Section 6.01 hereof or Section 7.1 of the Financing Agreement.

"Expense Fund" means the Expense Fund created in Section 4.01 hereof.

"Extraordinary Issuer Fees and Expenses" means the expenses and disbursements payable to the Issuer under this Indenture for Extraordinary Services and Extraordinary Expenses, including extraordinary fees, costs and expenses incurred by Bond Counsel and counsel to the Issuer which are to be paid by the Borrower pursuant to Section 4.4 of the Financing Agreement.

"Extraordinary Services" and "Extraordinary Expenses" mean all services rendered and all reasonable expenses properly incurred by the Trustee or the Issuer under this Indenture, other than Ordinary Services and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include but are not limited to services rendered or expenses incurred by the Trustee or the Issuer in connection with, or in contemplation of, an Event of Default.

"Extraordinary Trustee Fees and Expenses" means the expenses and disbursements payable to the Trustee under this Indenture for Extraordinary Services and Extraordinary Expenses, including extraordinary fees, costs and expenses incurred by Bond Counsel and counsel to the Issuer which are to be paid by the Borrower pursuant to Section 4.4 of the Financing Agreement.

"Federal Tax Status" means, as to the Bonds, the status of the interest on the Bonds as excludible from gross income for federal income tax purposes of the Holders of the Bonds (except on Bonds while held by a substantial user or related person, each as defined in the Code).

"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 Commitment" means the Commitment for Insurance of Advances issued by FHA with respect to FHA Insurance on the Mortgage Loan, as the same may be amended.

"FHA Insurance" means the insurance of the Mortgage Note by FHA pursuant to Section 223(f) of the National Housing Act, as amended.

"Financing Agreement" means the Financing Agreement dated as of even date with this Indenture, between the Issuer and the Borrower, and assigned by the Issuer, except for Reserved Rights, to the Trustee, as amended or supplemented from time to time.

"Financing Documents" means this Indenture, the Bonds, the Financing Agreement, the Note, the Funding Agreement, the Tax Certificate, the Tax Regulatory Agreement, 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 Mortgage Loan Documents.

"Fiscal Year" means, with respect to a Person, that period beginning on January 1 of each year and ending on December 31 of that year or such other fiscal year as shall be designated by such Person as its annual accounting period.

"Force Majeure" means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 of the Financing Agreement.

"Funding Agreement" means the Loan Funding Agreement dated as of October 1, 2015, by and among the Borrower and the Mortgage Lender, as amended, supplemented or restated from time to time, relating to the funding of Mortgage Loan advances with proceeds of the Bonds in exchange for Collateral Payments.

"GAAP" means generally accepted accounting principles applied on a consistent basis.

"GNMA" 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.

"GNMA Certificate" means a mortgage backed security issued by the Lender, guaranteed as to timely payment of principal and interest by GNMA pursuant to the National Housing Act and the regulations thereunder, and issued with respect to and backed by the Mortgage Loan.

"GNMA Documents" means any GNMA Certificate, the commitment issued by GNMA to the Lender to guarantee the GNMA Certificate and all other documents, certifications and assurances executed and delivered by the Lender, GNMA or the Borrower in connection with the GNMA Certificate.

"Governing Body" means the Board of Directors of the Issuer.

"Government" shall mean the government of the United States of America, the government of any other nation, any political subdivision of the United States of America or any other nation (including, without limitation, any state, territory, federal district, municipality or possession) and any department, agency or instrumentality thereof; and **"Governmental"** shall mean of, by, or pertaining to any Government.

"Government Obligations" means direct obligations of the United States of America (including, without limitation, obligations issued or held in book-entry form on the books of the Department of Treasury and United States Treasury Securities - State and Local Government Series), and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the United States of America.

"Gross Proceeds" means any proceeds, as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds, as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

"Holder" or **"Holder of a Bond"** means the Person in whose name a Bond is registered on the Register.

"HUD" means the United States Department of Housing and Urban Development.

"HUD Regulatory Agreement" means the Regulatory Agreement for Multifamily Projects between the Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

"Indenture" means this Trust Indenture, dated as of October 1, 2015, between the Issuer and the Trustee, as amended or supplemented from time to time.

"Independent" when used with respect to a specified Person means such Person has no specific financial interest direct or indirect in any Borrower or any Affiliate of any Borrower and in the case of an individual is not a director, trustee, officer, partner or employee of any Borrower or any Affiliate of any Borrower and in the case of an entity, does not have a partner, director, trustee, officer, partner or employee who is a director, trustee, officer or employee of any partner of any Borrower or any Affiliate of any Borrower.

"Initial Bond" means the initial Bond registered by the Comptroller of Public Accounts of the State of Texas, and subsequently cancelled and replaced by definitive Bond(s) pursuant to this Indenture.

"Initial Borrower Deposit" means funds in the amount of \$_____ provided by or on behalf of the Borrower, which are to be deposited as provided in Section 4.02(b).

"Initial Deposit" means funds in the amount of \$_____ from the Underwriter's Premium paid on the Closing Date for deposit by the Trustee to the Negative Arbitrage Account of the Bond Fund as provided in Section 4.02(b).

"Interest Payment Date" means (a) April 1 and October 1 of each year beginning April 1, 2016, (b) each Redemption Date, (c) the Maturity Date and (d) the date of acceleration of the Bonds. In the case of payment of defaulted interest, "Interest Payment Date" also means the date of such payment established pursuant to Section 2.05.

"Interest Period" means, initially, the period from the Closing Date to but not including April 1, 2016, and thereafter, the period commencing on each succeeding Interest Payment Date and ending on the last day of the month preceding the next Interest Payment Date.

"Interest Rate" means ____%.

"Investor Partner" means _____, an affiliate of Aegon, its permitted successors and assigns.

"Issuer" means the Austin Housing Finance Corporation, a public nonprofit housing finance corporation organized under the laws of the State of Texas, or its successor.

"Issuer Administration Fee" means the annual prorated amount payable January 20 of each year beginning January 20, 2016 to the Issuer for its ordinary monitoring fees and expenses under the Indenture 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..

"Issuer Documents" means the Financing Documents to which the Issuer is a party.

"Issuer Fees and Expenses" means collectively, the Issuer Administration Fee and the Extraordinary Issuer Fees and Expenses.

"Loan" means the loan financed by the Issuer to the Borrower of the proceeds received from the sale of the Bonds.

"Loan Payments" means the amounts required to be paid by the Borrower in repayment of the Loan pursuant to the provisions of the Note and Section 4.1 of the Financing Agreement.

"Local Time" means Central time (daylight or standard, as applicable) in Austin, Texas.

"Maturity Date" means _____.

"Maximum Interest Rate" means the interest rate equal to the lesser of: (a) 12% per annum, or (b) the maximum interest rate per annum permitted by applicable State law.

"Minimum Trustee Rating" means a long term rating of the Trustee's unsecured obligations with maturities in excess of one year of not less than "A" by S&P, or, if the Trustee does not have such a rating from S&P, it must have a minimum rating of its unsecured obligations with maturities of one year or less of "A-1" from S&P.

"Mortgage" means the Deed of Trust from the Borrower in favor of the Mortgage Lender, as the same may be supplemented, amended or modified.

"Mortgage Lender" means Dougherty Mortgage LLC, a Delaware limited liability company, its successors and assigns.

"Mortgage Loan" means the loan in the original principal amount of \$_____ from the Mortgage 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 Mortgage Lender and/or HUD in connection with the Mortgage Loan.

"Mortgage Note" means the Mortgage Note of the Borrower payable to the order of the Mortgage Lender, as the same may be supplemented, amended, or modified.

"Negative Arbitrage Account" means the Negative Arbitrage Account of the Bond Fund created in Section 4.01 hereof.

"Nonpurpose Investments" means any investment property (as defined in Section 148(b) of the Code) that is acquired with the Gross Proceeds of the Bonds and which is not acquired to carry out the governmental purpose of the Bonds.

"Note" means the promissory note of the Borrower, dated as of even date with the Bonds initially issued, in the form attached to the Financing Agreement as Exhibit A and in the principal amount of up to \$_____, evidencing the obligation of the Borrower to make Loan Payments.

"Notice Address" means:

To the Issuer: Austin Housing Finance Corporation
P.O. Box 1088
Austin, Texas 78767
Attention: Program Manager
Telephone: 512-974-3192
Facsimile: 512-974-3161

To the Trustee: Wilmington Trust, National Association
15950 N. Dallas Parkway, Suite 550
Dallas, Texas 75248
Attention: Dayna Smith
Telephone: (972) 383-3154
Facsimile: (972) 385-0844

To the Borrower: Timbers Clayton 104 Apartments, L.P
29700 Woodford –Tenahapi
Keave, CA 9331
Attention: Paul Parcel
Telephone: (213) 362-0260
Facsimile: (213) 362-0265

With a copy to: Coats Rose
901 S. Mopac Blvd
Building 1, Suite 500
Austin, TX 78746
Attention: Scott Marks

To the Mortgage Lender: Dougherty Mortgage LLC
90 South 7th Street, Suite 4300
Minneapolis, Minnesota 55402-4108
Attn: FHA Servicing
Phone: 612-317-2124

To the Rating Agency: Standard & Poor's Ratings Services
38th Floor, 55 Water Street
New York, NY 10041-0003
Attention: Public Finance Surveillance
Electronic notices shall be delivered to:
Pubfin_structured@standardandpoors.com

To the Investor Partner: _____

Attention: _____

With a copy to: _____

Attention: _____

or such additional or different address, notice of which is given under Section 12.03 hereof.

"Opinion of Bond Counsel" means an opinion of Bond Counsel.

"Opinion of Counsel" means an opinion from an attorney or firm of attorneys, acceptable to the Trustee, with experience in the matters to be covered in the opinion.

"Ordinary Services" and **"Ordinary Expenses"** mean those services normally rendered, and those expenses normally incurred, by a trustee under instruments similar to this Indenture.

"Ordinary Trustee Fees and Expenses" means amounts due to the Trustee for the Ordinary Services and the Ordinary Expenses of the Trustee incurred in connection with its duties under the Indenture, payable annually in advance beginning on the Closing Date and on each annual anniversary thereafter while the Bonds are outstanding in an annual amount equal to

\$3,500; provided, however, the amount of Ordinary Trustee Fees and Expenses payable under this Indenture is limited to moneys withdrawn from the Expense Fund and the Borrower will be responsible to pay the remaining amount of the Ordinary Trustee Fees and Expenses pursuant to Section 4.4 of the Financing Agreement. In addition, all amounts due to the Trustee for Extraordinary Services and all Extraordinary Expenses of the Trustee will be paid directly by the Borrower pursuant to Section 4.4 of the Financing Agreement. Additionally provided, however, that the first year Ordinary Trustee Fees and Expenses and the acceptance fee shall be paid on the Closing Date.

"Organizational Documents" means the Partnership Agreement of the Borrower.

"Outstanding Bonds," "Bonds outstanding" or "outstanding" as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under this Indenture, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment on or prior to that date;

(b) Bonds, or the portion thereof, for the payment or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee on or prior to that date for that purpose (whether upon or prior to the maturity of those Bonds);

(c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of this Indenture; and

(d) Bonds in lieu of which others have been authenticated under Section 2.07 of this Indenture.

"Person" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons.

"Plans and Specifications" means the plans and specifications describing the Project as now prepared and as they may be changed as provided in the Financing Agreement or the Mortgage Loan Documents.

"Portfolio Securities" shall have the meaning set forth in Section 4.10 hereof.

"Predecessor Bond" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by the particular Bond. For the purposes of this definition, any Bond authenticated and delivered under Section 2.07 of this Indenture in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in Section 2.07, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

"Project" means the 104-unit residential rental housing project located in Austin, Texas known as The Timbers Apartments Project.

"Project Costs" means the costs of the Project specified in Section 3.6 of the Financing Agreement.

"Project Fund" means the Project Fund created in Section 4.01 hereof.

"Project Purposes" means the making of a loan to finance the Project in accordance with the Act.

"Qualified Project Period" shall have the meaning ascribed to such term in the Tax Regulatory Agreement.

"Rating Agency" means any national rating agency then maintaining a rating on the Bonds, and initially means S&P.

"Rating Category" means one of the generic rating categories of the Rating Agency.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Rebate Analyst" means a certified public accountant, financial analyst or attorney, or any firm of the foregoing, or a financial institution experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code and retained by the Borrower.

"Rebate Analyst Fee" means a fee paid or payable to the Rebate Analyst for each rebate calculation.

"Rebate Fund" means the Rebate Fund created in Section 4.01 hereof.

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

"Register" means the books kept and maintained by the Trustee for registration and transfer of Bonds pursuant to Section 2.06 hereof.

"Regular Record Date" means, with respect to any Bond, the fifteenth day of the calendar month next preceding each Interest Payment Date.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amended or replace the specific Regulation referenced.

"Reserved Rights" of the Issuer means (a) the right of the Issuer to amounts payable to it pursuant to Section 4.4 of the Financing Agreement, (b) all rights which the Issuer or its officers, officials, agents or employees may have under this Indenture and the Financing Documents to indemnification by the Borrower and by any other persons and to payments for expenses incurred by the Issuer itself, or its officers, officials, agents or employees; (c) the right of the Issuer to receive notices, reports or other information, make determinations and grant approvals hereunder and under the other Financing Documents; (d) all rights of the Issuer to enforce the representations, warranties, covenants and agreements of the Borrower pertaining in any manner or way, directly or indirectly, to the requirements of the Act or of the Issuer, and set forth in any of the Financing Documents or in any other certificate or agreement executed by the Borrower; (e) all rights of the Issuer in connection with any amendment to or modification of the Financing Documents; and (f) all enforcement remedies with respect to the foregoing.

"Revenues" means (a) the Loan Payments, (b) the Collateral Payments, (c) all other moneys received or to be received by the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (d) any moneys and investments in the Project Fund and the Collateral Fund, and (e) all income and profit from the investment of the foregoing moneys. The term "*Revenues*" does not include any moneys or investments in the Rebate Fund.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and its successors and assigns, or if it shall for any reason no longer perform the functions of a securities rating agency, then any other nationally recognized rating agency designated by the Borrower and acceptable to the Trustee.

"Special Funds" means, collectively, the Bond Fund, the Project Fund and the Collateral Fund, and any accounts therein, all as created in this Indenture.

"Special Partner" means Timbers North 104, LLC, a Texas limited liability company, its permitted successors and assigns.

"Special Record Date" means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest or principal on that Bond.

"State" means the State of Texas.

"Supplemental Indenture" means any indenture supplemental to this Indenture entered into between the Issuer and the Trustee in accordance with Article VII hereof.

"Surplus Cash" has the meaning specified in the HUD Regulatory Agreement.

"Tax Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of even date with this Indenture, among the Issuer, the Trustee and the Borrower.

"Trust Estate" means the property rights, money, securities and other amounts pledged and assigned to the Trustee hereunder pursuant to the Granting Clauses hereof.

"Trustee" means Wilmington Trust, National Association, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, "Trustee" shall mean the successor Trustee.

"Underwriter" means Dougherty & Company LLC.

"Underwriter's Premium" means an amount equal to the Initial Deposit paid by the Underwriter to the Issuer in excess of the par public offering price of the Bonds pursuant to the Bond Purchase Agreement.

"Yield" of (1) any investment has the meaning set forth in Section 1.148-5 of the Regulations, and (2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

Section 1.02 Interpretation.

Any reference herein to the Issuer, to the Governing Body or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions. Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Texas statutes, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this paragraph, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Holders, the Trustee or the Borrower under the Bond Resolution, the Bonds, the Financing Documents or any other instrument or document entered into in connection with any of the foregoing, including without limitation, any alteration of the obligation to pay Bond Service Charges in the amount and manner, at the times, and from the sources provided in the Bond Resolution and this Indenture, except as permitted herein.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa. The terms "hereof," "hereby," "herein," "hereto," "hereunder," "hereinafter" and similar terms refer to this Indenture; and the term "hereafter" means after, and the term "heretofore" means before, the date of this Indenture. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.03 Captions and Headings.

The captions and headings in this Indenture are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

Section 1.04 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 Official of the Issuer or Authorized Borrower Representative 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 Authorized Official of the Issuer or Authorized Borrower Representative, 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 Authorized Official of the Issuer or Authorized Borrower Representative, 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.

(End of Article I)

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

Section 2.01 Authorization and General Terms of Bonds.

(a) **Issuance of Bonds.** It is determined to be necessary to, and the Issuer shall, issue, sell and deliver up to \$8,000,000 principal amount of Bonds for the Project Purposes. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total authorized principal amount of Bonds which may be issued under the provisions of this Indenture is \$_____.

(b) **General Terms.** The Bonds shall be designated "**Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (The Timbers Apartments Project) Series 2015;**" shall be in substantially the form as set forth in Exhibit A to this Indenture; shall be numbered from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Trustee, except the Initial Bond shall be numbered T-1; shall be in Authorized Denominations; and shall be dated the Closing Date, except the Initial Bond which shall be dated October 1, 2015.

(c) **Registered Form.** All Bonds, unless a Supplemental Indenture shall have been executed and delivered pursuant to Section 7.02 hereof, shall be in fully registered form, and, except as provided in Section 2.06 hereof, the Holder of a Bond shall be regarded as the absolute owner thereof for all purposes of this Indenture.

(d) **Further Details.** The Bonds shall be negotiable instruments in accordance with the Act, and shall express the purpose for which they are issued and any other statements or legends which may be required by law. Each Bond shall be of a single maturity, unless the Trustee shall approve the authentication and delivery of a Bond of more than one maturity.

Section 2.02 Maturity and Interest.

(a) **General.** The Bonds shall bear interest on the principal amount Outstanding from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or provided for, from the Closing Date, payable on each Interest Payment Date. The Bonds shall bear interest for each Interest Period at the Interest Rate. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds shall mature on the Maturity Date, subject to prior redemption as set forth in Section 3.01 hereof.

Section 2.03 Execution and Authentication of Bonds.

Unless otherwise provided in the Bond Resolution or a Supplemental Indenture, each Bond shall be signed by the President or Vice President of the Issuer and attested by the Secretary or Assistant Secretary of the Issuer in their official capacities (provided that any or all of those signatures may be facsimiles). In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be that officer before the issuance of the Bond, such signature or the facsimile thereof nevertheless shall be valid and sufficient for all purposes, the same as if he or she had remained in office until that time. Any Bond may be executed on behalf of the Issuer by an officer who, on the date of execution is the proper officer, although on the date of the Bond that person was not the proper officer.

No Bond shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Indenture unless and until a certificate of authentication, substantially in the form set forth in Exhibit A to this Indenture, has been signed by the Trustee. The authentication by the Trustee upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and is entitled to the security and benefit of this Indenture. The certificate of the Trustee may be executed by any person authorized by the Trustee, but it shall not be necessary that the same authorized person sign the certificates of authentication on all of the Bonds. In lieu of the certificate of authentication of the Trustee, the Initial Bond shall contain the Registration Certificate of the Comptroller of Public Accounts of the State of Texas substantially in the form set forth in Exhibit A hereto. Upon receipt of the Initial Bond by the Issuer, with the registration certificate thereon so executed, the Issuer shall deliver such Initial Bond to the Trustee. The Trustee, upon satisfaction of the conditions specified below in Section 2.11, shall cancel the Initial Bond and shall deliver the Bonds to the initial purchasers thereof or their designee, in substitution of the Initial Bond.

Section 2.04 Source of Payment of Bonds.

THE BONDS AND THE BOND SERVICE CHARGES ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE. THE BONDS ARE NOT A DEBT OR OTHER OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), ANY OFFICER, DIRECTOR OR MEMBER OF THE ISSUER, AUSTIN, TEXAS OR THE STATE OF TEXAS, OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, ANY OFFICER, DIRECTOR OR MEMBER OF THE ISSUER, AUSTIN, TEXAS OR THE STATE OF TEXAS. THE BONDS SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER OR AUSTIN, TEXAS OR ANY OFFICER, DIRECTOR OR MEMBER OF THE ISSUER OR AUSTIN, TEXAS, BUT SHALL BE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED THEREIN AND IN THE INDENTURE, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER. THE BONDS ARE ISSUED UNDER CHAPTER 394, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED. THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR ANY PREMIUM OR INTEREST ON THE BONDS AND THE FULL FAITH AND CREDIT AND THE TAXING POWER OF THE STATE OF TEXAS ARE NOT PLEDGED, GIVEN, OR LOANED TO THE PAYMENT OF THE BONDS.

Section 2.05 Payment and Ownership of Bonds.

Bond Service Charges shall be payable in lawful money of the United States of America without deduction for the services of the Trustee. Subject to the provisions of Sections 2.09 and 2.10 of this Indenture, (a) the principal of any Bond shall be payable when due to a Holder upon presentation and surrender of such Bond at the Designated Operations Office of the Trustee, and (b) interest on any Bond shall be paid on each Interest Payment Date by check or draft which the Trustee shall cause to be mailed on that date to the Person in whose name the Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date applicable to that Interest Payment Date on the Register at the address appearing therein.

If and to the extent, however, that the Issuer shall fail to make payment or provision for payment of interest on any Bond on any Interest Payment Date, that interest shall cease to be payable to the Person who was the Holder of that Bond (or of one or more Predecessor Bonds)

as of the applicable Regular Record Date. In that event, except as provided below in this Section, when moneys become available for payment of the interest, (a) the Trustee shall, pursuant to Section 6.06(d), establish a Special Record Date for the payment of that interest which shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (b) the Trustee shall cause notice of the proposed payment and of the Special Record Date to be mailed by first-class mail, postage prepaid, to each Holder at its address as it appears on the Register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable to the Persons who are the Holders of the Bonds (or their respective Predecessor Bonds) at the close of business on the Special Record Date.

Subject to the foregoing, each Bond delivered under this Indenture upon transfer thereof, or in exchange for or in replacement of any other Bond, shall carry the rights to interest accrued and unpaid, and to accrue on that Bond, or which were carried by that Bond.

Except as provided in this Section and the first paragraph of Section 2.07 hereof, (a) the Holder of any Bond shall be deemed and regarded as the absolute owner thereof for all purposes of this Indenture, (b) payment of or on account of the Bond Service Charges on any Bond shall be made only to or upon the order of that Holder or its duly authorized attorney in the manner permitted by this Indenture, and (c) neither the Issuer nor the Trustee shall, to the extent permitted by law, be affected by notice to the contrary. All of those payments shall be valid and effective to satisfy and discharge the liability upon that Bond, including without limitation, the interest thereon, to the extent of the amount or amounts so paid. Notwithstanding anything to the contrary herein or in any of the Borrower Documents, the Trustee is authorized to use funds on deposit in the Special Funds, as and when provided, to pay principal and interest on the Bonds when due.

Section 2.06 Registration and Transfer of Bonds; Restrictions on Transfer.

So long as any of the Bonds remain Outstanding, the registration and transfer of Bonds, as provided in this Indenture, will be maintained and kept at the Designated Operations Office of the Trustee.

Subject to the provisions set forth above and in Section 2.07 hereof, any Bond may be transferred upon the Register, upon presentation and surrender thereof at the Designated Office of the Trustee, together with an assignment duly executed by the Holder or its duly authorized attorney in any form which shall be satisfactory to the Trustee. Upon transfer of any Bond and on request of the Trustee, the Issuer shall execute in the name of the transferee, and the Trustee shall authenticate and deliver, a new Bond or Bonds, of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds presented and surrendered for transfer.

In all cases in which Bonds shall be transferred hereunder, the Issuer shall execute, and the Trustee shall authenticate and deliver, Bonds in accordance with the provisions of this Indenture. The transfer shall be made without charge; provided, that the Issuer and the Trustee may make a charge for every exchange or transfer of Bonds sufficient to reimburse them for any tax or excise required to be paid with respect to the transfer. The charge shall be paid before a new Bond is delivered.

All Bonds issued upon any transfer of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bonds surrendered upon transfer.

Section 2.07 Mutilated, Lost, Wrongfully Taken or Destroyed Bonds.

If any Bond is mutilated, lost, wrongfully taken or destroyed, in the absence of written notice to the Issuer or the Trustee that a lost, wrongfully taken or destroyed Bond has been acquired by a bona fide purchaser, the Issuer shall execute, and the Trustee shall authenticate and deliver, a new Bond of like date, maturity and denomination as the Bond mutilated, lost, wrongfully taken or destroyed; provided, that (a) in the case of any mutilated Bond, the mutilated Bond first shall be surrendered to the Trustee, and (b) in the case of any lost, wrongfully taken or destroyed Bond, there first shall be furnished to the Trustee and the Issuer evidence of the loss, wrongful taking or destruction satisfactory to the Trustee, together with indemnity satisfactory to the Authorized Borrower Representative, the Trustee and the Authorized Official.

If any lost, wrongfully taken or destroyed Bond shall have matured, instead of issuing a new Bond, the Issuer may direct the Trustee to pay that Bond without surrender thereof upon the furnishing of satisfactory evidence and indemnity as in the case of issuance of a new Bond. The Issuer and the Trustee may charge the Holder of a mutilated, lost, wrongfully taken or destroyed Bond their reasonable fees and expenses in connection with their actions pursuant to this Section.

Every new Bond issued pursuant to this Section by reason of any Bond being mutilated, lost, wrongfully taken or destroyed (a) shall constitute, to the extent of the Outstanding principal amount of the Bond lost, mutilated, taken or destroyed, an additional contractual obligation of the Issuer, regardless of whether the mutilated, lost, wrongfully taken or destroyed Bond shall be enforceable at any time by anyone and (b) shall be entitled to all of the benefits of this Indenture equally and proportionately with any and all other Bonds issued and Outstanding hereunder.

All Bonds shall be held and owned on the express condition that the foregoing provisions of this Section are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed Bonds and, to the extent permitted by law, shall preclude any and all other rights and remedies with respect to the replacement or payment of negotiable instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary now existing or enacted hereafter.

Section 2.08 Cancellation of Bonds.

Any Bond surrendered pursuant to this Article for the purpose of payment or retirement or for exchange, replacement or transfer shall be cancelled upon presentation and surrender thereof to the Trustee.

Notwithstanding any provision of this Indenture to the contrary, the Issuer, or the Borrower on behalf of the Issuer, may deliver at any time to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder, which the Issuer or the Borrower may have acquired in any manner whatsoever. All Bonds so delivered shall be cancelled promptly by the Trustee. Certification of the surrender and cancellation shall be made to the Issuer by the Trustee upon the request of the Issuer. Unless otherwise directed by the Issuer, cancelled Bonds shall be retained and stored by the Trustee for a period of four years after their cancellation. Should the Trustee destroy cancelled Bonds, it shall provide certificates describing the destruction of cancelled Bonds to the Issuer.

Section 2.09 Reserved.

Section 2.10 Book-Entry Only System.

Notwithstanding any provision of this Indenture to the contrary, the Issuer may direct that all Bonds issued hereunder shall be initially issued in a Book Entry System, registered in the name of a Depository or its nominee as registered owner of the Bonds, and held in the custody of that Depository. Unless otherwise requested by a Depository, a single certificate will be issued and delivered to the Depository for each maturity of Bonds. Beneficial Owners of Bonds in a Book Entry System will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as a Depository shall continue to serve as securities depository for the Bonds as provided herein, all transfers of Beneficial Ownership Interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring Beneficial Ownership Interests of Bonds is to receive, hold or deliver any Bond certificate; provided; that, if a Depository fails or refuses to act as securities depository for the Bonds, the Issuer shall take the actions necessary to provide for the issuance of Bond certificates to the Holders of such Bonds.

With respect to Bonds registered in the name of a Depository, the Issuer, the Borrower and the Trustee shall have no responsibility or obligation to any participant therein or to any Person on whose behalf any participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the Issuer, the Borrower nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of the Depository or any participant therein or any other Person, other than a registered owner of the Bonds, as shown on the registration books, or any notice with respect to the Bonds or (b) the payment to any participant in the Depository or any other Person, other than a registered owner of the Bonds, as shown in the Register, of any amount with respect to principal of or interest on or purchase price of the Bonds.

Replacement Bonds may be issued directly to Beneficial Owners of Bonds other than a Depository, or its nominee, but only in the event that (a) the Depository determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Issuer and the Trustee); or (b) the Issuer has advised a Depository of its determination (which determination is conclusive as to the Depository and Beneficial Owners of the Bonds) that the Depository is incapable of discharging its duties as securities depository for the Bonds; or (c) the Issuer has determined (which determination is conclusive as to the Depository and the Beneficial Owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Issuer and the Borrower shall use commercially reasonable efforts to attempt to locate another qualified securities depository. If the Issuer and the Borrower fail to locate another qualified securities depository to replace the Depository, the Issuer and the Borrower, at the Borrower's expense, shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the Beneficial Owners of the Bonds. In the event that the Issuer makes the determination noted in (b) or (c) above (provided that the Issuer undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Issuer to make any such determination), and has made provisions to notify the Beneficial Owners of Bonds of such determination by mailing an appropriate notice to the Depository, it and the Borrower shall cause to be issued replacement Bonds in certificate form to Beneficial Owners of the Bonds as shown on the records of the Depository provided to the Issuer.

Upon the written consent of 100% of the Beneficial Owners of the Bonds, the Trustee shall withdraw the Bonds from any Depository and authenticate and deliver Bonds fully registered to the assignees of that Depository or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the persons requesting such withdrawal, authentication and delivery; otherwise such withdrawal, authentication and delivery shall be at the cost and expense of the Borrower.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at a Depository, (a) the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect and (b) delivery of the Bonds will be in accordance with arrangements among the Issuer, the Trustee and the Depository notwithstanding any provision of this Indenture to the contrary.

The Trustee and the Issuer shall enter into any letter of representation with a Depository to implement the Book Entry System of Bond registration described above.

Section 2.11 Delivery of the Bonds.

Prior to or simultaneously with the delivery of any Bonds against payment therefor, the Trustee shall have received or shall receive the following:

- (a) a certified copy of the Bond Resolution;
- (b) executed counterparts of this Indenture and the other Financing Documents specifically set forth in the definition of Financing Documents;
- (c) an Opinion of Bond Counsel substantially to the effect that the Bonds constitute legal, valid and binding 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 Project or a "related person," as those terms are defined for purposes of Section 147(a) of the Code;
- (d) funds the Trustee is required to receive for deposit pursuant to Section 4.02 hereof;
- (e) a Collateral Payment in the amount of \$_____;
- (f) written evidence that the Bonds have been rated AA+ by the Rating Agency; and
- (g) 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.

(End of Article II)

ARTICLE III

REDEMPTION OF BONDS

Section 3.01 Terms of Redemption of Bonds.

Optional Redemption. The Bonds are subject to optional redemption; in whole but not in part, on and after [] 1, 20] from a prepayment of the Note at a price equal to the principal amount of the Bonds so redeemed plus accrued interest on such principal to the Redemption Date (the "Redemption Price"). Notwithstanding the foregoing, the Note shall not be subject to prepayment and the Bonds shall not be subject to optional redemption unless there shall be in place at the time the Trustee gives the notice of redemption arrangements enabling the Trustee to liquidate on or prior to the Redemption Date the Portfolio Securities and any other Eligible Investments on deposit in the Project Fund, the Collateral Fund or the Bond Fund , without need for further investment, for an aggregate amount of money sufficient to pay the Redemption Price of the Bonds on the date fixed for redemption.

Section 3.02 Reserved.

Section 3.03 Notice of Redemption.

Unless waived by any Holder of Bonds to be redeemed, official notice of redemption shall be given by the Trustee on behalf of the Issuer by mailing a copy of an official redemption notice by first class mail, postage prepaid, to the Holder of each Bond to be redeemed, at the address of such Holder shown on the Register at the opening of business on the fifth day prior to such mailing, not less than 20 days nor more than 30 days prior to the date fixed for redemption. A second notice of redemption shall be given, as soon as practicable, by first class mail to the Holder of each Bond which has been so called for redemption but has not been presented and surrendered to the Trustee within 60 days following the date fixed for redemption of that Bond.

All official notices of redemption shall be dated and shall state:

- (a) the redemption date,
- (b) the redemption price,
- (c) the identification by designation, letters, numbers or other distinguishing marks of the Bonds to be redeemed,
- (d) that on the redemption date the redemption price will become due and payable upon each such Bond called for redemption, and that interest thereon shall cease to accrue from and after said date,
- (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Designated Operations Office of the Trustee, and
- (f) that the notice of redemption is conditioned upon there being deposited with the Trustee on or prior to the date of redemption moneys sufficient to pay the redemption price of the Bonds.

Notices of redemption shall be revocable in the event that there is not on deposit with the Trustee prior to the date of redemption moneys sufficient to pay the redemption price of the Bonds. The notice of redemption shall state that it is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Bonds to pay the redemption price in full ("Conditional Redemption"), and such notice and optional redemption shall be of no effect if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds and sufficient moneys to pay the redemption price have not been deposited with the Trustee, or if such moneys are deposited, are not available on the redemption date.

If the Bonds are not then held in a Book Entry System, in addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said 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 plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information deemed necessary in the sole discretion of the Trustee to identify accurately the Bonds being redeemed.

Each further notice of redemption shall be sent at least 15 days before the redemption date by telecopy, registered or certified mail or overnight delivery service to the Rating Agency if the Bonds are then rated by the Rating Agency and to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number (if any) identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Failure to receive notice by mailing or any defect in that notice regarding any Bond, however, shall not affect the validity of the proceedings for the redemption of any other Bond.

Notice of any redemption hereunder with respect to Bonds held under a Book Entry System shall be given by the Trustee to the Rating Agency if the Bonds are then rated by the Rating Agency and to the Depository, or its nominee, as the Holder of the Bonds. Selection of Beneficial Ownership Interests in the Bonds called for redemption is the responsibility of the Depository and any failure of such Depository to notify the Beneficial Owners of any such notice and its contents or effect will not affect the validity of such notice of any proceedings for the redemption of the Bonds.

Section 3.04 Payment of Redeemed Bonds.

Notice having been mailed in the manner provided in Section 3.03 hereof, the Bonds shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price, including interest accrued to the redemption date.

Upon the payment of the price of Bonds, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds with the proceeds of such check or other transfer.

If money for the redemption of the Bonds, together with interest accrued thereon to the redemption date, is held by the Trustee on the redemption date, so as to be available therefor on that date and if notice of redemption has been deposited in the mail as aforesaid, then from and after the redemption date, the Bonds shall cease to bear interest and no longer shall be considered to be Outstanding hereunder. If those moneys shall not be so available on the redemption date, or that notice shall not have been deposited in the mail as aforesaid, the Bonds shall continue to bear interest, until they are paid, at the same rate as they would have borne had they not been called for redemption.

All moneys deposited in the Bond Fund and held by the Trustee for the redemption, purchase or prepayment of the Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them, respectively, upon presentation and surrender of those Bonds.

(End of Article III)

ARTICLE IV
REVENUES AND FUNDS

Section 4.01 Creation of Funds.

There are hereby established with the Trustee the following funds and accounts (the "**Funds**"), to be held in trust and maintained by the Trustee under this Indenture:

- (a) the Bond Fund, and therein the Negative Arbitrage Account (but only at such times as moneys are to be deposited or held in such Account as provided in this Indenture);
- (b) the Project Fund;
- (c) the Costs of Issuance Fund;
- (d) the Collateral Fund;
- (e) the Rebate Fund; and
- (f) 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 may also terminate funds and accounts that are no longer needed.

The Trustee shall, at the written direction of an Authorized Official of the Issuer, and may, in its discretion, 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 Special Funds or the Rebate Fund, or result in commingling of funds not permitted hereunder.

Section 4.02 Allocation of Bond Proceeds and Other Deposits.

(a) Allocation of Bond Proceeds. The principal proceeds of the Bonds of \$_____ shall be allocated, deposited or delivered by the Trustee to the Project Fund.

(b) Allocation of Borrower and Mortgage Lender Funds. On the Closing Date, the Trustee shall receive any Initial Borrower Deposit from or on behalf of the Borrower and the Initial Deposit, from money other than the proceeds of the Bonds, which the Trustee shall deposit as follows:

- (i) to the Negative Arbitrage Account of the Bond Fund, \$_____ from the Initial Deposit;

- (ii) to the Expense Fund, ____ from the Initial Borrower Deposit; and
- (iii) to the Cost of Issuance Fund, \$ ____ from the Initial Borrower Deposit.

Section 4.03 Bond Fund.

So long as there are any Outstanding Bonds, to the extent the Borrower has not received a credit against Loan Payments, all Loan Payments under the Financing Agreement shall be paid on or before each Bond Payment Date directly to the Trustee, and deposited in the Bond Fund, in at least the amount necessary to pay the interest and the principal due on the Bonds on the next succeeding Bond Payment Date.

The Bond Fund (and accounts therein for which provision is made in this Indenture) and the moneys and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as they become due.

Bond Service Charges shall be payable, as they become due, (a) in the first instance from the moneys on deposit in the Bond Fund and (b) thereafter, from moneys on deposit in the Collateral Fund or the Project Fund and transferred as necessary to the Bond Fund.

Section 4.04 Project Fund.

Moneys in the Project Fund shall be disbursed in accordance with the provisions of Section 3.6 of the Financing Agreement and this Section 4.04. To the extent moneys are not otherwise available to the Trustee, including moneys on deposit in the Bond Fund or the Collateral Fund, the Trustee shall transfer from the Project Fund to the Bond Fund sufficient moneys to make the necessary interest payments on each Interest Payment Date without further written direction. The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom. If requested by the Issuer, the Investor Partner or the Borrower, after the Project has been completed and a Completion Certificate is filed as provided in Section 4.07 hereof, the Trustee shall file copies of the accounting records pertaining to the Project Fund and disbursements therefrom with the Issuer, the Borrower and Investor Partner. The Trustee shall satisfy this obligation by providing trust statements for all periods in which there are funds in the Project Fund.

Notwithstanding any provision of the Financing Agreement or any other provision of this Indenture to the contrary and except to make necessary interest payments, the Trustee shall not disburse moneys from the Project Fund unless and until (i) Collateral Payments in amount equal to or greater than the requested disbursement amount have been deposited in the Collateral Fund and (ii) the Trustee has verified that the sum of the Eligible Funds then held in the Collateral Fund and the Eligible Funds then on deposit in the Project Fund, less the anticipated amount of the disbursement from the Project Fund, is at least equal to the then outstanding principal amount of the Bonds.

On the Maturity Date, any moneys remaining in the Project Fund shall be transferred to the Bond Fund.

Upon the occurrence and continuance of an Event of Default hereunder because of which the principal amount of the Bonds has been declared to be due and immediately payable pursuant to Section 6.03 hereof, any moneys remaining in the Project Fund shall be promptly transferred by the Trustee to the Bond Fund.

Section 4.05 Costs of Issuance Fund.

Amounts on deposit in the Cost of Issuance Fund shall be used by the Trustee to pay costs of issuance as directed by the Issuer and approved by the Borrower and the Investor Partner. Any amounts remaining on deposit in the Costs of Issuance Fund 30 days after the Closing Date shall be returned to or at the direction of the Borrower.

Section 4.06 Collateral Fund.

The Trustee shall deposit into the Collateral Fund all Collateral Payments received pursuant to Section 4.2 of the Financing Agreement. Section 4.2 of the Financing Agreement requires the Borrower to cause the Mortgage Lender to make Collateral Payments to the Trustee for deposit into the Collateral Fund in a principal amount equal to, and as a prerequisite to the disbursement of, the amount of Bond proceeds on deposit in the Project Fund to be disbursed by the Trustee to fund the Loan.

The Trustee shall transfer moneys in the Collateral Fund as follows: (a) on each Interest Payment Date, to the Bond Fund interest earnings on amounts on deposit in the Collateral Fund to be used to pay the interest on the Bonds on such Interest Payment Date; and (b) on the Maturity Date, to the Bond Fund the amount necessary to pay the principal due on the Bonds on such date.

The Bonds shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Collateral Fund unless and until the amount on deposit in the Collateral Fund is transferred to the Bond Fund and applied to the payment of the principal of any of the Bonds or the principal component of the redemption price of any of the Bonds, all as provided in this Indenture.

Section 4.07 Completion of the Project.

The completion of the Project and payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of the Completion Certificate required by Section 3.9 of the Financing Agreement. As soon as practicable after the filing with the Trustee of the Completion Certificate, any balance remaining in the Project Fund (other than the amounts retained by the Trustee as described in the Completion Certificate) shall be deposited or applied in accordance with the direction of the Authorized Borrower Representative pursuant to Section 3.6 of the Financing Agreement.

Section 4.08 Expense Fund.

The Trustee shall deposit to the Expense Fund the Additional Payments received from the Borrower pursuant to Section 4.4 of the Financing Agreement and shall apply those amounts to the payment of the amounts required by this Section 4.08. The Trustee shall apply moneys on deposit in the Expense Fund solely for the following purposes, on the dates specified below, in the following order of priority:

- (a) to pay the Issuer Administration Fee when due;
- (b) to pay the Issuer Fees and Expenses not previously paid;

(c) to transfer money to the Rebate Fund to the extent necessary to pay the Rebate Amount (if any) on or before the Computation Date to pay the Rebate Amount pursuant to Section 4.09 hereof;

(d) to pay the Ordinary Trustee's Fees and Expenses when due; and

(e) to pay the Dissemination Agent Fee when due.

To the extent moneys in the Expense Fund are not sufficient to pay the foregoing fees and expenses, such deficiency shall be paid by the Borrower pursuant to Section 4.4 of the Financing Agreement immediately upon written demand.

Additionally, following the repayment of the Bonds in full, to the extent that there are not adequate funds available in the Expense Fund to make full payment of the Issuer Administration Fee when due and the Issuer Fees and Expenses not previously paid, then such fees or any amount remaining unpaid shall be paid to the Expense Fund as a disbursement from the Project Fund prior to the disbursement from the Project Fund for any other costs or expenses.

Section 4.09 Rebate Fund.

(a) The Trustee shall maintain the Rebate Fund, for the benefit of all persons who are or have at any time been Holders, at all times prior to the final payment to the United States of America of the amounts described in Subsection (c) of this Section which fund shall not be part of the trust estate established hereunder. The money deposited to the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust separately and apart from the other funds held under the Indenture and applied solely as provided in this Section, unless in the opinion of Bond Counsel failure to make such application will not adversely affect any exclusion from gross income of interest on the Bonds under the Code.

(b) The Trustee shall deposit or transfer to the credit of the account of the Rebate Fund each amount delivered to the Trustee by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto. The Trustee shall credit all earnings and debit all losses from the investment of money held for the account of the Rebate Fund to such fund. The Trustee shall furnish to the Borrower and the Investor Partner all information reasonably requested by the Borrower or the Investor Partner with respect to the Bonds and investment of funds and accounts maintained by the Trustee hereunder.

(c) (i) Within 30 days after each Computation Date, the Trustee, on behalf of the Issuer, shall withdraw from the Rebate Fund and pay to the United States of America the appropriate portion of the Rebate Amount (determined by the Rebate Analyst on behalf of the Borrower) in the installments, to the place and in the manner required by section 148(f) of the Code, the Regulations, and rulings thereunder as instructed by the Borrower or its legal counsel and as provided in subsection (iii) below.

(ii) Within five days after receipt from the Borrower or the Rebate Analyst of written notification of any amount due to the United States of America pursuant to Section 1.148-3(h) of the Regulations accompanied by relevant IRS forms including IRS Form 8038-T, the Trustee shall withdraw from the Rebate Fund an amount which when added to all prior payments to the United States of America equals the correct appropriate portion of the Rebate Amount, plus any penalties and interest and pay such correction amount to the United States of America.

(iii) All payments to the United States of America pursuant to this subsection shall be made by the Trustee for the account and in the name of the Issuer and shall be paid by draft posted by certified United States Mail (return receipt requested), addressed to the appropriate Internal Revenue Service Center (and, if appropriate, accompanied by the relevant Internal Revenue Service Form, such as Form 8038-T or such other statements, explanations or forms required pursuant to the Regulations or other Internal Revenue Service promulgations).

(d) The Trustee shall preserve all statements, forms, and explanations received from the Borrower or the Issuer pursuant to this Section and all records of transactions in the Rebate Fund until six years after the discharge of the Bonds.

(e) The Trustee may conclusively rely on the information provided, instructions of and forms prepared by the Borrower or the Rebate Analyst with regard to any actions to be taken by it, including payments to be made, pursuant to this Section and shall have no liability for any consequences of any failure of the Borrower to supply accurate or sufficient instructions or to compute correctly any payment due pursuant to this Section. The Trustee shall have no responsibility or duty to perform any rebate calculation or to expend its own funds to make any rebate payments.

(f) If at any time during the term of this Indenture the Borrower or the Issuer desires to take any action which would otherwise be prohibited by the terms of this Section, such Person shall be permitted to take such action if it shall first obtain and provide at the expense of the Borrower to the other Persons named herein an opinion of Bond Counsel to the effect that such action shall not adversely affect the exclusion of interest on the Bonds from gross income of the owners of any Bond for Federal income tax purposes and shall be in compliance with the laws of the State of Texas.

(g) Notwithstanding any provision of the bond documents or Mortgage Loan Documents and unless otherwise specifically agreed to in a separate written agreement, the Trustee shall not be liable or responsible for any method of calculation, or any calculation or determination which may be required in connection with or for the purpose of complying with Section 148 of the Code or any successor statute or any regulation, ruling, or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid the United States of America or the determination of the maximum amount which may be invested in Nonpurpose Investments having a higher yield than the yield on the Bonds, in connection with any such investments. The method of calculation, calculation and determination required by section 148 of the Code shall be accomplished by a Rebate Analyst engaged by the Borrower. The Trustee shall not be liable or responsible for the negligence or misconduct of the Rebate Analyst. The Trustee shall not be liable or responsible for monitoring the compliance by the Borrower or the Issuer of any of the requirements of Section 148 of the Code or any applicable regulation, ruling, or other judicial or administrative interpretation thereof (except for the administrative functions described in this Section and in this Indenture), it being acknowledged and agreed that the sole obligation of the Trustee in this regard shall be (i) to invest the moneys received by the Trustee pursuant to the written instructions of the Borrower in the specific investments identified by the Borrower or, in the absence of such identification, to make investments as otherwise provided herein and to disburse said moneys in accordance with the terms of this Indenture and (ii) to follow instructions contained in this Section and in this Indenture. The Trustee shall not be liable for the Bonds becoming "arbitrage bonds" within the meaning of the Code, as a result of investments it makes in compliance with the instructions it receives or pursuant to or in compliance with the terms of this Indenture.

Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder.

Section 4.10 Investment of Special Funds and Rebate Fund.

Funds on deposit in the Project Fund may be held uninvested (but not for more than 365 days) or invested in Eligible Investments as directed by the Borrower that mature or are redeemable without penalty on or before the Maturity Date or such earlier date selected by the Borrower in the investment direction that will allow for funds to be available on or before the date said funds are needed to be withdrawn from the Project Fund.

Any amounts deposited in the Collateral Fund shall be invested in Eligible Investments as provided below that mature or are redeemable by the Trustee without penalty at times sufficient to meet the interest payment dates on the Bonds and to pay the principal on the Bonds when due on the Maturity Date. Such investments shall not bear a yield that is in excess of the yield on the Bonds. The Trustee may not sell any investment at a loss.

The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the written direction of the Borrower which shall be provided on the Closing Date as provided in the following paragraph.

Notwithstanding the foregoing or any other provisions of this Section 4.10, the Trustee is hereby directed to invest all amounts on deposit in the Project Fund, the Collateral Fund or the Bond Fund on the Closing Date in a portfolio of direct noncallable Government Obligations (the "Portfolio Securities") purchased with Eligible Funds in accordance with the cash flow statement attached hereto as Exhibit B, to pay Bond Service Charges on the Bonds as such Bond Service Charges become due and payable under this Indenture. Except as such Portfolio Securities may be liquidated by the Trustee in connection with an optional redemption of the Bonds pursuant to Section 3.01 hereof, the Trustee shall not sell or otherwise dispose of the Portfolio Securities unless the Trustee has received a Cash Flow Projection as well as written confirmation from S&P that such proposed change in the investments under the Indenture will not result in a suspension, reduction or withdrawal in the rating then in effect on the Bonds. Any amounts on deposit in the Project Fund, the Collateral Fund or the Bond Fund on the Closing Date or thereafter which are not invested in the Portfolio Securities shall be invested in Eligible Investments of the type specified in paragraph (b) of the definition of Eligible Investments.

Any moneys held as part of the Rebate Fund, and not immediately required for the purposes of the Rebate Fund, shall be invested or reinvested by the Trustee, at the written direction of the Authorized Borrower Representative, in Eligible Investments or in any money market or short term investment fund investing in or consisting solely of and secured by Government Obligations, including any such fund maintained by the Trustee or an affiliate thereof having maturities consistent with the need for funds as estimated by the Borrower.

Section 4.11 Moneys to be Held in Trust.

Except where moneys have been deposited with or paid to the Trustee pursuant to an instrument restricting their application to particular Bonds, all moneys required or permitted to be deposited with or paid to the Trustee under any provision of this Indenture or the Note, and any investments thereof, shall be held by the Trustee in trust. Except for moneys held by the Trustee pursuant to Section 4.09 hereof, all moneys described in the preceding sentence held by the Trustee shall be subject to the lien of the Indenture hereof while so held.

The moneys in any fund or account established under this Indenture shall be subject to the unclaimed property laws of the State.

Section 4.12 Valuation.

For the purpose of determining the amount on deposit to the credit of any Special Fund or Account, the value of obligations in which money in such Fund or Account shall have been invested shall be computed at the then market value thereof.

The Eligible Investments shall be valued by the Trustee at any time requested by the Authorized Borrower Representative on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to value the Eligible Investments more than once in any calendar month. Receipt by the Borrower of monthly account statements shall constitute valuation in accordance with this Section.

Section 4.13 Nonpresentment of Bonds.

In the event that any Bond shall not be presented for payment when the principal thereof becomes due, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due of that Bond or of such check or draft shall have been made available to the Trustee for the benefit of its Holder, all liability of the Issuer to that Holder for such payment of the principal then due of the Bond or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold those moneys, without liability for interest thereon, in a separate account in the Bond Fund for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to those moneys for any claim of whatever nature on its part under this Indenture or on, or with respect to, the principal then due of that Bond or of such check or draft.

Any of those moneys which shall be so held by the Trustee, and which remain unclaimed by the Holder of a Bond not presented for payment or check or draft not cashed for a period of three years after the due date thereof, shall be paid to the State of Texas free of any trust or lien, upon a request in writing by the Borrower. Thereafter, the Holder of that Bond shall look only to the Borrower for payment and then only to the amounts so received by the Borrower without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys.

Section 4.14 Repayment to the Borrower from the Bond Fund.

Except as provided in Section 4.09 and Section 4.13 hereof, any amounts remaining in the Bond Fund (a) after all of the Outstanding Bonds shall be deemed paid and discharged under the provisions of this Indenture, and (b) after payment of all fees, charges and expenses of the Issuer and the Trustee and of all other amounts required to be paid under this Indenture, the Financing Agreement, the Tax Certificate, the Tax Regulatory Agreement and the Note, shall be paid to the Borrower to the extent that those amounts are in excess of those necessary to effect the payment and discharge of the Outstanding Bonds.

(End of Article IV)

ARTICLE V
THE TRUSTEE

Section 5.01 Standard of Care.

The Trustee, prior to an Event of Default as defined in Section 6.01 and after the curing or waiver of all such events which may have occurred, shall perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee, during the existence of any such Event of Default (which shall not have been cured or waived), shall exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under similar circumstances in the conduct of such Person's own affairs.

No provision of this Indenture shall be construed to relieve the Trustee and any predecessor trustee from liability for its own negligence or willful misconduct, except that:

(a) prior to an Event of Default hereunder, and after the curing or waiver of all such Events of Default which may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee by the Person or Persons authorized to furnish the same;

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(i) the Trustee shall not be liable for any error of judgment made in good faith by an officer or employee of the Trustee except for willful misconduct or negligence by the officer or employee of the Trustee as the case may be; and

(ii) 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 direction of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding (or such lesser or greater percentage as is specifically required or permitted by this Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

Section 5.02 Regarding the Trustee.

Except as otherwise provided in Section 5.01:

(a) the Trustee may rely upon the authenticity or truth of the statements and the correctness of the opinions expressed in, and shall be, protected in acting upon any resolution, certificate, statement, instrument, opinion (including an opinion of independent counsel), report,

notice, notarial seal, stamp, acknowledgment, verification, request, consent, order, bond, requisition, affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the party or parties;

(b) any notice, request, direction, election, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Issuer by an Authorized Official of the Issuer (unless other evidence in respect thereof be herein specifically prescribed), and any resolution of the Issuer may be evidenced to the Trustee by a copy of such resolution duly certified by an Authorized Official of the Issuer;

(c) any notice, request, certificate, statement, requisition, direction, election, order or demand of the Borrower mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Borrower by any Authorized Representative of the Borrower (unless other evidence in respect thereof be herein specifically prescribed), and any resolution or certification of the Borrower may be evidenced to the Trustee by a copy of such resolution duly certified by a secretary or other authorized representative of the Borrower;

(d) reserved;

(e) in the administration of the trusts of this Indenture, the Trustee may execute any of the trusts or powers hereby granted directly or through its agents, receivers or attorneys, and shall not be responsible for any misconduct or negligence on the part of any agents, receivers, or attorneys appointed with due care by the Trustee hereunder, and the Trustee may consult with counsel (who may be counsel for the Issuer) and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or permitted by it hereunder in good faith and in accordance with the opinion of such counsel;

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

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

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

(i) the Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements herein or in any contracts or securities assigned or conveyed to or pledged with the Trustee hereunder, except Events of Default that are evident under Section 6.01(a) or Section 6.01(b) hereof. The Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any default or Event of Default specified in Section 6.01 hereof (except defaults under Section 6.01(a) or Section 6.01(b) hereof) unless the Trustee shall receive from the Issuer or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding written notice stating that a default or Event of Default has occurred and specifying the same, and in the absence of such notice the Trustee may conclusively assume that there is not such default. Every provision contained in this Indenture or related instruments or in any such contract or security wherein the duty of the Trustee depends on the occurrence and continuance of such default shall be subject to the provisions of this subsection (i);

(j) the Trustee shall be under no duty to confirm or verify any financial or other statements or reports or certificates furnished to it pursuant to any provisions hereof, except to the extent such statement or reports are furnished by or under the direction of the Trustee, and shall be under no other duty in respect of the same except to retain the same in its files and permit the inspection of the same at reasonable times by the Holder of any Bond. The Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner;

(k) the Trustee shall be under no obligation to exercise those rights or powers vested in it by this Indenture, other than such rights and powers which it shall be obliged to exercise in the ordinary course of its trusteeship under the terms and provisions of this Indenture, and as required by law at the request or direction of any of the Holders pursuant to Sections 6.03 and 6.08 of this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in the compliance with such request or direction, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances;

(l) The Trustee may consult with counsel, and the advice of such counsel or any opinion of 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 reliance thereon subject to the Trustee's own negligence or willful misconduct in carrying out any such action or omitting to take such action upon such advice or opinion of counsel;

(m) The Trustee shall not be accountable for the use or application by the obligor of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent;

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

(o) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder;

(p) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds;

(q) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances; and

(r) The Trustee agrees to accept and act upon written instructions or directions pursuant to this Indenture sent by the Issuer or the Borrower, as the case may be, by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Issuer and the Borrower, respectively, shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer or the Borrower, as applicable, elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer and the Borrower, as applicable, agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties or in the exercise of any of its rights or powers, except to the extent of negligence or intentional misconduct of the Trustee.

The Trustee is authorized and directed to execute in its capacity as Trustee the Financing Agreement and the Tax Regulatory Agreement and shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds other than any information provided by the Trustee.

The Trustee or any of its affiliates may act as advisor or sponsor with respect to any Eligible Investments.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions

and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Any resolution, certification, notice, request, direction, election, order or demand delivered to the Trustee pursuant to this Section 5.02 shall remain in effect until the Trustee receives written notice to the contrary from the party that delivered such instrument accompanied by revised information for such party.

The Trustee shall have no responsibility for the value of any collateral or with respect to the perfection or priority of any security interest in any collateral except as otherwise provided in Section 5.16 hereof.

Section 5.03 Use of Proceeds.

The Trustee shall not be accountable for the use or application of any of the Bonds authenticated or delivered hereunder or of the proceeds of the Bonds except as provided herein.

Section 5.04 Trustee May Hold Bonds.

The Trustee and its officers and directors may acquire and hold, or become pledgees of Bonds and otherwise may deal with the Issuer and the Borrower in the same manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 5.05 Trust Imposed.

All money received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received.

Section 5.06 Compensation of Trustee.

The Trustee shall be entitled to its Ordinary Trustee's Fees and Expenses in connection with the services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties of the Trustee hereunder or under any Financing Documents to the extent money is available therefor, in accordance with Section 4.08 hereof, exclusive of Extraordinary Services. The Trustee shall be entitled to Extraordinary Trustee Fees and Expenses in connection with any Extraordinary Services performed consistent with the duties hereunder or under any Bond Financing Documents; provided the Trustee shall not incur any Extraordinary Trustee Fees and Expenses without the consent of the Mortgage Lender (unless requested by the Issuer, the Borrower or the Investor Partner) (except that no consent shall be required if an Event of Default under 6.01(b) has occurred and is continuing). If any property, other than cash, shall at any time be held by the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy, or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other liens or encumbrances thereon. Payment to the Trustee for its services and reimbursement to the Trustee for its expenses, disbursements, liabilities and advances, shall be limited to the sources described in Sections 4.08 and 6.06 hereof and in the Financing Agreement. The Trustee shall have no right to setoff or banker's lien against, and, except as expressly provided pursuant to Section 4.08 hereof, no right to otherwise deduct from, any funds held pursuant to this

Indenture. The Issuer shall have no liability for Trustee's fees, costs or expenses. Subject to the provisions of Section 5.09 hereof, the Trustee agrees that it shall continue to perform its duties hereunder (including, but not limited to, its duties as Paying Agent and Bond Registrar) and under the Financing Documents even in the event that money designated for payment of its fees shall be insufficient for such purposes or in the event that the Borrower fails to pay the Ordinary Trustee's Fees and Expenses or, if applicable, the Extraordinary Trustee Fees and Expenses, as required by the Financing Agreement.

THE BORROWER RELEASES THE ISSUER AND THE TRUSTEE FROM, AGREES THAT THE ISSUER AND THE TRUSTEE SHALL NOT BE LIABLE FOR, AND INDEMNIFIES, DEFENDS AND HOLDS THE ISSUER AND THE TRUSTEE HARMLESS AGAINST, ALL LIABILITIES, CLAIMS, COSTS AND EXPENSES AND ATTORNEYS' FEES IMPOSED UPON, INCURRED OR ASSERTED AGAINST THE ISSUER OR THE TRUSTEE ON ACCOUNT OF: (A) ANY LOSS OR DAMAGE TO PROPERTY OR INJURY TO OR DEATH OF OR LOSS BY ANY PERSON THAT MAY BE OCCASIONED BY ANY CAUSE WHATSOEVER PERTAINING TO THE ACQUISITION, FINANCING, CONSTRUCTION, OCCUPATION, DESIGN, POSSESSION, MANAGEMENT, EQUIPPING, FURNISHING, MAINTENANCE, OPERATION AND USE OF THE PROJECT OR FROM ANY WORK OR THING DONE IN OR ABOUT THE PROJECT SITE, OR ANY SIDEWALKS, PASSAGEWAYS, DRIVEWAYS, CURBS, VAULTS AND VAULT SPACE, STREETS OR PARKING AREAS ON THE PROJECT SITE OR ADJACENT THERETO; (B) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY COVENANT OR AGREEMENT OF THE BORROWER UNDER THE FINANCING AGREEMENT, THE TAX REGULATORY AGREEMENT, THE NOTE OR ANY RELATED DOCUMENT, OR ARISING FROM ANY ACT OR FAILURE TO ACT BY THE BORROWER, OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES; (C) THE BORROWER'S FAILURE TO COMPLY WITH ANY REQUIREMENT OF THE FINANCING AGREEMENT INCLUDING THE COVENANT IN SECTION 5.4 THEREOF; (D) ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY THE ISSUER OR THE TRUSTEE AT THE REQUEST OF OR WITH THE CONSENT OF THE BORROWER; (E) THE ISSUANCE, OFFERING, SALE OR DELIVERY OF THE BONDS; AND (F) ANY CLAIM, ACTION OR PROCEEDING BROUGHT WITH RESPECT TO ANY MATTER SET FORTH IN CLAUSE (A), (B), (C), (D) OR (E) ABOVE; PROVIDED, HOWEVER, THAT THE INDEMNIFICATION PROVIDED IN THIS SECTION SHALL NOT APPLY TO ANY MATTER ARISING OR RESULTING FROM THE WILLFUL MISCONDUCT OF THE ISSUER OR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE TRUSTEE OR ANY INFORMATION PROVIDED BY THE ISSUER OR THE TRUSTEE IN WRITING FOR USE IN CONNECTION WITH THE OFFERING AND SALE OF THE BONDS.

THE BORROWER AGREES TO INDEMNIFY AND HOLD THE TRUSTEE (IN ITS CAPACITY AS SUCH, IN ITS INDIVIDUAL CAPACITY, AND IN ANY OTHER CAPACITY IT ASSUMES UNDER OR PURSUANT TO ANY FINANCING DOCUMENT), ITS EMPLOYEES, OFFICERS, REPRESENTATIVES, AND AGENTS HARMLESS FROM AND AGAINST ANY AND ALL LOSSES, COSTS, DAMAGES, EXPENSES AND LIABILITIES OF WHATSOEVER NATURE OR KIND (INCLUDING, BUT NOT LIMITED TO, ANY TAXES DUE AND PAYABLE IN CONNECTION WITH THE LOAN, REASONABLE ATTORNEYS' FEES, INCLUDING ANY AND ALL OF THOSE INCURRED PRIOR TO LITIGATION AND AT ALL TRIBUNAL LEVELS; LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT BY OR WITH THE APPROVAL OF THE BORROWER, AND AMOUNTS PAID TO DISCHARGE JUDGMENTS) DIRECTLY OR INDIRECTLY RESULTING FROM, ARISING OUT OF, OR RELATED TO (I) THE ISSUANCE, OFFERING, SALE OR DELIVERY OR RESALE ON THE SECONDARY MARKET OF THE BONDS; (II) THE ENFORCEMENT OF PROVISIONS OF THE FINANCING

AGREEMENT, THE NOTE, THE INDENTURE, THE TAX REGULATORY AGREEMENT, OR ANY OTHER FINANCING DOCUMENT; (III) ANY WRITTEN STATEMENTS OR REPRESENTATIONS MADE OR GIVEN BY BORROWER OR BY ANY PARTNER, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY, OR AGENT OF THE BORROWER OR PERSON UNDER DIRECT CONTRACT TO THE BORROWER OR ACTING ON THE BORROWER'S BEHALF TO ANY INDEMNIFIED PERSONS; (IV) THE DESIGN, CONSTRUCTION, REHABILITATION, INSTALLATION, OPERATION, USE, OCCUPANCY, MAINTENANCE OR OWNERSHIP OF THE PROJECT; OR (V) THE ADMINISTRATION OF THE TRUSTS CREATED BY THE INDENTURE; PROVIDED, HOWEVER, THE TRUSTEE SHALL NOT BE INDEMNIFIED HEREUNDER FOR ANY CLAIMS OR DAMAGES ARISING FROM ITS OWN GROSSLY NEGLIGENT ACTS OR OMISSIONS OR FROM ANY WILLFUL MISCONDUCT BY THE TRUSTEE IN CARRYING OUT ITS DUTIES SET FORTH IN THE INDENTURE. NOTWITHSTANDING ANY PROVISIONS OF ANY FINANCING DOCUMENTS TO THE CONTRARY, THE TRUSTEE'S RIGHTS UNDER THIS SECTION SHALL SURVIVE THE TRUSTEE'S RESIGNATION OR REMOVAL AND THE DISCHARGE OF THE INDENTURE.

NOTWITHSTANDING THE FOREGOING, THE INDEMNIFICATION DESCRIBED IN THIS SECTION 5.06 SHALL RELATE TO INDEMNIFIED OBLIGATIONS ARISING FROM TRUSTEE'S OWN NEGLIGENCE.

THE INDEMNIFICATION OBLIGATIONS DESCRIBED IN THIS SECTION 5.06 SHALL ONLY BE PAID FROM SURPLUS CASH, INSURANCE PROCEEDS AND FROM NON-PROJECT ASSETS (AS DEFINED IN THE HUD REGULATORY AGREEMENT) OF THE BORROWER.

In case any action or proceeding is brought against the Issuer or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Borrower, and the Borrower upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Borrower from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Borrower. At the Borrower's expense, an indemnified party may employ separate counsel and participate in the defense. The Borrower shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Issuer and the Trustee, and any predecessor Trustee, respectively. That indemnification is intended to and shall be enforceable by the Issuer and the Trustee, respectively, to the full extent permitted by law.

Section 5.07 Qualifications of Trustee.

There shall at all times be a Trustee hereunder which shall (a) be a bank with trust powers 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, and (b) have a Minimum Trustee Rating. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 (or shall be a wholly-owned subsidiary of an association or corporation that has such combined capital and surplus), 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 5.11. 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. In case at any time the 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 5.09.

Section 5.08 Merger of Trustee.

Any association or corporation 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 association or corporation resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall, ipso facto, be and become successor Trustee hereunder and vested with all the title to the whole property or Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, and shall also be and become successor Trustee in respect of the beneficial interest of the Trustee in the Bond Mortgage Loan.

Section 5.09 Resignation by the Trustee.

The Trustee may at any time resign from the trusts hereby created by giving written notice to the Issuer and the Borrower, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer and the Borrower may be served personally or sent by certified mail or overnight delivery service. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed as provided herein and such successor Trustee shall have agreed in writing to be bound by the duties and obligations of the Trustee hereunder.

Section 5.10 Removal of the Trustee.

The Trustee may be removed at any time, either with or without cause, by a written instrument signed by the Issuer and delivered to the Trustee, the Borrower, the Investor Partner and the Rating Agency, and if an Event of Default shall have occurred and be continuing, other than an Event of Default under Section 6.01(b), by a written instrument signed by the Mortgage Lender and delivered to the Trustee, the Issuer and the Borrower. The Trustee may also be removed, if an Event of Default under Section 6.01(b) shall have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer and the Borrower. The Trustee may also be removed by the Mortgage Lender following notice to the Issuer and after a 30-day period during which the Issuer may attempt to cause the Trustee to discharge its duties in a manner acceptable to the Mortgage Lender, and in each case written notice of such removal shall be given to the Borrower and to each Registered Owner of the Bonds then Outstanding as shown on the Bond Register. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee hereunder.

Section 5.11 Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, 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 and give notice of such appointment to the Borrower, the Investor Partner and the Rating Agency. Any such appointment shall be made by a written instrument executed by an Authorized Officer of the Issuer.

(b) If, in a proper case, no appointment of a successor Trustee shall be made pursuant to subsection (a) of this Section within sixty (60) days following delivery of all required notices of resignation given pursuant to Section 5.09 or of removal of the Trustee pursuant to Section 5.10, the retiring Trustee 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.

Section 5.12 Concerning Any 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, accepting assignment of the beneficial interest in the Note, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the Trust Estate and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, the Borrower or the Investor Partner, or of its successor, and upon payment of all amounts due such predecessor, including but not limited to fees and expenses of counsel, execute and deliver such instruments as may be appropriate to transfer to such successor Trustee all the Trust Estate and the rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, including, but not limited to money held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by a successor Trustee for more fully and certainly vesting in such successor the Trust Estate and all rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded. Each successor Trustee shall mail notice by first class mail, postage prepaid, at least once within 30 days of such appointment, to the Owners of all Bonds Outstanding at their addresses on the Bond Register.

Section 5.13 Successor Trustee as Trustee, Paying Agent and Bond Registrar.

In the event of a change in the office of Trustee, the predecessor Trustee which shall have resigned or shall have been removed shall cease to be trustee and paying agent on the Bonds and Bond Registrar, and the successor Trustee shall become such Trustee, Paying Agent and Bond Registrar.

Section 5.14 Appointment of Co-Trustee or Separate 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 laws 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 or connected with this Indenture, the Financing Agreement or any of the other Bond Financing Document, and, in particular, in case of the enforcement of any remedies 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 herein or therein granted 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, with the consent of the Issuer, appoint an additional individual or institution as a co-trustee or separate trustee.

In the event that the Trustee appoints an additional individual or institution as a co-trustee or separate 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 granted to the Trustee herein or to hold title to the Trust Estate or to take any other action that 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 vest in such separate trustee or co-trustee, but only to the extent necessary to enable such co-trustee or separate trustee to exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them, subject to the remaining provisions of this Section. Such co-trustee or separate trustee shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to the Issuer and the Trustee.

Should any instrument in writing from the Issuer be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or 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, the Trustee and the Borrower. If the Issuer shall fail to deliver the same with thirty (30) 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 co-trustee or separate 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 co-trustee or separate 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 co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

The Bonds shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of money, papers, securities and other personal property shall be exercised solely by the Trustee;

(a) all rights, powers, trusts, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon or exercised or performed by the Trustee, or by the

Trustee and such co-trustee, or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or separate trustee;

(b) any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking or the refraining from taking of such action by such co-trustee or separate trustee;

(c) any co-trustee or separate trustee to the extent permitted by law shall delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise;

(d) the Trustee at any time by an instrument in writing with the concurrence of the Issuer evidenced by a certified resolution may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section and in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of or remove any such co-trustee or separate trustee without the concurrence of the Issuer, and upon the request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section;

(e) no Trustee or co-trustee hereunder shall be personally liable by reason of any act or omission of any other Trustee hereunder;

(f) any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by the Holders and delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee; and

(g) any money, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

The total compensation of the Trustee and co-trustee or separate trustee shall be as, and may not exceed the amount, provided in Section 5.06 hereof.

Section 5.15 Notice of Certain Events.

The Trustee shall give written notice to the Issuer and the Investor Partner of any failure by the Borrower to comply with the terms of the Tax Regulatory Agreement or any Event of Default of which a responsible officer has actual knowledge.

Section 5.16 Filing of Financing Statements.

At the cost of the Borrower, the Trustee shall file or record or cause to be filed or recorded all UCC continuation statements for the purpose of continuing without lapse the effectiveness of those financing statements which have been filed on or approximately on the Closing Date in connection with the security for the Bonds pursuant to the authority of the UCC. Upon the filing of any such continuation statement the Trustee shall immediately notify the Issuer and the

Borrower that the same has been done. If direction is given by the Issuer or Borrower, the Trustee shall file all continuation statements in accordance with such directions.

Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto).

(End of Article V)

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

Section 6.01 Defaults; Events of Default.

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default hereunder:

- (a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;
- (b) Payment of the principal of any Bond shall not be made when and as that principal shall become due and payable, whether at stated maturity, upon acceleration or otherwise;
- (c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in this Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice, by registered or certified mail, to the Issuer and the Borrower specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; and
- (d) The occurrence and continuance of an Event of Default as defined in Section 7.1 of the Financing Agreement.

The term "default" or "failure" as used in this Article means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in this Indenture or in the Bonds, or (ii) a default or failure by the Borrower under the Financing Agreement, exclusive of any period of grace or notice required to constitute a default or failure an Event of Default, as provided above or in the Financing Agreement.

Section 6.02 Notice of Default.

If an Event of Default shall occur, the Trustee shall give written notice of the Event of Default, by registered or certified mail, to the Issuer, the Borrower and the Investor Partner, within five days after the Trustee has notice of the Event of Default pursuant to Section 5.02(f) of this Indenture. If an Event of Default occurs of which the Trustee has notice pursuant to this Indenture, the Trustee shall give written notice thereof, within thirty days after the Trustee's receipt of notice of its occurrence, to the Holders of all Bonds then Outstanding as shown by the Register at the close of business fifteen days prior to the mailing of that notice; provided, that except in the case of a default in the payment of the principal of or interest on any Bond, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Holders is in the interests of the Holders.

Section 6.03 Acceleration.

Upon the occurrence of an Event of Default described in Section 6.01(a) and (b), the Trustee may declare, and upon the written request of the Holders of at least 51% in aggregate principal amount of Bonds then Outstanding the Trustee shall declare, by a notice in writing delivered to the Borrower and the Rating Agency, the principal of all Bonds then Outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon the occurrence of any Event of Default other than those described in Section 6.01(a) and (b), the Trustee may, with the written consent of all Holders of Bonds then Outstanding, declare by a notice in writing delivered to the Borrower, the principal of all Bonds then Outstanding (if not then due and payable), and the interest thereon, to be due and payable immediately. Upon such declaration, that principal and interest shall become and be due and payable immediately. Interest on the Bonds shall accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided, that interest on any unpaid principal of Bonds Outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds.

The provisions of the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement hereunder (after an opportunity for hearing by the Issuer and the Borrower),

(a) all sums payable hereunder (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default shall have occurred, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee, and

(b) all existing Events of Default shall have been cured, then and in every case, the Trustee shall waive the Event of Default and its consequences and shall rescind and annul that declaration. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

The Investor Partner and its designee(s) shall be entitled to cure any Event of Default hereunder within the time frame provided to the Borrower hereunder. Issuer and Trustee agree that cure of any default or Event of Default made or tendered by the Investor Partner or its designee(s) shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 6.04 Other Remedies; Rights of Holders.

With or without taking action under Section 6.03 hereof, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under this Indenture, the Financing Agreement, the Tax Regulatory Agreement or the Note or any other instrument providing security, directly or indirectly, for the Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 25% in aggregate principal amount of Bonds Outstanding, the

Trustee (subject to the provisions of Sections 5.01 and 5.02), shall exercise any rights and powers conferred by this Section.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by this Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the Financing Agreement (except for the Reserved Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the Financing Agreement. In exercising any remedy, right or power thereunder or hereunder, the Trustee shall take any action which would best serve the interests of the Holders in the judgment of the Trustee, applying the standards described in Sections 5.01 and 5.02 hereof.

Section 6.05 Right of Holders to Direct Proceedings.

Anything to the contrary in this Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, 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; provided, that (a) any direction shall not be other than in accordance with the provisions of law and of this Indenture, (b) the Trustee shall be entitled to the protections and be indemnified as provided in Sections 5.01, 5.02 and 5.06, and (c) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction.

Section 6.06 Application of Moneys.

After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys and to all fees of the Trustee for Ordinary and Extraordinary Expenses pursuant to any right given or action taken under the provisions of this Article or the provisions of the Financing Agreement, the Tax Regulatory Agreement or the Note (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under this Article VI), all moneys received by the Trustee, shall be applied as follows, subject to Section 2.05 hereof and any provision made pursuant to Section 4.10 or 4.11 hereof:

(a) Unless the principal of all of the Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the Bond Fund and shall be applied:

First – To the payment to the Holders entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second – To the payment to the Holders entitled thereto of the unpaid principal of any of the Bonds which shall have become due, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(b) If the principal of all of the Bonds shall have become due or shall have been declared to be due and payable pursuant to this Article, all of those moneys shall be deposited into the Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds shall have been declared to be due and payable pursuant to this Article, and if that declaration thereafter shall have been rescinded and annulled under the provisions of Section 6.03 or 6.10 hereof, subject to the provisions of paragraph (b) of this Section in the event that the principal of all of the Bonds shall become due and payable later, the moneys shall be deposited in the Bond Fund and shall be applied in accordance with the provisions of Article II.

(d) Whenever moneys are to be applied pursuant to the provisions of this Section, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of Section 2.05 hereof for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of a Bond to the Holder thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Section 6.07 Remedies Vested in Trustee.

All rights of action (including without limitation, 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. Any

suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Holders as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Holders of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 6.08 Rights and Remedies of Holders.

A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of this Indenture, for the execution of any trust hereof, or for the exercise of any other remedy hereunder, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in paragraph (f) of Section 5.02 hereof, or of which it is deemed to have notice under that paragraph,

(b) the Holders of at least 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in Section 5.02 hereof, and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of this Indenture by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power hereunder. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided herein for the benefit of the Holders of all Bonds then Outstanding. Nothing in this Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Service Charges on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Section 6.09 Termination of Proceedings.

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

Section 6.10 Waivers of Events of Default.

Except as hereinafter provided, at any time, in its discretion, the Trustee may waive any Event of Default hereunder and its consequences and may rescind and annul any declaration of maturity of principal of or interest on, the Bonds. The Trustee shall do so upon the written request of the Holders of a majority in aggregate principal amount of all Bonds then Outstanding.

There shall not be so waived, however, any Event of Default described in paragraph (a) or (b) of Section 6.01 hereof or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment payments of the amounts provided in Section 6.03 hereof for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

(End of Article VI)

ARTICLE VII

SUPPLEMENTAL INDENTURES

Section 7.01 Supplemental Indentures Generally.

The Issuer and the Trustee may enter into indentures supplemental to this Indenture, as provided in this Article and pursuant to the other provisions thereof in this Indenture.

Section 7.02 Supplemental Indentures Not Requiring Consent of Holders.

Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to this Indenture which shall not, in the opinion of the Issuer and the Trustee, be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in this Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;
- (c) To assign additional revenues under this Indenture;
- (d) To accept additional security and instruments and documents of further assurance with respect to the Project;
- (e) To add to the covenants, agreements and obligations of the Issuer under this Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in this Indenture;
- (f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under this Indenture, the Financing Agreement and the Bonds;
- (g) To facilitate (i) the transfer of Bonds issued by the Issuer under this Indenture and held in Book Entry Form from one Depository to another and the succession of Depositories, or (ii) the withdrawal of Bonds issued by the Issuer under this Indenture and delivered to a Depository for use in a Book Entry System and the issuance of replacement Bonds in fully registered form and in the form of physical certificates to others than a Depository;
- (h) To permit the Trustee to comply with any obligations imposed upon it by law;
- (i) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee;
- (j) To achieve compliance of this Indenture with any applicable federal securities or tax law;

(k) To make amendments to the provisions hereof relating to arbitrage matters under Section 148 of the Code, if, in the Opinion of Bond Counsel, those amendments would not adversely affect the Federal Tax Status of the Bonds which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event shall such amendment delegate to the Trustee, without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code; and

(l) To permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders.

The provisions of Subsections 7.02(i) and (k) shall not be deemed to constitute a waiver by the Trustee, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to this Indenture or the Bonds.

Section 7.03 Supplemental Indentures Requiring Consent of Holders.

Exclusive of Supplemental Indentures to which reference is made in Section 7.02 hereof and subject to the terms, provisions and limitations contained in this Section, and not otherwise, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, evidenced as provided in this Indenture, and with the consent of the Borrower if required by Section 7.04 hereof, the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of this Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing in this Section or Section 7.02 hereof shall permit, however, or be construed as permitting:

(a) without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or

(b) without the consent of the Holders of all Bonds then Outstanding, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Issuer shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes of this Section, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) if required by Section 7.04 hereof, receipt of the Borrower's consent to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first-class mail, postage prepaid, to all Holders of Bonds then Outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice required by this Section. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in this Section. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Holders.

If the Trustee shall receive, within a period prescribed by the Borrower, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Holder who gave the consent or by a subsequent Holder of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer a written statement that the Holders of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Bonds Outstanding shall have consented to the Supplemental Indenture, as provided in this Section, no Holder shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

Section 7.04 Consent of Borrower and Mortgage Lender.

Anything contained herein to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with this Article VII which affects in any material respect any rights or obligations of the Borrower shall not become effective unless and until the Borrower and Investor Partner shall have consented in writing to the execution and delivery of that Supplemental Indenture. The Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture and a copy of the proposed Supplemental Indenture to be mailed to the Borrower and Investor Partner, as provided in Section 12.03 hereof, (a) at least 30 days (unless waived by the Borrower and Investor Partner) before the date of the proposed execution and delivery in the case of a Supplemental Indenture to which reference is made in Section 7.02 hereof, and (b) at least 30 days (unless waived by the Borrower and Investor Partner) before the giving of the notice of the proposed execution and delivery in the case of a Supplemental Indenture for which provision is made in Section 7.03 hereof.

Anything contained herein to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with this Article VII which affects in any material respect any rights or obligations of the Mortgage Lender shall not become effective unless and until the Mortgage Lender shall have consented in writing to the execution and delivery of that Supplemental Indenture. The Trustee shall cause notice of the proposed execution and delivery

of any Supplemental Indenture and a copy of the proposed Supplemental Indenture to be mailed to the Mortgage Lender, as provided in Section 12.03 hereof, (a) at least 30 days (unless waived by the Mortgage Lender) before the date of the proposed execution and delivery in the case of a Supplemental Indenture to which reference is made in Section 7.02 hereof, and (b) at least 30 days (unless waived by the Mortgage Lender) before the giving of the notice of the proposed execution and delivery in the case of a Supplemental Indenture for which provision is made in Section 7.03 hereof.

Section 7.05 Responsibilities of Trustee.

Notwithstanding anything else contained herein, the Trustee shall not be required to enter into any Supplemental Indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 7.06 Authorization to Trustee; Effect of Supplement.

The Trustee is authorized to join with the Issuer in the execution and delivery of any Supplemental Indenture in accordance with this Article and to make the further agreements and stipulations which may be contained therein. Thereafter,

- (a) That Supplemental Indenture shall form a part of this Indenture;
- (b) All terms and conditions contained in that Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be a part of the terms and conditions of this Indenture for any and all purposes;
- (c) This Indenture shall be deemed to be modified and amended in accordance with the Supplemental Indenture; and
- (d) The respective rights, duties and obligations under this Indenture of the Issuer, the Borrower, the Trustee and all Holders of Bonds then Outstanding shall be determined, exercised and enforced hereunder in a manner which is subject in all respects to those modifications and amendments made by the Supplemental Indenture.

Express reference to any executed and delivered Supplemental Indenture may be made in the text of any Bonds issued thereafter, if that reference is deemed necessary or desirable by the Trustee or the Issuer. A copy of any Supplemental Indenture for which provision is made in this Article, except a Supplemental Indenture described in clause (g) of Section 7.02 hereof, shall be mailed by the Trustee. The Trustee shall not be required to execute any supplemental indenture containing provisions adverse to the Trustee.

Section 7.07 Opinion of Counsel.

The Trustee shall receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that (a) any proposed Supplemental Indenture complies with the provisions of this Indenture, and (b) it is proper for the Trustee to join in the execution of that Supplemental Indenture under the provisions of this Article. Counsel for the Issuer may render such an Opinion of Counsel.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture, there shall have been delivered to the Trustee an Opinion of Bond Counsel to the effect that such Supplemental Indenture will not adversely affect the Federal Tax Status of the Bonds.

Section 7.08 Modification by Unanimous Consent.

Notwithstanding anything contained elsewhere in this Indenture, the rights and obligations of the Issuer and of the Holders, and the terms and provisions of the Bonds and this Indenture or any Supplemental Indenture, may be modified or altered in any respect with the consent of (a) the Issuer, (b) the Holders of all of the Bonds then Outstanding, (c) the Borrower and Investor Partner and (d) if such modification or alteration contains provisions adverse to the Trustee, the Trustee.

(End of Article VII)

ARTICLE VIII

DEFEASANCE

Section 8.01 Release of Indenture.

If (a) the Issuer shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds, all Bond Service Charges due or to become due thereon, and (b) provision also shall be made for the payment of all other sums payable hereunder or under the Financing Agreement, the Tax Regulatory Agreement and the Note, then this Indenture shall cease, determine and become null and void (except for those provisions surviving by reason of Section 8.03 hereof in the event the Bonds are deemed paid and discharged pursuant to Section 8.02 hereof), and the covenants, agreements and obligations of the Issuer hereunder shall be released, discharged and satisfied.

Thereupon, and subject to the provisions of Section 8.03 hereof if applicable,

(a) the Trustee shall release this Indenture (except for those provisions surviving by reason of Section 8.03 hereof in the event the Bonds are deemed paid and discharged pursuant to Section 8.02 hereof), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(b) the Trustee shall assign and deliver to the Issuer any property subject at the time to the lien of this Indenture which then may be in their possession, except amounts in the Bond Fund required (i) to be paid to the Borrower under Section 4.14 hereof, or (ii) to be held by the Trustee under Section 4.13 hereof or otherwise for the payment of Bond Service Charges.

Section 8.02 Payment and Discharge of Bonds.

All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of this Indenture, including without limitation, Section 8.01 hereof, if:

(a) the Trustee as paying agent shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) the Trustee shall have received, in trust for and irrevocably committed thereto, noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America which are certified by an Independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein), for the payment of all Bond Service Charges on those Bonds at their maturity.

Any moneys held by the Trustee in accordance with the provisions of this Section may be invested by the Trustee only in noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America having maturity dates, or having redemption dates which, at the option of the Holder of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the

extent that any income or interest earned by, or increment to, the investments held under this Section is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of this Section, that income, interest or increment shall be transferred at the time of that determination to the Bond Fund.

If any Bonds shall be deemed paid and discharged pursuant to this Section 8.02, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged and to the Rating Agency. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged, set forth a description of the obligations held pursuant to subparagraph (b) of the first paragraph of this Section 8.02.

Section 8.03 Survival of Certain Provisions.

Notwithstanding the foregoing, any provisions of the Bond Resolution and this Indenture which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, and repayments to the Borrower from the Bond Fund, the rebate of moneys to the United States in accordance with Section 4.09 hereof, and the rights and duties of the Trustee in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee and the Holders notwithstanding the release and discharge of this Indenture. The provisions of this Article shall survive the release, discharge and satisfaction of this Indenture. The obligations of the Borrower to pay the Trustee its fees and expenses hereunder shall survive the release, discharge and satisfaction of this Indenture.

(End of Article VIII)

ARTICLE IX

COVENANTS AND AGREEMENTS OF THE ISSUER

Section 9.01 Covenants and Agreements of the Issuer.

In addition to any other covenants and agreements of the Issuer contained in this Indenture or the Bond Resolution, the Issuer further covenants and agrees with the Holders and the Trustee as follows:

(a) Payment of Bond Service Charges. The Issuer will cause all Bond Service Charges to be paid solely from the sources provided herein, on the dates, at the places and in the manner provided in this Indenture.

(b) Revenues and Assignment of Revenues. The Issuer will not assign the Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under this Indenture.

(c) Recordings and Filings. At the expense of the Borrower, the Issuer will cause this Indenture, and any related instruments or documents relating to the assignment made by it under this Indenture to secure the Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the Holders and the rights of the Trustee hereunder.

(d) Inspection of Project Books. All books, instruments and documents in the Issuer's possession relating to the Project and the Revenues shall be open to inspection and copying at all times during the Issuer's regular business hours by any accountants or other agents of the Trustee which the Trustee may designate from time to time.

(e) Register. At reasonable times and under reasonable regulations established by the Trustee, the Register may be inspected and copied (at the expense of the person making such copies) by the Borrower, the Trustee, by Holders of 25% or more in principal amount of the Bonds then Outstanding, or a designated representative thereof.

(f) Rights and Enforcement of the Financing Agreement. The Trustee may enforce, in its name or in the name of the Issuer, all rights of the Issuer for and on behalf of the Holders, except for Reserved Rights, and may enforce all covenants, agreements and obligations of the Borrower under and pursuant to the Financing Agreement, regardless of whether the Issuer is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Issuer, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Financing Agreement, and will take all actions within its authority to keep the Financing Agreement in effect in accordance with the terms thereof.

(g) Issuer Tax Covenants.

(i) The Issuer shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction, rehabilitation or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause the interest on the Bonds to become includable in the gross income, as defined in section 61 of the

Code, of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Issuer shall have received a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on the Bonds, the Issuer shall comply with each of the specific covenants in this Section.

(ii) The Issuer shall not direct or make any investment of the proceeds of the Bonds or any other funds of the Issuer in a manner which would result in the Bonds becoming "arbitrage bonds" within the meaning of section 148 of the Code or "hedge bonds" within the meaning of section 149 of the Code. In the event the Issuer or the Borrower is of the opinion that it is necessary to restrict or limit the Yield on the investment of any money paid to or held by the Trustee hereunder in order to avoid classification of the Bonds as "arbitrage bonds" or "hedge bonds," the Issuer or the Borrower may issue to the Trustee a written instrument to such effect (along with appropriate written instructions), in which event the Trustee will take such action as is necessary to effect such written instructions so to restrict or limit the Yield on such investment in accordance with such instrument and instructions, irrespective of whether the Trustee shares such opinion. The Trustee may conclusively rely upon any such instructions and shall not be responsible for any loss resulting from investment of any money held hereunder in accordance with such instructions.

(iii) Except to the extent permitted by section 149(b) of the Code and Regulations and rulings thereunder, the Issuer shall not 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 and the Regulations and rulings thereunder.

(iv) The Issuer shall timely file or cause to be timely filed the information required by section 149(e) of the Code with the Secretary of the Treasury on such form and in such place as such Secretary may prescribe.

(v) Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Issuer shall not, at any time prior to the earlier of the stated maturity or final payment of the Bonds enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 4.09 hereof because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

(vi) The Issuer hereby directs the Borrower to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as it deems necessary or appropriate in connection with the Bonds.

(vii) The weighted average maturity of the Bonds does not exceed 120% of the reasonably expected economic life, within the meaning of section 147(b) of the Code, of the Project.

Section 9.02 Observance and Performance of Covenants, Agreements, Authority and Actions.

The Issuer will observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its

part under the Bond Resolution, the Issuer Documents and the Bonds which are executed, authenticated and delivered under this Indenture, and under all proceedings of its Governing Body pertaining thereto.

The Issuer represents:

(a) It is duly authorized by the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds, to execute and deliver the Issuer Documents and to provide the security for payment of the Bond Service Charges in the manner and to the extent set forth in this Indenture.

(b) All actions required on its part to be performed for the issuance, sale and delivery of the Bonds and for the execution and delivery of the Issuer Documents have been taken duly and effectively.

(c) The Bonds will be valid and enforceable special obligations of the Issuer according to their terms.

Section 9.03 Enforcement of Issuer's Obligations.

Each obligation of the Issuer required to be undertaken pursuant to the Bond Resolution, the Issuer Documents and the Bonds is binding upon the Issuer in accordance with the terms thereof.

(End of Article IX)

ARTICLE X

AMENDMENTS TO FINANCING AGREEMENT, NOTE AND TAX REGULATORY AGREEMENT

Section 10.01 Amendments Not Requiring Consent of Holders.

Without the consent of or notice to the Holders, the Issuer, the Borrower, Investor Partner and the Trustee may consent to any amendment, change or modification of the Financing Agreement, the Note or the Tax Regulatory Agreement, as may be required (a) by the provisions of the Note, the Financing Agreement or the Tax Regulatory Agreement or this Indenture, (b) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Financing Agreement, the Note or the Tax Regulatory Agreement, (c) in connection with an amendment or to effect any purpose for which there could be an amendment of this Indenture pursuant to Section 7.02 hereof, or (d) in connection with any other change therein which is not to the prejudice of the Trustee or the Holders of the Bonds, in the judgment of the Trustee.

Notice of any amendment, change or modification to be made under this Section 10.01 shall be given to the Rating Agency by delivery to the Notice Address for the Rating Agency.

Section 10.02 Amendments Requiring Consent of Holders.

Except for the amendments, changes or modifications contemplated in Section 10.01 hereof, neither the Issuer nor the Trustee shall consent to:

(a) any amendment, change or modification of the Financing Agreement or the Note which would change the amount or time as of which Loan Payments and Collateral Payments are required to be paid, without the giving of notice as provided in this Section of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then Outstanding Bonds affected by such amendment, change or modification, or

(b) any other amendment, change or modification of the Financing Agreement, the Note or the Tax Regulatory Agreement without the giving of notice as provided in this Section of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected by such amendment, change or modification.

The consent of the Holders shall be obtained as provided in Section 7.03 hereof with respect to Supplemental Indentures.

If the Issuer or the Borrower shall request at any time the consent of the Trustee to any proposed amendment, change or modification of the Financing Agreement, the Note or the Tax Regulatory Agreement contemplated in subparagraphs (a) or (b) of this Section, upon being indemnified satisfactorily with respect to expenses, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by Section 7.03 hereof with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the Designated Office of the Trustee for inspection by all Holders.

Notice of any amendment, change or modification to be made under this Section 10.02 shall be given to the Rating Agency by delivery to the Notice Address for the Rating Agency.

Section 10.03 Opinion of Bond Counsel.

Before the Issuer and the Trustee shall consent to any amendment, change or modification of any of the documents described in Sections 10.01 and 10.02 there shall be delivered to the Trustee an Opinion of Bond Counsel to the effect that such amendment, change or modification (a) is permitted pursuant to the terms of this Indenture, and (b) will not adversely affect the Federal Tax Status of the Bonds.

(End of Article X)

ARTICLE XI

MEETINGS OF HOLDERS

Section 11.01 Purposes of Meetings.

A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article XI, to take any action (a) authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Bonds, (b) under any provision of this Indenture or (c) authorized or permitted by law.

Section 11.02 Call of Meetings.

The Trustee may (but shall not be obligated to) call at any time a meeting of Holders pursuant to Section 11.01 to be held at any reasonable time and place the Trustee shall determine. Notice of such meeting, setting forth the time, place and generally the subject thereof, shall be mailed by first-class mail, postage prepaid, not fewer than 15 nor more than 90 days prior to the date of the meeting to the Holders at their addresses as they appear on the Register on the fifteenth day preceding such mailing, which fifteenth day, preceding the mailing, shall be the record date for the meeting.

At any time, the Issuer or the Borrower, or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth the purpose of the meeting, and the Trustee shall not have mailed the notice of the meeting within 20 days after receipt of the request, then the Issuer, the Borrower and Investor Partner or the Holders of Bonds in the amount above specified may determine the time and the place of the meeting and may call the meeting to take any action authorized in Section 12.01, by mailing notice thereof as provided above.

Any meetings of Holders shall be valid without notice, if the Holders of all Bonds then Outstanding are present in person or by proxy, or if notice is waived before or after the meeting by the Holders of all Bonds Outstanding who were not so present at the meeting, and if the Issuer, the Borrower and the Trustee are either present by duly authorized representatives or have waived notice, before or after the meeting.

Section 11.03 Voting.

To be entitled to vote at any meeting of Holders, a Person shall (a) be a Holder of one or more Outstanding Bonds as of the record date for the meeting as determined above, or (b) be a person appointed by an instrument or document in writing as proxy by a Person who is a Holder as of the record date for the meeting, of one or more Outstanding Bonds. Each Holder or proxy shall be entitled to one vote for each \$100,000 principal amount of Bonds held or represented by it.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders of Bonds or of their representatives by proxy and the identifying number or numbers of the Bonds held or represented by them.

Section 11.04 Meetings.

Notwithstanding any other provisions of this Indenture, the Trustee may make any reasonable regulations which it may deem to be advisable for meetings of Holders, with regard to:

- (a) proof of the holding of Bonds and of the appointment of proxies,
- (b) the appointment and duties of inspectors of votes,
- (c) recordation of the proceedings of those meetings,
- (d) the execution, submission and examination of proxies and other evidence of the right to vote, and
- (e) any other matters concerning the conduct, adjournment or reconvening of meetings which it may think fit.

The Trustee shall appoint a temporary chair of the meeting by an instrument or document in writing, unless the meeting shall have been called by the Issuer, the Borrower or by the Holders, as provided in Section 11.02, in which case the Issuer, the Borrower or the Holders calling the meeting, as the case may be, shall appoint a temporary chair in like manner. A permanent chair and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Bonds represented at the meeting and entitled to vote.

The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at the meeting and their counsel, any representatives of the Trustee and its counsel, any representatives of the Issuer and its counsel and any representatives of the Borrower and its counsel.

Section 11.05 Miscellaneous.

Nothing contained in this Article XI shall be deemed or construed to authorize or permit any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Bonds by reason of any call of a meeting of Holders or any rights conferred expressly or impliedly hereunder to make a call.

(End of Article XI)

ARTICLE XII

MISCELLANEOUS

Section 12.01 Limitation of Rights.

With the exception of rights conferred expressly in this Indenture, 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 Investor Partner and the Holders of the Bonds any legal or equitable right, remedy, power or claim under or with respect to this Indenture or any covenants, agreements, conditions and provisions contained herein. This Indenture and all of those covenants, agreements, conditions and provisions are intended to be, and are, for the sole and exclusive benefit of the parties hereto, the Borrower, the Investor Partner and the Holders of the Bonds, as provided herein.

Section 12.02 Severability.

In case any section or provision of this Indenture, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Indenture, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Indenture or any other covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Indenture, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, provision, covenant, agreement, stipulation, obligation, act, action, part or application, all of which shall be deemed to be effective, operative, made, assumed, entered into or taken in the manner and to the full extent permitted by law from time to time.

Section 12.03 Notices.

Except as provided in Section 6.02 hereof, it shall be sufficient service or giving of any notice, request, complaint, demand or other instrument or document, if it is duly mailed by first-class mail, postage pre-paid, or is forwarded by overnight courier service, delivery charges pre-paid. Notices to the Issuer, the Borrower, the Investor Partner, the Rating Agency and the Trustee shall be delivered to their respective Notice Address.

Duplicate copies of each notice, request, complaint, demand or other instrument or document given hereunder by the Issuer, the Trustee or the Borrower or the Investor Partner to one or both of the others also shall be given to the others.

The Issuer, the Trustee, the Borrower, the Investor Partner, the Mortgage Lender and the Rating Agency 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.

In connection with any notice mailed pursuant to the provisions of this Indenture, a certificate of the Trustee, the Issuer, the Borrower, the Investor Partner or the Holders of the

Bonds, whichever or whoever mailed that notice, that the notice was so mailed shall be conclusive evidence of the proper mailing of the notice.

Section 12.04 Suspension of Mail and Courier Service.

If because of the suspension of delivery of first-class mail or of delivery by overnight courier services, or for any other reason, the Trustee shall be unable to mail by the required class of mail or forward by overnight courier service any notice required to be given by the provisions of this Indenture, the Trustee shall give such notice in such other manner as in the judgment of the Trustee shall most effectively approximate the required mailing or forwarding thereof, and the giving of that notice in that manner for all purposes of this Indenture shall be deemed to be in compliance with the requirement of this Section. Except as otherwise provided herein, the mailing of any notice shall be deemed complete upon deposit of that notice in the mail and the giving of any notice by any other means of delivery shall be deemed complete upon receipt of the notice by the delivery service.

Section 12.05 Payments Due on Saturdays, Sundays and Holidays.

If any Interest Payment Date or a date of maturity of the principal of any Bonds is a Saturday, Sunday or a day on which the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest and principal need not be made by the Trustee on that date, but that payment may be made on the next succeeding business day on which the Trustee is open for business with the same force and effect as if that payment were made on the Interest Payment Date or date of maturity, and no interest shall accrue for the period after that date.

Section 12.06 Instruments of Holders.

Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Indenture to be executed by any Holder may be in any number of concurrent writings of similar tenor and may be executed by that Holder in person or by an agent or attorney appointed in writing. Proof of (a) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (b) the execution of any writing appointing any agent or attorney, and (c) the ownership of Bonds, shall be sufficient for any of the purposes of this Indenture, if made in the following manner, and if so made, shall be conclusive in favor of the Trustee with regard to any action taken thereunder, namely:

(i) The fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(ii) The fact of ownership of Bonds shall be proved by the Register maintained by the Trustee.

Nothing contained herein shall be construed to limit the Trustee to the foregoing proof, and the Trustee may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, of the Holder of any Bond shall bind every future

Holder of the same Bond, with respect to anything done or suffered to be done by the Issuer, the Borrower or the Trustee pursuant to that writing.

Section 12.07 Priority of this Indenture.

This Indenture shall be superior to any liens which may be placed upon the Revenues or any other funds or accounts created pursuant to this Indenture.

Section 12.08 Extent of Covenants; No Personal Liability.

All covenants, stipulations, obligations and agreements of the Issuer contained in this Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Act and permitted by the Constitution of the State. No covenant, stipulation, obligation or agreement of the Issuer contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer, the Governing Body in other than that person's official capacity. Neither the members of the Governing Body nor any official executing the Bonds, this Indenture, the Financing Agreement or any amendment or supplement hereto or thereto shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution hereof or thereof.

Section 12.09 Binding Effect.

This Indenture shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 12.10 Counterparts.

This Indenture may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 12.11 Governing Law.

This Indenture and the Bonds shall be deemed to be contracts made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 12.12 HUD Loan Documents and Regulations Control.

(a) In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of this Indenture, the Financing Agreement, the Tax Regulatory Agreement, and all other documents required by the Issuer or Trustee in connection with the Loan (the "Bond Documents") and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

(b) Notwithstanding anything contrary contained herein, enforcement of the covenants in this Indenture or any of the other Bond Documents will not result in, and neither the Issuer nor

the Trustee has or shall be entitled to assert, any claim against the Project, the Mortgage Loan proceeds (which do not include amounts on deposit in the Collateral Fund), any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the rents or deposits or other income of the Project other than available Surplus Cash as defined in the HUD Regulatory Agreement.

(c) Failure of the Issuer or the Borrower to comply with any of the covenants set forth in this Indenture or any of the other Bond Documents will not serve as a basis for default on the Mortgage Loan, the underlying Mortgage, or any of the other Mortgage Loan Documents.

(End of Article XII)

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Trust Indenture to be executed and delivered by duly authorized officers thereof as of the day and year first written above.

AUSTIN HOUSING FINANCE CORPORATION

By: _____
Manager

[Issuer Signature Page to Trust Indenture]

**WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee**

By: _____
Charles Hicks, Vice President

[Trustee Signature Page to Trust Indenture]

EXHIBIT A

[BOND FORM]

NOTICE: Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED
NO. [T-1][R-__]

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS

AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING REVENUE BOND
(THE TIMBERS APARTMENTS PROJECT)
SERIES 2015

INTEREST RATE: ____%	MATURITY DATE: October 1, 20__	BOND DATE: October 1, 2015	CUSIP _____
-------------------------	-----------------------------------	-------------------------------	----------------

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ (\$ _____ .00)

The Austin Housing Finance Corporation (the "Issuer"), a public nonprofit housing finance corporation of the State of Texas for value received, promises to pay to the Registered Owner specified above or registered assigns, but solely from the sources and in the manner referred to herein, the Principal Amount specified above on the Maturity Date specified above (subject to the rights of redemption set forth herein), and to pay from those sources interest on the unpaid principal balance of said Principal Amount calculated at the aforesaid Interest Rate on (a) April 1 and October 1 of each year beginning April 1, 2016, (b) each Redemption Date, (c) the Maturity Date, and (d) the date of acceleration of the Bonds (the "**Interest Payment Dates**") until the principal amount is paid or duly provided for. This Bond will bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from the Closing Date.

This Bond shall bear interest during each Interest Period at a rate per annum equal to the Interest Rate. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months, for the actual number of days elapsed.

For purposes of calculating such interest:

"Interest Period" means, initially, the period from the Closing Date to but not including April 1, 2015, and thereafter, the period commencing on each succeeding Interest Payment Date and ending on the last day of that month preceding the next Interest Payment Date.

"Interest Rate" means ____%.

The principal of this Bond is payable upon presentation and surrender hereof at the designated corporate trust office of the trustee, presently Wilmington Trust, National Association (the **"Trustee"**). Interest is payable on each Interest Payment Date by check or draft mailed to the person in whose name this Bond (or one or more predecessor bonds) is registered (the **"Holder"**) at the close of business on the 15th day of the calendar month next preceding that Interest Payment Date (the **"Regular Record Date"**) on the registration books for this issue maintained by the Trustee, as registrar, at the address appearing therein. Any interest which is not timely paid or duly provided for shall cease to be payable to the Holder hereof (or of one or more predecessor bonds) as of the Regular Record Date, and shall be payable to the Holder hereof (or of one or more predecessor bonds) at the close of business on a Special Record Date to be fixed by the Trustee for the payment of that overdue interest. Notice of the Special Record Date shall be mailed to Holders not less than ten days prior thereto. The principal of and interest on this Bond are payable in lawful money of the United States of America, without deduction for the services of the paying agent. While the Bonds are held in a book-entry system and in certain other circumstances, all as provided in the Indenture, principal of and interest on this Bond is required to be paid by wire transfer or other arrangement, other than any payment of the entire unpaid principal amount hereof.

THIS BOND IS ISSUED UNDER CHAPTER 394, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED. THIS BOND AND THE INTEREST HEREON ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM THE TRUST ESTATE. THIS BOND IS NOT A DEBT OR OTHER OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE ISSUER (EXCEPT TO THE EXTENT OF THE TRUST ESTATE), ANY OFFICER, DIRECTOR OR MEMBER OF THE ISSUER, AUSTIN, TEXAS OR THE STATE OF TEXAS, OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, ANY OFFICER, DIRECTOR OR MEMBER OF THE ISSUER, AUSTIN, TEXAS OR THE STATE OF TEXAS. THIS BOND DOES NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE STATE, AUSTIN, TEXAS, OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE ISSUER HAS NO TAXING POWER. THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR ANY PREMIUM OR INTEREST ON THIS BOND AND THE FULL FAITH AND CREDIT AND THE TAXING POWER OF THE STATE OF TEXAS ARE NOT PLEDGED, GIVEN, OR LOANED TO THE PAYMENT OF THIS BOND.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT OR FUTURE OFFICER, DIRECTOR, 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, DIRECTORS, 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.

This Bond is one of a duly authorized issue of the Issuer's Multifamily Housing Revenue Bonds (The Timbers Apartments Project) Series 2015 (the "**Bonds**"), issuable under the Trust Indenture dated as of October 1, 2015 (the "**Indenture**"), between the Issuer and the Trustee, aggregating in principal amount \$_____ and used for the purpose of financing a loan (the "**Loan**") to be made to Timbers Clayton 104 Apartments, L.P., a Texas limited partnership (the "**Borrower**"). The Loan will be used by the Borrower to pay a portion of the costs of acquiring, constructing, rehabilitating, equipping and improving the Project, as defined in the Indenture, as further provided in the Financing Agreement dated as of even date with the Indenture (the "**Financing Agreement**"), among the Issuer and the Borrower. The Bonds are special obligations of the Issuer, issued or to be issued under and are to be secured and entitled equally and ratably to the protection given by the Indenture. The Bonds are issued pursuant to, under authority of and in compliance with the laws of the State of Texas, and particularly Texas Local Government Code, Chapter 394, as amended (the "**Act**"), and a resolution duly enacted by the Board of Directors (the "**Governing Body**") of the Issuer.

The Bonds are subject to redemption prior to their stated maturity on the dates, under the terms and conditions and at the redemption price set forth in the Indenture, all of the provisions of which are, by this reference, incorporated into this Bond. Notice of redemption shall be given in the manner set forth in the Indenture.

Reference is made to the Indenture for a more complete description of the Project, the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the Issuer, the Trustee and the Holders of the Bonds, and the terms and conditions upon which the Bonds are issued and secured. Each Holder assents, by its acceptance hereof, to all of the provisions of the Indenture.

The Borrower is required by the Financing Agreement to cause the Mortgage Lender to make on its behalf collateral payments to the Trustee in the amounts and at the times necessary to pay the principal of and interest (the "**Bond Service Charges**") on the Bonds. In the Indenture, the Issuer has assigned to the Trustee, to provide for the payment of the Bond Service Charges on the Bonds, the Issuer's right, title and interest in and to the Financing Agreement, except for Reserved Rights as defined in the Indenture. To secure its compliance with certain covenants in the Financing Agreement, the Borrower has executed and delivered the Tax Regulatory Agreement (the "**Tax Regulatory Agreement**") among itself, the Issuer and the Trustee, dated as of even date with the Indenture.

Copies of the Indenture, the Financing Agreement and the Tax Regulatory Agreement are on file in the designated corporate trust office of the Trustee.

The Bond Service Charges on the Bonds are payable solely from the Revenues, as defined and as provided in the Indenture (being, generally, the amounts payable under the Financing Agreement and any unexpended proceeds of the Bonds), and are an obligation of the Issuer only to the extent of the Revenues. The Bonds are not secured by an obligation or pledge of any moneys raised by taxation and do not represent or constitute a debt or pledge of the faith and credit of the Issuer.

The Bonds are issuable only as fully registered bonds and, except as hereinafter provided, in printed or typewritten form, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which shall be considered to be the Holder for all purposes of the Indenture, including, without limitation, payment by the Issuer of Bond Service Charges, and receipt of notices to, giving of consents by and exercise of rights of, Holders. There shall be a single Bond representing each maturity, and all Bonds shall be immobilized in the custody of DTC with the owners of beneficial interests in those Bonds (the "book entry interests") having no right to receive from the Issuer Bonds in the form of physical securities or certificates. Ownership of book entry interests in the Bonds shall be shown by book entry on the system maintained and operated by DTC, its participants (the "Participants") and certain persons acting through the Participants, and transfers of ownership of book entry interests shall be made only by that book entry system, the Issuer and the Trustee having no responsibility therefor. DTC is to maintain records of the positions of Participants in the Bonds, and the Participants and persons acting through Participants are to maintain records of the purchasers and owners of book entry interests in the Bonds. The Bonds as such shall not be transferable or exchangeable, except for transfer to another Depository (as defined in the Indenture) or to another nominee of a Depository, without further action by the Issuer and otherwise at the expense of the Borrower.

If any Depository determines not to continue to act as a Depository for the Bonds for use in a book entry system, the Issuer may attempt to have established a securities depository/book entry system relationship with another qualified Depository under the Indenture. If the Issuer does not or is unable to do so, the Issuer and the Trustee, after the Trustee has made provision for notification of the owners of book entry interests by the then Depository, shall permit withdrawal of the Bonds from the Depository, and authenticate and deliver Bond certificates in fully registered form (in denominations of \$5,000, or any integral multiple of \$5,000 in excess thereof) to the assignees of the Depository or its nominee, all at the cost and expense (including costs of printing or otherwise preparing and delivering replacement Bond certificates) of those persons requesting such authentication and delivery, if the event is not the result of Issuer action or inaction (including action at the request of the Borrower).

The Indenture permits certain amendments or supplements to the Indenture, the Financing Agreement, the Tax Regulatory Agreement and the Note not prejudicial to the Holders to be made without the consent of or notice to the Holders, and certain other amendments or supplements thereto to be made with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

The Holder of each Bond has only those remedies provided in the Indenture.

The Bonds shall not constitute the personal obligation, either jointly or severally, of the members of the Governing Body or of any other officer or official of the Issuer.

This Bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless either (1) the certificate of authentication hereon shall have been signed by a duly authorized officer of the Trustee or (2) the Comptroller's Registration Certificate hereon has been executed by an authorized representative of the Comptroller of Public Accounts of the State of Texas.

It is certified and recited that there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the Issuer or to have happened (a) precedent to and in the issuing of the Bonds in order to make them legal, valid and binding special obligations of the Issuer, and (b) precedent to and in the

execution and delivery of the Indenture and the Financing Agreement; that payment in full for the Bonds has been received; and that the Bonds do not exceed or violate any constitutional or statutory limitation.

This Bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed.

IN WITNESS OF THE ABOVE, the Issuer has caused this Bond to be executed and delivered by the manual or facsimile signature of its President and attested by the manual or facsimile signature of its Secretary as of the day and year first written above.

AUSTIN HOUSING FINANCE CORPORATION

By: _____
President

ATTEST:

By: _____
Secretary

[SEAL]

[FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE – Include only on Initial Bond]

COMPTROLLER'S REGISTRATION CERTIFICATE

Office of the Comptroller
of Public Accounts of
the State of Texas

§
§
§

Register No. _____

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 that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____

Comptroller of Public Accounts of the State of Texas

(Comptroller's Seal)

[FORM OF CERTIFICATE OF AUTHENTICATION - Do not include on Initial Bond]

CERTIFICATE OF AUTHENTICATION

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

Date of Registration and Authentication: _____

WILMINGTON TRUST, NATIONAL
ASSOCIATION

By: _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and irrevocably constitutes and appoints _____ attorney to transfer that Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agent Medallion Program or in such other guarantee program acceptable to the Registrar.

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Please insert social security number or other tax identification number of transferee

DTC FAST RIDER

Each Bond shall remain in the Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Trustee and DTC.

EXHIBIT B
CASH FLOW STATEMENT

Exhibit B

Financing Agreement

FINANCING AGREEMENT

Dated as of October 1, 2015

between

AUSTIN HOUSING FINANCE CORPORATION

and

TIMBERS CLAYTON 104 APARTMENTS, L.P.

\$

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project)
Series 2014

INDEX

(This Index is not a part of the Agreement
but rather is for convenience of reference only.)

	<u>Page</u>
Preamble	1
 ARTICLE I DEFINITIONS	
Section 1.1. Use of Defined Terms	2
Section 1.2. Interpretation	2
Section 1.3. Captions and Headings	2
 ARTICLE II REPRESENTATIONS	
Section 2.1. Representations of the Issuer	3
Section 2.2. Representations and Covenants of the Borrower	3
 ARTICLE III PLAN OF FINANCING	
Section 3.1. Issuance of Bonds; Application of Proceeds	6
Section 3.2. The Loan	6
Section 3.3. Mortgage Loan to Borrower	6
Section 3.4. Acquisition, Construction, Installation, Equipment and Improvement	7
Section 3.5. Plans and Specifications	7
Section 3.6. Disbursements from the Project Fund	7
Section 3.7. Funding Agreement	8
Section 3.8. Borrower Required to Pay Costs in Event Project Fund Insufficient	9
Section 3.9. Completion Date	9
Section 3.10. Reserved	9
Section 3.11. Investment of Fund Moneys	9
Section 3.12. Rebate Calculations and Payments	10
 ARTICLE IV LOAN PAYMENTS; COLLATERAL PAYMENTS AND ADDITIONAL PAYMENTS	
Section 4.1. Loan Repayment; Delivery of Note	11
Section 4.2. Collateral Payments	11
Section 4.3. Bond Fund and Collateral Fund	12
Section 4.4. Additional Payments	12

	<u>Page</u>
Section 4.5. Place of Payments	13
Section 4.6. Obligations Unconditional.....	13
Section 4.7. Assignment of Agreement and Revenues	13
ARTICLE V	
ADDITIONAL AGREEMENTS AND COVENANTS	
Section 5.1. Right of Inspection	15
Section 5.2. Borrower to Maintain its Existence; Sale of Project	15
Section 5.3. Indemnification	16
Section 5.4. Tax Covenants	17
Section 5.5. Affirmative Covenants	21
Section 5.6. Negative Covenants	23
Section 5.7. Nature of Business	23
Section 5.8. Continuing Disclosure	23
ARTICLE VI	
PREPAYMENT AND TERMINATION	
Section 6.1. Optional Prepayment	24
Section 6.2. Reserved.....	24
Section 6.3. Reserved.....	24
Section 6.4. Option to Terminate	24
ARTICLE VII	
EVENTS OF DEFAULT AND REMEDIES	
Section 7.1. Events of Default.....	25
Section 7.2. Remedies on Default.....	26
Section 7.3. No Remedy Exclusive	27
Section 7.4. Agreement to Pay Attorneys' Fees and Expenses.....	27
Section 7.5. No Waiver	27
Section 7.6. Notice of Default.....	27
Section 7.7. Investor Member's Cure Rights	27
ARTICLE VIII	
MISCELLANEOUS	
Section 8.1. Term of Agreement	28
Section 8.2. Amounts Remaining in Funds	28
Section 8.3. Notices	28
Section 8.4. Extent of Covenants of the Issuer; No Personal Liability	28
Section 8.5. Limited Liability of the Issuer	29
Section 8.6. Limited Liability of Borrower	29

	<u>Page</u>
Section 8.7. Binding Effect.....	29
Section 8.8. Amendments and Supplements	29
Section 8.9. Execution Counterparts.....	30
Section 8.10. Severability	30
Section 8.11. Governing Law.....	30
Section 8.12. Third Party Beneficiary.....	30
Section 8.13. Mortgage Loan Documents and Regulations Control	30
Signatures	S-1
Exhibit A - Form of Note.....	A-1
Exhibit B - Form of Disbursement Request	B-1
Exhibit C - Form of Completion Certificate	C-1

FINANCING AGREEMENT

THIS FINANCING AGREEMENT made and entered into as of October 1, 2015 between the **AUSTIN HOUSING FINANCE CORPORATION** (the "**Issuer**") a public nonprofit housing finance corporation organized under the laws of the State of Texas, and **TIMBER CLAYTON 104 APARTMENTS, L.P.**, a Texas limited partnership (the "**Borrower**"), under the following circumstances summarized in the following recitals (the capitalized terms not defined in the recitals being used therein as defined in Article I hereof):

A. Pursuant to the Act, the Issuer has determined to issue, sell and deliver the Bonds, and to finance a loan with the proceeds derived from the sale thereof to the Borrower to assist in the financing of the Project to be undertaken by the Borrower.

B. To provide and secure amounts to repay to the Issuer the Loan of the Bond proceeds, the Borrower will obtain the Mortgage Loan from the Mortgage Lender and cause the Mortgage Lender to make certain payments to Wilmington Trust, National Association, as trustee under the Indenture referred to below (the "**Trustee**"), for the benefit of the Issuer.

C. The Issuer and the Borrower each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Borrower agree as follows (provided that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a general debt of the Issuer or give rise to any pecuniary liability of the Issuer but shall be payable solely out of Revenues):

ARTICLE I

DEFINITIONS

Section 1.1. Use of Defined Terms.

In addition to the words and terms defined elsewhere in this Agreement, the words and terms in this Agreement shall have the meanings set forth in the Trust Indenture (the "Indenture"), dated as of the date of this Agreement between the Issuer and the Trustee.

Section 1.2. Interpretation.

Any reference herein to the Issuer, to the Governing Body or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of the Texas statutes or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Holders, the Trustee or the Borrower under this Agreement.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof," "hereby," "herein," "hereto," "hereunder" and similar terms refer to this Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.3. Captions and Headings.

The captions and headings in this Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

(End of Article I)

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Issuer.

The Issuer represents that: (a) it is a public nonprofit housing finance corporation organized and existing under the laws of the State; (b) it has or will have by the Closing Date duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery of the Issuer Documents; (c) it is not in violation of or in conflict with any provisions of the laws of the State that would impair its ability to carry out its obligations contained in the Issuer Documents; (d) it has the legal right and is empowered to enter into the transactions contemplated by the Issuer Documents; (e) it has duly authorized the execution, delivery and performance of the Issuer Documents; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under the Issuer Documents by any successor entity. The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, construction and equipping of the Project or that the Project will be adequate or sufficient for the Borrower's intended purpose.

Section 2.2. Representations and Covenants of the Borrower.

The Borrower represents and covenants that:

(a) It is a limited partnership duly formed and in full force and effect under the laws of the State of Texas, is in good standing and duly qualified to transact business in the State and not in violation of any provision of any applicable operating agreement and is authorized to own and operate the Project in the State.

(b) It has full power and authority to execute, deliver and perform the Borrower Documents and to enter into and carry out the transactions contemplated by those documents. That execution, delivery and performance do not, and will not, violate any provision of law applicable to the Borrower and do not, and will not, conflict with or result in a default under any agreement or instrument to which the Borrower is a party or by which it is bound. The Borrower Documents have, by proper action, been duly authorized, executed and delivered by the Borrower and all steps necessary have been taken to constitute the Borrower Documents valid and binding obligations of the Borrower, enforceable in accordance with their terms except as may be limited by laws relating to bankruptcy, insolvency, reorganization or moratorium or other similar laws affecting creditors' rights.

(c) The general partner of the Borrower is AHFC 1034 Clayton Lane Non-Profit Corporation, a Texas nonprofit corporation (the "General Partner"). The other partners of the Borrower are the Investor Partner and the Special Partner. The Borrower does not currently operate or conduct any business except as related to the financing, ownership, operation and rehabilitation of the Project. The Borrower has no material assets or property other than its anticipated interest in the Project.

(d) The General Partner (1) is a non-profit corporation duly organized under the laws of the State of Texas, and (2) has the requisite legal authority to become and to act as a General Partner of the Borrower.

(e) The provision of financial assistance to be made available to the Borrower under this Agreement and the commitments therefor made by the Issuer have induced the Borrower to undertake the transactions contemplated by this Agreement.

(f) It will use and operate the Project in a manner consistent with the Act and in accordance with the Tax Regulatory Agreement for as long as required by the Act and the Code and knows of no reason why the Project will not be so operated. If, in the future, there is a cessation of that operation, it will use its best efforts to resume that operation or accomplish an alternate use by the Borrower or others approved by the Issuer which will be consistent with the Act, the Code and the Tax Regulatory Agreement.

(g) The Project will be completed in accordance with the Plans and Specifications in all material respects and the portion of the Project funded with the proceeds of the Bonds will constitute a qualified residential rental project within the meaning of Section 142(d) of the Code and will be operated and maintained in such manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other applicable Governmental regulations and as to be consistent with the Act.

(h) The Project will be located entirely within the jurisdiction of the Issuer.

(i) The Borrower has obtained or will 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 Borrower Documents or the performance by the Borrower of its obligations thereunder, or that were or are required for the acquisition, rehabilitation and/or operation of the Project.

(j) No litigation at law or in equity or proceeding before any governmental agency involving the Borrower is pending or, to the best of its 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 that would affect its existence or authority to do business, the acquisition, rehabilitation, equipping or operation of the Project, the validity of any Borrower Documents or the performance of its obligations thereunder.

(k) 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.

(l) 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 Borrower Documents 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.

(m) The Borrower has received and reviewed a copy of the Indenture and approves the terms and conditions thereof and agrees to the terms thereof.

(n) 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.

(o) Neither the Borrower nor any related Person thereto shall acquire any Bonds in any amount.

(p) The Borrower will be the absolute owner of the Project and will have a leasehold interest in a ground lease and will have absolute ownership of the personal property comprising the Project, and there are no liens or encumbrances against such property other than the liens contemplated by the Mortgage Loan Documents.

(q) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; 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 Project; 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 Agreement and the Indenture or otherwise relied on the Issuer or its counsel in any manner.

(r) The Project will, after the completion of rehabilitation, be in compliance with all requirements of the Tax Regulatory Agreement, including all applicable requirements of the Act and Code. The Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Tax Regulatory Agreement, including all applicable requirements of the Act and the Code. All future leases will comply with all applicable laws and the Tax Regulatory Agreement. The Project will meet the requirements of this Agreement, the Tax Regulatory Agreement, the Act and the Code with respect to multifamily rental housing.

The Borrower acknowledges that the representations and covenants herein made by the Borrower have been expressly and specifically relied upon by the Issuer in determining to make the Loan to the Borrower and the Loan would not have been made but for such representations and covenants.

(End of Article II)

ARTICLE III

PLAN OF FINANCING

Section 3.1. Issuance of Bonds; Application of Proceeds.

To provide funds to finance the Loan for purposes of assisting the Borrower in paying Project Costs, the Issuer shall simultaneously with the execution and delivery hereof proceed with the issuance and delivery of the Bonds upon receipt by the Trustee of the items listed in Section 2.11 of the Indenture. The Issuer agrees to deposit the proceeds of sale of the Bonds in accordance with the Indenture.

The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Borrower hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered and will comply with those provisions of the Indenture that contemplate action by the Borrower, all as if the Borrower were a party to the Indenture.

Pending disbursement pursuant to Section 3.6 hereof, the proceeds of the Bonds deposited in the Project Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee as security for the payment of Bond Service Charges as provided in the Indenture.

Section 3.2. The Loan.

The Issuer agrees, upon the terms and conditions herein, to finance the Loan to the Borrower with the proceeds received by the Issuer from the sale of the Bonds by causing such proceeds to be deposited with the Trustee for disposition as provided in the Indenture. The obligation of the Issuer to finance the Loan shall be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Trustee. The Loan shall be evidenced by the Note payable to the Trustee.

Section 3.3. Mortgage Loan to Borrower.

To provide and secure funds for the repayment of the Loan, and to provide for the delivery of the Collateral Payments, the Borrower shall simultaneously with the execution and delivery hereof, proceed with obtaining the Mortgage Loan from the Mortgage Lender and entering into the Funding Agreement with the Mortgage Lender. In particular, the Borrower will promptly take all necessary actions on its part to satisfy all terms and conditions of the FHA Commitment and the requirements of the Mortgage Lender.

The Borrower represents that the Mortgage Loan is to be insured by FHA pursuant to and in accordance with the provisions of Section 223(f) of the National Housing Act, as amended, and applicable regulations thereunder; and that the Mortgage Loan will be in the maximum original principal amount of \$_____, will bear interest at the fixed interest rate of ____% per annum, will provide for commencement of amortization on _____ and mature on October 1, _____, and shall be evidenced by the Mortgage Note. The Mortgage Loan will be secured on a non-recourse basis pursuant to the Mortgage Loan Documents.

In connection with the Mortgage Loan, the Borrower shall execute and deliver such documents as may be customarily utilized for insured mortgage loans under the provisions of Section 223(f) of the National Housing Act and applicable regulations thereunder, with such omissions, insertions and variations as may be permitted by the Mortgage Lender and/or HUD and as may be consistent with the terms and provisions of this Agreement.

The GNMA Certificates issued by the Mortgage Lender with respect to the Mortgage Loan shall be delivered by the Mortgage Lender to the purchasers determined by the Mortgage Lender and the Mortgage Lender shall be entitled to retain the proceeds from the sale thereof except to the extent that such amounts are delivered to the Trustee as Collateral Payments or as may otherwise be required by HUD and GNMA. The Borrower agrees to cooperate with the Mortgage Lender in any manner reasonably requested in order to achieve the timely delivery of the GNMA Certificates to the purchasers thereof.

Section 3.4. Acquisition, Construction, Installation, Equipment and Improvement.

The Borrower (a) has acquired, or is in the process of acquiring, a leasehold interest in the Project site and shall construct, improve and equip the Project with all reasonable dispatch and in accordance with the Plans and Specifications in all material respects, (b) shall pay when due all fees, costs and expenses incurred in connection with that acquisition, construction, installation, equipment and improvement from funds made available therefor in accordance with this Agreement or otherwise, except to the extent being contested in good faith, and (c) shall ask, demand, sue for, levy, recover and receive all those sums of money, debts and other demands whatsoever which may be due, owing and payable under the terms of any contract, order, receipt, writing and instruction in connection with the acquisition, construction, rehabilitation, remodeling, improvement and equipping of the Project, and shall enforce the provisions of any contract, agreement, obligation, bond or other performance security with respect thereto. It is understood that the Project is that of the Borrower and any contracts made by the Borrower with respect thereto, whether acquisition contracts, construction contracts or otherwise, or any work to be done by the Borrower on the Project are made or done by the Borrower in its own behalf and not as agent or contractor for the Issuer. The Borrower agrees that it will compensate all workers employed in the construction, and improvement of the Project as required by law.

Section 3.5. Plans and Specifications.

The Project shall be constructed in a manner consistent with the requirements of the Act. The Borrower may revise the Plans and Specifications from time to time, provided that no revision shall be made which would contradict the Act or would result in a violation of the requirements of the Tax Regulatory Agreement or any covenant, representation or obligation herein.

Section 3.6. Disbursements from the Project Fund.

Subject to the provisions below and so long as no Event of Default hereunder has occurred and is continuing for which the principal amount of the Bonds has been declared to be immediately due and payable pursuant to Section 7.2 hereof and Section 6.03 of the Indenture, disbursements from the Project Fund shall be made only to pay any of the following Project Costs:

(a) Costs incurred directly or indirectly for or in connection with the acquisition, construction, rehabilitation, remodeling, improvement and equipping of the Project, including costs incurred in respect of the Project for preliminary planning and studies; architectural, legal,

engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work.

(b) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the construction period with respect to the Project.

(c) Taxes, assessments and other governmental charges in respect of the Project that may become due and payable during the construction period.

(d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to the Project.

(e) Subject to the limitations set forth in the Tax Certificate, Costs of Issuance of the Bonds, including, financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, including, without limitation, the fees and expenses of the Trustee properly incurred under the Indenture that may become due and payable while the Bonds are outstanding.

(f) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, construction, rehabilitation, remodeling, improvement and equipping of the Project.

(g) Payment of interest on the Bonds.

(h) Payments to the Rebate Fund.

Any disbursements from the Project Fund for the payment of Project Costs shall be made by the Trustee only upon the receipt by the Trustee of: (a) a disbursement request in the form attached hereto as Exhibit B; and (b) Collateral Payments in an amount equal to the amount of any such disbursement request for deposit in the Collateral Fund as provided in Section 4.2 hereof. The Borrower hereby acknowledges and agrees that it shall submit disbursement requests to the Trustee no more frequently than once each calendar month. Each such disbursement request shall be consecutively numbered and accompanied by a copy of the approval of the Mortgage Lender of the payments or reimbursements requested.

The Borrower's right to request disbursements for the Project Fund is limited to the principal amount of the Loan, which may be less than the principal amount of the Mortgage Loan.

Any disbursement for any item not described in, or the cost for which item is other than as described in, the information statement filed by the Issuer in connection with the issuance of the Bonds as required by Section 149(e) of the Code, and in the notice of public hearing pertaining to the Bonds shall be accompanied by an Opinion of Bond Counsel to the effect that such disbursement will not adversely affect the Federal Tax Status of the Bonds.

Any moneys in the Project Fund remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs, at the direction of the Authorized Borrower Representative, promptly shall be paid into the Bond Fund.

Section 3.7. Funding Agreement.

The Borrower shall execute the Funding Agreement with the Mortgage Lender to coordinate the funding of a portion of the Project Costs with the proceeds of the Bonds by delivering or causing to be delivered to the Trustee on behalf of the Borrower certain funds ("Collateral Payments") representing all or a portion of the advances under the Mortgage Loan (the "Advances") in exchange for an equal amount of Bond proceeds from the Project Fund under the Indenture. Funds under the Mortgage Loan will not be insured by FHA until loan proceeds are received by the Borrower.

Section 3.8. Borrower Required to Pay Costs in Event Project Fund Insufficient.

If moneys in the Project Fund are not sufficient to pay all Project Costs, the Borrower, nonetheless, will complete the Project in accordance with the Plans and Specifications and shall pay all such additional Project Costs from its own funds. The Borrower shall pay all Costs of Issuance of the Bonds in excess of the amount permitted by the Tax Certificate. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of Costs of Issuance from the Issuer, the Trustee or any Holder; nor shall it be entitled to any abatement, diminution or postponement of the any Loan Payments or other amounts to be paid under this Agreement.

Section 3.9. Completion Date.

The Borrower shall notify the Issuer and the Trustee of the Completion Date by the delivery of a Completion Certificate signed by the Authorized Borrower Representative substantially in the form of Exhibit C attached hereto. The Completion Certificate shall be delivered as promptly as practicable after the occurrence of the events and conditions referred to in paragraphs (a) and (b) of the Completion Certificate.

Section 3.10. Reserved.

Section 3.11. Investment of Fund Moneys.

At the written request of the Authorized Borrower Representative, any moneys held as part of the Bond Fund, the Project Fund, the Collateral Fund and the Rebate Fund shall be invested or reinvested by the Trustee in accordance with Section 4.10 of the Indenture or otherwise in Eligible Investments as provided in the Indenture. The Issuer (to the extent within its control) and the Borrower each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Bonds or subsequent intentional acts, so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. No provision of this Agreement shall be construed to impose upon the Trustee any obligation or responsibility for compliance with arbitrage regulations.

The Borrower shall provide the Issuer with, and the Issuer may base its certifications as authorized by the Borrower Documents on, a certificate of an Authorized Borrower Representative for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Borrower on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.12. Rebate Calculations and Payments.

The Borrower shall appoint a Rebate Analyst, the expense of which shall be borne by the Borrower.

At the times required by the Tax Certificate, the Borrower shall cause the Rebate Analyst to calculate the Rebate Amount as of the end of that Bond Year or the date of such payment and the Rebate Analyst shall notify the Trustee and the Borrower of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the Rebate Amount (taking into account the amount or amounts, if any, previously paid to the United States), the Borrower shall, within 30 days after the date of the aforesaid calculation, deposit or cause to be deposited to the credit of the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Rebate Amount. The obligation of the Borrower to make or cause to be made such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Indenture or the termination of this Agreement. The Borrower shall obtain such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code and shall retain such records for at least six (6) years after the maturity or retirement of the Bonds.

The Borrower further covenants that, during the term of the Bonds, in the event the Borrower sells or otherwise disposes of the Project, it will require that the transferee execute a covenant similar to that in this Section in the sale or other documents concerning the disposition and will require such transferee to include such a covenant in future transfer documents. The special covenants of the Borrower in this Section shall survive the defeasance or payment in full of the Bonds notwithstanding any other provision of this Agreement until the requirements for payment of any Rebate Amount has been fully satisfied.

(End of Article III)

ARTICLE IV

LOAN PAYMENTS; COLLATERAL PAYMENTS AND ADDITIONAL PAYMENTS

Section 4.1. Loan Repayment; Delivery of Note.

In consideration of and in repayment of the Loan, the Borrower shall deliver or cause to be delivered to the Trustee on or before each Bond Payment Date, Loan Payments, equal to the amount necessary to pay interest on and principal of the Bonds due on the next Bond Payment Date. All such Loan Payments shall be paid to the Trustee in accordance with the terms of the Note for the account of the Issuer and shall be held and disbursed in accordance with the provisions of the Indenture and this Agreement.

The Borrower shall be entitled to a credit against the Loan Payments required to be made with respect to the Bonds on any date equal to the available moneys in the Bond Fund or transferred thereto from the Collateral Fund or the Project Fund for the payment of Bond Service Charges.

To secure the Borrower's performance of its obligations under this Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Bonds, the Note and the Tax Regulatory Agreement.

The Note shall secure equally and ratably all Outstanding Bonds, except that, so long as no Event of Default has occurred and is subsisting hereunder, payments by the Borrower on the Note shall be used by the Trustee to make a like payment of Bond Service Charges and shall constitute Loan Payments.

Upon payment in full, in accordance with the Indenture, of the Bond Service Charges on any or all Bonds, whether at maturity or otherwise, or upon provision for the payment thereof having been made in accordance with the provisions of the Indenture, (a) the Note shall be deemed fully paid, the obligations of the Borrower thereunder shall be terminated, and the Note shall be surrendered by the Trustee to the Borrower, and shall be canceled by the Borrower, or (b) an appropriate notation shall be endorsed thereon evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds so paid, or with respect to which provision for payment has been made, and that Note shall be surrendered by the Trustee to the Borrower for cancellation if all Bonds shall have been paid (or provision made therefor) and canceled as aforesaid. Unless the Borrower is entitled to a credit under express terms of this Agreement or the Note, all payments on the Note shall be in the full amount required thereunder.

Section 4.2. Collateral Payments.

In consideration of and as a condition to the disbursement of Bond proceeds in the Project Fund to pay Project Costs, and to secure the Borrower's obligation to make Loan Payments, the Mortgage Lender shall deliver or cause to be delivered to the Trustee on or before each such disbursement, Collateral Payments equal to the amount of the proposed disbursement. All such Collateral Payments shall be paid to the Trustee for the account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture.

Section 4.3. Bond Fund and Collateral Fund.

The Borrower and the Issuer each acknowledge that none of the Borrower or the Issuer has any interest in the Bond Fund or the Collateral Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders, so long as any Bonds remain outstanding.

Section 4.4. Additional Payments.

The Borrower shall pay as Additional Payments hereunder the following, which Additional Payments shall be applied in the following order of priority:

(a) Whether out of the proceeds of the Mortgage Loan or other funds, all Costs of Issuance of the Bonds and all expenses incurred in closing the Mortgage Loan.

(b) To the Issuer (i) the Issuer Administration Fee to the extent that the funds available under the Indenture for the payment thereof are not sufficient and available therefor and (ii) the Extraordinary Issuer Fees and Expenses.

(c) Reserved.

(d) To the Trustee, (i) the Ordinary Trustee's Fees and Expenses to the extent that the funds available in the Expense Fund for the payment thereof are not sufficient and available therefor and (ii) the Extraordinary Trustee Fees and Expenses.

(e) 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.

(f) To the extent not paid by the Trustee from the Expense Fund, all of the fees and expenses of the Rebate Analyst (including, but not limited to, the Rebate Analyst Fee) and any other necessary consultant employed by the Borrower, the Trustee or the Issuer in connection with any of the requirements imposed by Section 4.09 of the Indenture and the Tax Certificate to the extent that the funds available under the Indenture for the payment thereof are not sufficient and available therefor. The Borrower shall provide or cause to be provided all information and moneys (including moneys necessary to make deposits to the Rebate Fund required by the Indenture and the Tax Certificate and the fees and expenses of the Rebate Analyst to the extent available moneys in the Bond Fund under the Indenture are inadequate to pay such amounts) to the Trustee and the Rebate Analyst to enable the Trustee and the Rebate Analyst to comply with the Indenture and the Tax Certificate.

(g) To the Dissemination Agent, the Dissemination Agent Fee to the extent the funds available in the Expense Fund are not sufficient and available therefore, as well as any other costs and expenses in order to provide for compliance with the terms of the Continuing Disclosure Agreement.

In the event the Borrower is in default under any provision of any of the Borrower Documents, the Borrower shall be liable to, and upon demand shall pay to, the Issuer, the Trustee and the Mortgage Lender all reasonable fees and disbursements of such persons and their agents (including attorneys' fees and expenses) which are reasonably connected therewith or incidental thereto except to the extent such fees and disbursements are paid from moneys available therefor under the Indenture.

To provide for certain of the anticipated Additional Payments, the Borrower agrees to cause to be deposited a portion of the Initial Borrower Deposit into the Expense Fund and the Costs of Issuance Fund as required under the Indenture, and authorizes the Trustee to pay, from moneys on deposit in the Costs of Issuance Fund and the Expense Fund, the amounts provided to be paid from the Costs of Issuance Fund or the Expense Fund in accordance with Sections 4.05 and 4.08, respectively, of the Indenture. All such amounts shall be paid directly to the parties entitled thereto for their own account as and when such amounts become due and payable.

Upon the payment, prepayment, or incurrence of any such cost, expense, or liability described in this Section by any such party, the Additional Payments in respect thereof shall be payable upon written demand to the Borrower, which demand shall be accompanied by invoices or other appropriate documentation concerning the nature, amount and incurrence of such cost, expense or liability. If the Additional Payments payable under this Section are not paid upon such demand, such Additional Payments shall bear interest from the date of such payment or the incurrence thereof at the Maximum Interest Rate until the amount due shall have been fully paid.

The obligations of the Borrower under this Section shall survive the termination of this Agreement and the payment and performance of all of the other obligations of the Borrower hereunder and under the other Borrower Documents, including the Tax Certificate.

Section 4.5. Place of Payments.

The Borrower shall make all Loan Payments directly to the Trustee at its Designated Office. The Borrower shall direct the Mortgage Lender to make all Collateral Payments directly to the Trustee at its Designated Office. Additional Payments shall be made by the Borrower directly to the person or entity to whom or to which they are due.

Section 4.6. Obligations Unconditional.

The obligations of the Borrower to make Loan Payments, Additional Payments and any payments required of the Borrower under Sections 4.08 and 4.09 of the Indenture shall be absolute and unconditional, and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other Person; provided that the Borrower may contest or dispute the amount of any such obligation arising under Section 4.08 of the Indenture so long as such dispute or contest does not result in an Event of Default under the Indenture.

Section 4.7. Assignment of Agreement and Revenues.

To secure the payment of Bond Service Charges, the Issuer shall assign to the Trustee, by the Indenture, its rights under and interest in this Agreement (except for the Reserved Rights). The Borrower hereby agrees and consents to those assignments. The Issuer shall not attempt to further assign, transfer or convey its interest in the Revenues or this Agreement or create any pledge or lien of any form or nature with respect to the Revenues, Loan Payments or Collateral Payments hereunder.

(End of Article IV)

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1. Right of Inspection.

At all reasonable times and upon reasonable notice to Borrower and Borrower's tenants (if applicable), the Borrower shall allow any duly authorized representative of the Issuer or the Trustee to visit and inspect the Project, to examine and make copies of and from its books of record and account, and to discuss its affairs, finances, and accounts with its officers, and shall furnish to the Issuer and the Trustee any information reasonably required regarding its business affairs and financial condition within a reasonable time after receipt of written request therefor.

Section 5.2. Borrower to Maintain its Existence; Sale of Project.

The Borrower shall maintain its existence, not dissolve or sell, transfer or otherwise dispose of all or substantially all of its assets and not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that it may do so if the surviving, resulting or transferee entity is other than the Borrower, it assumes in writing all of the obligations of the Borrower under the Borrower Documents and it has a net worth equal to or greater than that of the Borrower immediately prior to such consolidation, merger, sale or transfer. The Borrower shall not permit one or more other entities to consolidate with or merge into it or take any action or allow any action to be taken to terminate the existence of the Borrower except as provided herein.

No sale, assignment or transfer of title to the Project, except as may be otherwise required by HUD or the Mortgage Lender, shall be made unless (a) the Issuer, Mortgage Lender and HUD consent to such assignment or transfer, (b) the transferee or assignee, as the case may be, assumes all the duties of the Borrower under the Borrower Documents, provided that such assumption may contain an exculpation of the assignee from personal liability with respect to any obligation hereunder, except the Borrower's obligation to indemnify the Issuer and the Trustee and reimburse the Issuer and the Trustee for the fees and expenses of the Issuer and the Trustee, and (c) no Event of Default as certified in writing to the Trustee by the Borrower shall have occurred and be continuing under the Indenture or this Agreement. The Trustee shall consent to any such assignment or transfer if (i) the Mortgage Lender notifies it in writing that the aforesaid condition (a) is satisfied, and (ii) the Trustee receives an Opinion of Bond Counsel to the effect that such transfer or assignment would not adversely affect the Federal Tax Status of the Bonds. Upon the assumption of the duties of the Borrower by an assignee as provided herein, the outgoing Borrower shall be released from all executory obligations so assumed; provided, however, the Borrower shall not be released from its obligation to pay or reimburse the fees and expenses of the Issuer and the Trustee and to indemnify the Trustee and the Issuer without the express written consent of the Trustee and the Issuer, as applicable, which consent shall not be unreasonably withheld. Nothing contained in this Section shall be construed to supersede any provisions regarding assignment and transfer of the Project contained in the Mortgage Loan Documents.

Notwithstanding anything to the contrary contained herein or in any other Borrower Document, and subject to the consent of HUD as required by the Mortgage Loan Documents, the following shall be permitted and shall not require the prior written approval of Issuer, Mortgage Lender or Trustee (but written notice of any such actions will be given to the Issuer, Mortgage Lender and Trustee), (a) the transfer by Investor Member or Special Member of its interest in

Borrower in accordance with the terms of Borrower's Operating Agreement, as it may be amended from time to time (the "**Operating Agreement**"), (b) the removal of the General Partner of Borrower in accordance with the Operating Agreement and the replacement thereof with Investor Member, Special Member or any of their affiliates, (c) the transfer of ownership interests in Investor Member, (d) upon the expiration of the tax credit compliance period, the transfer of the interests of Investor Member in Borrower to Borrower's General Partner or any of its affiliates, and (e) any amendment to the Operating Agreement to memorialize the transfers or removal described above. The parties agree that this section shall control to the extent of any conflict in any Borrower Documents (as defined in the Indenture).

Section 5.3. Indemnification.

THE BORROWER RELEASES THE ISSUER, THE COUNTY AND THE TRUSTEE FROM, AGREES THAT THE ISSUER, THE COUNTY AND THE TRUSTEE SHALL NOT BE LIABLE FOR, AND INDEMNIFIES, DEFENDS AND HOLDS THE ISSUER, THE COUNTY AND THE TRUSTEE HARMLESS AGAINST, ALL LIABILITIES, CLAIMS, COSTS AND EXPENSES AND ATTORNEYS' FEES IMPOSED UPON, INCURRED OR ASSERTED AGAINST THE ISSUER, THE COUNTY OR THE TRUSTEE ON ACCOUNT OF: (A) ANY LOSS OR DAMAGE TO PROPERTY OR INJURY TO OR DEATH OF OR LOSS BY ANY PERSON THAT MAY BE OCCASIONED BY ANY CAUSE WHATSOEVER PERTAINING TO THE ACQUISITION, FINANCING, CONSTRUCTION, REHABILITATION, OCCUPATION, DESIGN, POSSESSION, MANAGEMENT, EQUIPPING, FURNISHING, MAINTENANCE, OPERATION AND USE OF THE PROJECT OR FROM ANY WORK OR THING DONE IN OR ABOUT THE PROJECT SITE, OR ANY SIDEWALKS, PASSAGEWAYS, DRIVEWAYS, CURBS, VAULTS AND VAULT SPACE, STREETS OR PARKING AREAS ON THE PROJECT SITE OR ADJACENT THERETO; (B) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY COVENANT OR AGREEMENT OF THE BORROWER UNDER THIS AGREEMENT, THE TAX REGULATORY AGREEMENT, THE NOTE OR ANY RELATED DOCUMENT, OR ARISING FROM ANY ACT OR FAILURE TO ACT BY THE BORROWER, OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES; (C) THE BORROWER'S FAILURE TO COMPLY WITH ANY REQUIREMENT OF THIS AGREEMENT INCLUDING THE COVENANT IN SECTION 5.4 HEREOF; (D) ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY THE ISSUER, THE COUNTY OR THE TRUSTEE AT THE REQUEST OF OR WITH THE CONSENT OF THE BORROWER; (E) THE ISSUANCE, OFFERING, SALE, DELIVERY OR REMARKETING OF THE BONDS; AND (F) ANY CLAIM, ACTION OR PROCEEDING BROUGHT WITH RESPECT TO ANY MATTER SET FORTH IN CLAUSE (A), (B), (C), (D) OR (E) ABOVE; PROVIDED, HOWEVER, THAT THE INDEMNIFICATION PROVIDED IN THIS SECTION SHALL NOT APPLY TO ANY MATTER ARISING OR RESULTING FROM THE WILLFUL MISCONDUCT OF THE ISSUER OR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE TRUSTEE OR ANY INFORMATION PROVIDED BY THE ISSUER OR THE TRUSTEE IN WRITING FOR USE IN CONNECTION WITH THE OFFERING AND SALE OF THE BONDS.

THE BORROWER AGREES TO INDEMNIFY AND HOLD THE TRUSTEE (IN ITS CAPACITY AS SUCH, IN ITS INDIVIDUAL CAPACITY, AND IN ANY OTHER CAPACITY IT ASSUMES UNDER OR PURSUANT TO ANY FINANCING DOCUMENT), ITS EMPLOYEES, OFFICERS, REPRESENTATIVES, AND AGENTS HARMLESS FROM AND AGAINST ANY AND ALL LOSSES, COSTS, DAMAGES, EXPENSES AND LIABILITIES OF WHATSOEVER NATURE OR KIND (INCLUDING, BUT NOT LIMITED TO, ANY TAXES DUE AND PAYABLE IN CONNECTION WITH THE LOAN, REASONABLE ATTORNEYS' FEES, INCLUDING ANY AND ALL OF THOSE INCURRED PRIOR TO LITIGATION AND AT ALL TRIBUNAL LEVELS;

LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT BY OR WITH THE APPROVAL OF THE BORROWER, AND AMOUNTS PAID TO DISCHARGE JUDGMENTS) DIRECTLY OR INDIRECTLY RESULTING FROM, ARISING OUT OF, OR RELATED TO (I) THE ISSUANCE, OFFERING, REMARKETING, SALE OR DELIVERY OR RESALE ON THE SECONDARY MARKET OF THE BONDS; (II) THE ENFORCEMENT OF PROVISIONS OF THIS AGREEMENT, THE NOTE, THE INDENTURE, THE TAX REGULATORY AGREEMENT, OR ANY OTHER FINANCING DOCUMENT; (III) ANY WRITTEN STATEMENTS OR REPRESENTATIONS MADE OR GIVEN BY BORROWER OR BY ANY PARTNER, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY, OR AGENT OF THE BORROWER OR PERSON UNDER DIRECT CONTRACT TO THE BORROWER OR ACTING ON THE BORROWER'S BEHALF TO ANY INDEMNIFIED PERSONS; (IV) THE DESIGN, CONSTRUCTION, REHABILITATION, INSTALLATION, OPERATION, USE, OCCUPANCY, MAINTENANCE OR OWNERSHIP OF THE PROJECT; OR (V) THE ADMINISTRATION OF THE TRUSTS CREATED BY THE INDENTURE; PROVIDED, HOWEVER, THE TRUSTEE SHALL NOT BE INDEMNIFIED HEREUNDER FOR ANY CLAIMS OR DAMAGES ARISING FROM ITS OWN GROSSLY NEGLIGENT ACTS OR OMISSIONS OR FROM ANY WILLFUL MISCONDUCT BY THE TRUSTEE IN CARRYING OUT ITS DUTIES SET FORTH IN THE INDENTURE. NOTWITHSTANDING ANY PROVISIONS OF ANY FINANCING DOCUMENTS TO THE CONTRARY, THE TRUSTEE'S RIGHTS UNDER THIS SECTION SHALL SURVIVE THE TRUSTEE'S RESIGNATION OR REMOVAL AND THE DISCHARGE OF THE INDENTURE.

NOTWITHSTANDING THE FOREGOING, THE INDEMNIFICATION DESCRIBED IN THIS SECTION 5.3 SHALL RELATE TO INDEMNIFIED OBLIGATIONS ARISING FROM TRUSTEE'S OWN NEGLIGENCE.

In case any action or proceeding is brought against the Issuer or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Borrower, and the Borrower upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Borrower from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Borrower. At the Borrower's expense, an indemnified party may employ separate counsel and participate in the defense. The Borrower shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Issuer and the Trustee, and any predecessor Trustee, respectively. That indemnification is intended to and shall be enforceable by the Issuer and the Trustee, respectively, to the full extent permitted by law.

Section 5.4. Tax Covenants.

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 Tax Regulatory Agreement including, without limiting the generality of any other covenant contained herein,

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

(d) 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

(e) 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;

(f) 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;

(g) 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 -- 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,

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

(2) 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;

(h) 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);

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

(j) 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;

(k) 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);

(l) 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;

(m) 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

(n) to take such action to assure, the Project to be as described in the "Applications 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.

(o) 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.

(p) 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.

(q) 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.

Section 5.5. Affirmative Covenants.

(a) Maintenance of Project. The Borrower shall maintain and preserve the Project in good working order and condition, ordinary wear and tear excepted, and shall from time to time make all necessary repairs, renewals, replacements, additions and improvements to the Project. All damage to apartment units shall be repaired promptly and apartment units shall be maintained so as to be available at all times for habitation.

(b) Keeping of Records and Books of Account. The Borrower shall keep adequate records and books of account in which complete entries will be made in accordance with GAAP or indicating deviations therefrom, reflecting all financial transactions.

(c) Payment of Taxes, Etc. The Borrower shall promptly pay and discharge: all taxes, assessments, fees, and other Governmental charges or levies or imposed upon it or upon any of its properties, income or profits, before the same shall become delinquent; all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons for labor, materials, supplies and rentals, which if unpaid might by law become a lien upon its properties; any indebtedness heretofore or hereafter incurred by it when due; and discharge, perform and observe covenants, provisions and conditions to be discharged, performed and observed by it in connection therewith, or in connection with any agreement or other instrument relating thereto or in connection with any lien existing at any time upon any of its properties; provided, however, that the Borrower shall not be required to pay any of the foregoing if (a) the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, (b) the Borrower shall have set aside on its books adequate reserves with respect thereto and (c) the title of the Borrower to, and its right to use, its properties is not materially and adversely affected thereby. The Borrower hereby agrees that, in the event it fails to pay or cause to be paid taxes, assessments, fees and other Governmental charges or levies or the premium on any required insurance, the Trustee may make such payment, but is not obligated to do so, and the Trustee shall be reimbursed by the Borrower therefor with interest on the amount so advanced at the Maximum Interest Rate.

(d) Insurance.

The Borrower shall at all times:

(i) Maintain or cause to be maintained insurance of such types and in such amounts as may be required by the Mortgage Loan Documents.

(ii) Furnish to the Trustee certificates of insurance showing such insurance coverage.

(e) Notice of Material Litigation. The Borrower shall promptly notify the Trustee in writing of any litigation, arbitration proceeding or administrative investigation, inquiry or other proceeding to which it may hereafter become a party or be subject to which may involve any material risk of any material judgment or liability (unless fully covered by insurance) or which may otherwise result in any material adverse change in the business or assets or in the condition, financial or otherwise, of the Borrower or which may materially impair the ability of the Borrower to perform the Borrower Documents, or any other agreement or instrument herein or therein contemplated.

(f) Notice of Default. In the event that any Event of Default occurs, the Borrower shall give prompt notice in writing of such happening to the Trustee.

(g) Performance of Contracts, Etc. Except to the extent contested in good faith, the Borrower shall perform according to and shall comply with all of its contractual obligations and all requirements of law if nonperformance thereof would materially and adversely affect the business or credit of the Borrower on an individual basis or would materially impair the ability of the Borrower to perform this Agreement, the Tax Regulatory Agreement or the Note or any other agreement or instrument herein or therein contemplated.

(h) Notice of Other Matters. The Borrower shall promptly notify the Trustee in writing of any of the following events:

Any material change with respect to the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower other than changes in the ordinary course of business the effects of which have not been materially adverse.

A default by the Borrower in any material respect under any material agreement to which the Borrower is a party or by which the Borrower or its properties or assets may be bound, giving in each case the details thereof and specifying the action proposed to be taken with respect thereto.

(i) Cooperation in Perfecting Security Interests, Etc. The Borrower shall promptly perform, upon request of the Trustee, such acts as may be necessary or advisable to perfect and maintain any lien provided for in this Agreement or in any agreement or document contemplated herein or therein, or otherwise to carry out the intent of this Agreement. The Borrower shall, and shall promptly execute, deliver and perform or cause to be done, executed, delivered and performed, on request of the Trustee, all such documents, instruments, agreements, things and acts, including, without limitation, financing statements, continuation statements and mortgages as may be necessary or advisable to perfect or maintain a lien on any and all assets or rights owned by the Borrower, or any interest of the Borrower therein, and the Trustee and its officers, employees and authorized agents, or any of them, are hereby irrevocably appointed the attorneys-in-fact of the Borrower to do all acts and things which the Trustee may deem necessary or advisable to preserve, perfect and continue perfected any lien in favor of the Trustee. The Trustee shall not be responsible for the initial filing of financial statements.

(j) Environmental Matters. The Borrower will take and continue to take prompt action to remedy all environmental pollution and contamination, hazardous waste disposal and other environmental cleanup problems, if any, whether or not such cleanup problems have resulted from the order or request of a municipal, state, federal, administrative or judicial authority, or otherwise. The foregoing covenant shall not constitute or create a waiver of any rights the Borrower may have to pursue any legal rights or remedies against any third party for any environmental claims.

(k) Non-discrimination. The Borrower will not and will require each contractor, subcontractor and commercial tenant of the Project to covenant that it will not discriminate by reason of race, creed, color, religion, handicap, national origin, familial status or sex in the employment of any Person employed by it in connection with the Project or working in or on the Project. The Borrower will require each manager of the Project to covenant that in the leasing of the Project it will not discriminate by reason of race, creed, color, religion, handicap, national origin, familial status or sex.

Section 5.6. Negative Covenants.

So long as no Event of Default hereunder shall have occurred and be continuing, the Borrower shall be permitted to incur any indebtedness for any Project Cost or other obligation or payment due under this Agreement, the Indenture or the Tax Regulatory Agreement.

Section 5.7. Nature of Business.

The Borrower will not change the general character of its business as conducted at the date hereof, or engage in any type of business not reasonably related to its business as normally conducted.

Section 5.8. 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 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 Project and notices of material events provided pursuant to the Continuing Disclosure Agreement.

(End of Article V)

ARTICLE VI

PREPAYMENT AND TERMINATION

Section 6.1. Optional Prepayment.

Provided no Event of Default shall have occurred and be continuing, at any time and from time to time, the Borrower may deliver moneys to the Trustee in addition to Loan Payments or Additional Payments required to be made as a prepayment, in whole or in part, of the Loan and direct the Trustee to use the moneys so delivered for the purpose of purchasing Bonds, in accordance with the Indenture. Pending application for those purposes, any moneys so delivered shall be held by the Trustee in a special account in the Bond Fund and delivery of those moneys shall not operate to abate or postpone Loan Payments or Additional Payments otherwise becoming due or to alter or suspend any other obligations of the Borrower under this Agreement.

Provided no Event of Default shall have occurred or be continuing, at any time the Bonds are subject to optional redemption in accordance with applicable provisions of the Indenture, the Borrower may in writing direct the Trustee to call Bonds for optional redemption in whole in accordance with the applicable provisions of the Indenture providing for optional redemption at the price stated in the Indenture, from amounts held in the Collateral Fund, the Project Fund and the Bond Fund provided such amounts are sufficient to pay the redemption price of the Bond in full.

Section 6.2. Reserved.

Section 6.3. Reserved.

Section 6.4. Option to Terminate.

The Borrower shall have the option to cancel or terminate this Agreement at any time when (a) the Indenture shall have been released in accordance with its provisions, and (b) sufficient moneys or security acceptable to the Issuer and the Trustee are on deposit with the Trustee or the Issuer, or both, to meet all Loan Payments and Additional Payments due or to become due through the date on which the last of the Bonds is then scheduled to be retired or redeemed, or, with respect to Additional Payments to become due, provisions satisfactory to the Trustee and the Issuer are made for paying such amounts as they come due. Such option shall be exercised by the Authorized Borrower Representative, on behalf of the Borrower, giving the Issuer and the Trustee five days' notice in writing of such cancellation or termination and such cancellation or termination shall become effective at the end of such notice period. The provisions of this Section shall not be deemed to permit a prepayment of the Note other than in accordance with its terms.

(End of Article VI)

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default.

Each of the following shall be an Event of Default:

(a) The Borrower shall fail to pay any Loan Payment on or prior to the date on which that Loan Payment is due and payable or within four (4) Business Days thereafter to the extent amounts on deposit in the Bond Fund, including amounts transferred from the Collateral Fund and the Project Fund are insufficient to pay the Bond Service Charges due on the next Bond Payment Date;

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in this Agreement and the continuation of such failure for a period of 30 days after written notice thereof shall have been given to the Borrower by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice;

(c) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within 90 days; (iii) commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for ninety days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of 90 days;

(d) Any representation or warranty made by the Borrower herein or any statement in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or with the purchase of the Bonds shall at any time prove to have been false or misleading in any adverse material respect when made or given; and

(e) There shall occur an "Event of Default" as defined in the Indenture or the Tax Regulatory Agreement.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Borrower shall not be deemed in default during the continuance of such inability. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use commercially reasonable efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term Force Majeure shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default under subsection (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2. Remedies on Default.

Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) If acceleration of the principal amount of the Bonds has been declared pursuant to Section 6.03 of the Indenture, the Trustee shall declare all Loan Payments to be due and payable together until any other amounts payable by the Borrower under this Agreement and the Note whereupon the same shall become immediately due and payable;

(b) The Trustee may exercise any or all or any combination of the remedies specified in this Agreement;

(c) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or

(d) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Agreement and the Tax Regulatory Agreement and the Note or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, neither the Issuer nor the Trustee shall be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer or the Trustee at no cost or expense to the Issuer or the Trustee. Any amounts collected as Loan Payments or applicable to Loan Payment and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 4.14 of the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this Section are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall

constitute an annulment of any corresponding declaration made pursuant to paragraph (a) of this Section and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3. No Remedy Exclusive.

No remedy conferred upon or reserved to the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, the Tax Regulatory Agreement or the Note, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and 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 any notice required by law or for which express provision is made herein.

Section 7.4. Agreement to Pay Attorneys' Fees and Expenses.

If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including reasonable attorneys' fees, in connection with the enforcement of this Agreement, the Tax Regulatory Agreement or the Note or the collection of sums due thereunder, the Borrower shall reimburse the Issuer and the Trustee, as applicable, for the expenses so incurred upon demand.

Section 7.5. No Waiver.

No failure by the Issuer or the Trustee to insist upon the strict performance by the Borrower of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Borrower to observe or comply with any provision hereof.

Section 7.6. Notice of Default.

The Borrower shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

Section 7.7. Investor Partner's Cure Rights.

The Issuer hereby agrees that any cure of any Event of Default hereunder made or tendered by the Investor Partner or Special Partner or any of their designees(s) shall be deemed to be cure by the Borrower, and shall be accepted or rejected by the Issuer on the same basis as if made or tendered by the Borrower.

(End of Article VII)

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Term of Agreement.

This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to the Holder until such time as all of the Bonds shall have been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Borrower under this Agreement and the Note shall have been paid, and specifically the obligations of the Borrower under Sections 3.8, 4.4 and 5.3 hereof shall survive any termination of this Agreement.

Section 8.2. Amounts Remaining in Funds.

Any amounts in the Bond Fund remaining unclaimed by the Holders of Bonds for three years after the due date thereof (whether at stated maturity or otherwise) shall be paid to the State of Texas pursuant to the applicable escheat laws of the State of Texas. Further, any amounts remaining in the Bond Fund, the Project Fund and any other special funds or accounts created under this Agreement, the Tax Regulatory Agreement or the Indenture after all of the Outstanding Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement, the Note, Tax Regulatory Agreement and the Indenture have been paid, shall, subject to Section 4.15 of the Indenture, be paid to the Borrower to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices.

All notices, certificates, requests or other communications hereunder shall be in writing and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, or forwarded by overnight courier service, delivery charges prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Borrower, the Investor Member, the Mortgage Lender or the Trustee shall also be given to the others. The Borrower, the Issuer, the Mortgage Lender, Investor Member and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.4. Extent of Covenants of the Issuer; No Personal Liability.

All covenants, obligations and agreements of the Issuer contained in this 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 member, officer, agent or employee of the Issuer or the Governing Body in other than his official capacity, and neither the members of the Governing Body nor any 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 Agreement or in the Indenture.

Section 8.5. Limited Liability of the Issuer.

All obligations of the Issuer incurred hereunder and under the Indenture shall be limited obligations of the Issuer, payable solely and only from Bond proceeds, revenues and other amounts derived by the Issuer from the Trust Estate. No agreements or provisions contained in this Agreement or any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project 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 with respect to this Agreement and the application of revenues therefrom that have been pledged to the payment of the Bonds and of the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement herein 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 this Agreement or revenues therefrom that have been pledged to the payment of the Bonds or proceeds of the Bonds. 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 this Agreement or revenues therefrom that have been pledged to the payment of the Bonds or the proceeds of the Bonds. Anything herein to the contrary notwithstanding, the Issuer shall not be obligated to take any action or execute any instruments pursuant to any provision of this Agreement until it shall have been requested to do so by the Borrower or the Trustee and shall have received from the Borrower, the Trustee, or the Holders assurance satisfactory to the Issuer that it will be reimbursed for its reasonable expenses incurred in taking such action or executing such instruments.

Section 8.6. Limited Liability of Borrower.

Anything in this Agreement to the contrary notwithstanding, the monetary obligations of the Borrower contained in this Agreement (except for fees, payments and indemnification under Sections 3.12, 4.4(b), 4.4(d), 4.4(f), 4.4(g), 5.3 and 7.4 hereof) shall be limited obligations payable solely from the income and assets of the Project and neither the Borrower nor any partner, member, director, official or officer of the Borrower shall have any personal liability for the satisfaction of any obligation of the Borrower or claim against the Borrower, arising out of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, neither the Issuer nor the Trustee may assert any claim(including, but not limited to, ones for fees, payments and indemnification under Sections 3.12, 4.4(b), 4.4(d), 4.4(f), 4.4(g), 5.2, 5.3 and 7.4 hereof) arising hereunder against the Borrower's interest in the Project, any reserve or deposit made with the Mortgage Lender or with any other entity that is required by HUD in connection with the Mortgage Loan, or in the rents or other income of the Project for the payment of any charge or obligation due hereunder except to the extent available from then currently available "Surplus Cash" as that term is defined in the HUD Regulatory Agreement approved for distribution by HUD.

Section 8.7. Binding Effect.

This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Borrower, the Trustee and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Borrower (except in connection with a sale or transfer of assets pursuant to Section 5.2 hereof) and may not be assigned by the Issuer except to the Trustee pursuant to the Indenture or as otherwise may be necessary to

enforce or secure payment of Bond Service Charges. This Agreement may be enforced only by the parties, their assignees and others who may, by law, stand in their respective places.

Section 8.8. Amendments and Supplements.

Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement, the Tax Regulatory Agreement and the Note may not be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article X of the Indenture, as applicable.

Section 8.9. Execution Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.10. Severability.

If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.11. Governing Law.

This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.12. Third Party Beneficiary.

The Trustee shall be a third party beneficiary to this Agreement.

Section 8.13. Mortgage Loan Documents and Regulations Control.

(a) In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of this Agreement and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

(b) Enforcement of the covenants in this Agreement will not result in, and neither the Issuer nor the Trustee has or shall be entitled to assert, any claim against the Project, the Mortgage Loan proceeds (which do not include the Collateral Payments), any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the rents or deposits or other income of the Project other than available "Surplus Cash" as defined in the HUD Regulatory Agreement.

(c) Failure of the Issuer or the Borrower to comply with any of the covenants set forth in this Agreement will not serve as a basis for default on the Mortgage Loan, the underlying Mortgage, or any of the other Mortgage Loan Documents.

(End of Article VIII)

IN WITNESS WHEREOF, the Issuer, the Borrower and the Trustee have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

AUSTIN HOUSING FINANCE CORPORATION

By: _____
Manager

[Issuer Signature Page to Financing Agreement]

TIMBERS CLAYTON 104 APARTMENTS, L.P.
a Texas Limited Partnership

By: Austin Housing Finance Corporation
1034 Clayton Lane Non-Profit Corporation
A Texas non-profit corporation

It's: General Partner

By: _____

[Borrower Signature Page to Financing Agreement]

ACKNOWLEDGED:

**WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee**

By: _____
Charles Hicks, Vice President

[Trustee Signature Page to Financing Agreement]

EXHIBIT A

FORM OF NOTE

This Note has not been registered under the Securities Act of 1933. Its transferability is restricted by the Trust Indenture and the Financing Agreement referred to herein.

\$ _____, 2015

Timbers Clayton 104 Apartments, L.P., a Texas limited partnership (the "**Borrower**"), for value received, promises to pay in installments to Wilmington Trust, National Association, as Trustee (the "**Trustee**") under the Indenture hereinafter referred to, the principal sum of

_____ AND 00/100 DOLLARS (\$ _____).

This Note has been executed and delivered by the Borrower to the Trustee pursuant to a certain Financing Agreement (the "**Financing Agreement**") dated as of October 1, 2015, between the Austin Housing Finance Corporation (the "**Issuer**") and the Borrower. Terms used but not defined herein shall have the meanings ascribed to such terms in the Financing Agreement and the Indenture, as defined below.

Under the Financing Agreement, the Issuer has loaned the Borrower the principal proceeds received from the sale of the Issuer's \$ _____ Multifamily Housing Revenue Bonds (The Timbers Apartments Project) Series 2015 (the "**Bonds**") to assist in the financing of the Project, and the Borrower has agreed to repay such loan by making payments ("**Loan Payments**") at the times and in the amounts set forth in this Note for application to the payment of Bond Service Charges on the Bonds as and when due. The Bonds have been issued, concurrently with the execution and delivery of this Note, pursuant to, and are secured by, the Trust Indenture (the "**Indenture**"), dated as of October 1, 2015, between the Issuer and the Trustee.

To provide funds to pay the principal of and interest on the Bonds as and when due as specified herein, the Borrower hereby agrees to and shall make Loan Payments in Federal Reserve funds on each Interest Payment Date in an amount equal to the Bond Service Charges on the Bonds payable on such Interest Payment Date. In addition, to provide funds to pay the Bond Service Charges on the Bonds as and when due at any other time, the Borrower hereby agrees to and shall make Loan Payments in Federal Reserve funds on any other date on which any Bond Service Charges on the Bonds shall be due and payable, whether at maturity, upon acceleration or otherwise, in an amount equal to those Bond Service Charges.

If payment or provision for payment in accordance with the Indenture is made in respect of the Bond Service Charges on the Bonds from moneys other than Loan Payments, this Note shall be deemed paid to the extent such payments or provision for payment of Bonds has been made. Consistent with the provisions of the immediately preceding sentence, the Borrower shall have credited against its obligation to make Loan Payments any amounts transferred from the Project Fund or the Collateral Fund to the Bond Fund. Subject to the foregoing, all Loan Payments shall be in the full amount required hereunder.

Loan payments shall not be made from, and neither the Issuer nor the Trustee has or shall be entitled to assert, any claim against the Project, the Mortgage Loan proceeds (which do not include amounts or deposit in the Collateral Fund), any reserves or deposits required by HUD in

connection with the Mortgage Loan transaction, or the rents or deposits or other income of the Project other than available Surplus Cash as defined in the HUD Regulatory Agreement.

All Loan Payments shall be made to the Trustee at its corporate trust office for the account of the Issuer and deposited in the Bond Fund created by the Indenture. Except as otherwise provided in the Indenture, the Loan Payments shall be used by the Trustee to pay the Bond Service Charges on the Bonds as and when due.

The obligation of the Borrower to make the payments required hereunder shall be absolute and unconditional and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other person.

This Note is subject to prepayment, in whole or in part, upon the terms and conditions set forth in Article VI of the Financing Agreement. Any prepayment is subject to satisfaction of any applicable notice, deposit or other requirements set forth in the Agreement or the Indenture.

Whenever an event of default under Section 6.01 of the Indenture shall have occurred and, as a result thereof, the principal of and any premium on all Bonds then Outstanding, and interest accrued thereon, shall have been declared to be immediately due and payable pursuant to Section 6.03 of the Indenture, the unpaid principal amount of and any premium and accrued interest on this Note shall also be due and payable in Federal Reserve funds on the date on which the principal of and premium and interest on the Bonds shall have been declared due and payable; provided that the annulment of a declaration of acceleration with respect to the Bonds shall also constitute an annulment of any corresponding declaration with respect to this Note.

The payment obligations of this Note are non-recourse to the Borrower to the extent set forth in Section 8.6 of the Financing Agreement.

In case any provision (or any part of any provision) contained in this Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision (or any part thereof) had never been contained herein, but only to the extent it is invalid, illegal or unenforceable; provided, however, that if the invalid, illegal or unenforceable provision provides for the payment of principal and interest, then an Event of Default shall be deemed to exist ipso facto.

In no event shall the aggregate amounts contracted for, demanded, charged, or collected in connection herewith which are deemed "interest" exceed the Maximum Interest Rate. In determining the Maximum Interest Rate, due regard shall be given to all payments, fees, charges, deposits, balances and agreements which may constitute interest or be deducted from principal when calculating interest. It is expressly stipulated and agreed to be the intent of the Borrower and the Issuer at all times to comply with the applicable law governing the Maximum Interest Rate or amount of interest payable on or in connection with this Note (or applicable United States federal law to the extent that it permits the Issuer to contract for, demand, charge, take, reserve or receive a greater amount of interest than under law of the State of Texas). If the applicable law, as judicially interpreted from time to time, shall ever render usurious any amount called for under the Financing Agreement, this Note or under the Trust Indenture or any of the documents or contracted for, demanded, charged, taken, reserved or received with respect to this Note, or if

acceleration of the maturity of this Note or if any prepayment by the Borrower results in the Borrower having paid any interest in excess of that permitted by law, then it is the Borrower's and the Issuer's express intent that all excess amounts theretofore collected by the Issuer be credited on the principal balance of this Note (or, if this Note has been or would thereby be paid in full, refunded to the Borrower), and the provisions of the Financing Agreement, this Note, the Trust Indenture and the other documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. The right to accelerate maturity of this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of acceleration, and the Issuer does not intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to the Issuer for the use, forbearance or detention of the indebtedness evidenced hereby shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on the account of such indebtedness does not exceed the applicable usury ceiling. Notwithstanding any provision contained in the Financing Agreement, this Note, the Trust Indenture or in any other documents that permits the compounding of interest, including, without limitation, any provision by which any accrued interest is added to the principal amount of this Note, the total amount of interest that the Borrower is obligated to pay and the Issuer is entitled to receive with respect to this Note shall not exceed the amount calculated on a simple (i.e., noncompounded) interest basis at the Maximum Interest Rate on principal amounts actually advanced to or for the account of the undersigned, so long as such advances remain outstanding, including all current and prior advances and any advances made pursuant to the Trust Indenture or other documents (such as for the payment of taxes, insurance premiums and similar expenses or costs).

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed in its name as of the date first above written.

TIMBERS CLAYTON 104 APARTMENTS, L.P.
a Texas Limited Partnership

By: Austin Housing Finance Corporation
1034 Clayton Lane Non-Profit Corporation
A Texas non-profit corporation

It's: General Partner

By: _____

EXHIBIT B

FORM OF DISBURSEMENT REQUEST

STATEMENT NO. _____ REQUESTING DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.6 OF THE FINANCING AGREEMENT

Pursuant to Section 3.6 of the Financing Agreement (the "Financing Agreement") between the Austin Housing Finance Corporation (the "Issuer") and Timber Clayton 104 Apartments, L.P., a Texas limited liability company (the "Borrower"), dated as of October 1, 2015, the undersigned Authorized Borrower Representative hereby requests and authorizes Wilmington Trust, National Association, as Trustee (the "Trustee") as depository of the Project Fund created by the Indenture and defined in the Financing Agreement, to pay to the Borrower or to the person(s) listed on the Disbursement Schedule hereto out of the moneys deposited in the Project Fund the aggregate sum of \$ _____ to pay the costs of the items listed in the Disbursement Schedule.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

- (a) Each item for which disbursement is requested hereunder is properly payable out of the Project Fund in accordance with the terms and conditions of the Financing Agreement and none of those items has formed the basis for any disbursement heretofore made from said Project Fund.
- (b) Each such item is or was necessary in connection with the acquisition, construction, installation, equipment or improvement of the Project, as defined in the Indenture.
- (c) The Borrower has received, or will concurrently with payment receive and deliver to the Trustee, appropriate waivers of any mechanics' or other liens with respect to each item for which disbursement is requested hereunder.
- (d) Each item for which disbursement is requested hereunder, and the cost for each such item, is as described in the information statement filed by the Issuer in connection with the issuance of the Bonds (as defined in the Financing Agreement), as required by Section 149(e) of the Code; provided that if any such item is not as described in that information statement, attached hereto is an Opinion of Bond Counsel to the effect that such disbursement will not adversely affect the Federal Tax Status of the Bonds..
- (e) There is no current or existing event of default pursuant to the terms of the Financing Agreement or the Tax Regulatory Agreement and no event exists which by notice or passage of time or both would constitute an event of default under any of the foregoing documents.
- (f) No amount for which disbursement is sought formed the basis for any prior disbursement.
- (g) Each item for which disbursement is sought was or is necessary in connection with the Project and qualifies for disbursement pursuant to the provisions of the Financing Agreement.

- (h) No representation or warranty of the Borrower contained in the Financing Agreement or the Tax Regulatory Agreement is materially incorrect or inaccurate, and there has been no event of default under the terms of any of those documents and no event shall exist which by notice, passage of time or both would constitute an event of default under any of those documents.
- (i) There are no liens on the Project except Permitted Liens and those permitted or provided for by the Financing Agreement
- (j) This statement and all exhibits hereto, including the Disbursement Schedule, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

This statement constitutes the approval of the Borrower of each disbursement hereby requested and authorized.

This _____ day of _____, 20____.

By: Authorized Borrower Representative

APPROVED:

By: Authorized Mortgage Lender
Representative

DISBURSEMENT SCHEDULE

TO STATEMENT NO. _____ REQUESTING AND AUTHORIZING
DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.6 OF THE
FINANCING AGREEMENT

EXHIBIT C

\$ _____
Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project)
Series 2014

COMPLETION CERTIFICATE

Pursuant to Section 3.9 of the Financing Agreement (the "Financing Agreement") between the Austin Housing Finance Corporation (the "Issuer") and Timber Clayton 104 Apartments, L.P., a Texas limited partnership (the "Borrower"), dated as of October 1, 2015, and relating to the captioned Bonds, the undersigned Authorized Borrower Representative hereby certifies that (with capitalized words and terms used and not defined in this Certificate having the meanings assigned or referenced in the Financing Agreement):

(a) The Project was substantially completed and available and suitable for use as multifamily housing on _____ (the "Completion Date").

(b) The acquisition, construction, rehabilitation, renovation, equipping and improvement of the Project and those other facilities have been accomplished in such a manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other similar governmental regulations.

(c) The costs of the Project financed with the Loan were \$ _____.

(d) Except for amounts retained by the Mortgage Lender in the _____ for the payment of costs of the Project not yet due or for liabilities which the Borrower is contesting or which otherwise should be retained, all costs of that acquisition and installation due on or after the date of this Certificate and now payable have been paid.

(e) At least 95% of the proceeds of the Bonds were expended for qualified Project costs as described in the Tax Certificate.

(f) This Certificate is given without prejudice to any rights against third parties that now exist or subsequently may come into being.

IN WITNESS WHEREOF, the Authorized Borrower Representative has set his or her hand as of the _____ day of _____, 20 _____.

Authorized Borrower Representative

Exhibit C

Tax Regulatory Agreement

.....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,

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee,

and

TIMBERS CLAYTON 104 APARTMENTS, L.P.

as Owner

Dated as of October 1, 2015

Relating to

\$ _____
AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(THE TIMBERS APARTMENTS PROJECT)
SERIES 2015

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions and Interpretation	3
Section 1A. Acquisition, Rehabilitation and Equipping of the Project	5
Section 2. Tax-Exempt Status of the Bonds	5
Section 3. Modification of Tax Covenants	10
Section 4. Residential Development	11
Section 5. [Reserved]	12
Section 6. Consideration	12
Section 7. Reliance	12
Section 8. Project in Orange, Texas	12
Section 9. Sale or Transfer of the Project	12
Section 10. Term	13
Section 11. Covenants To Run With the Land	13
Section 12. Burden and Benefit	14
Section 13. Uniformity; Common Plan	14
Section 14. Default; Enforcement	14
Section 15. The Trustee	15
Section 16. Recording and Filing	15
Section 17. Reimbursement of Expenses	15
Section 18. Governing Law	16
Section 19. Amendments	16
Section 20. Notices	16
Section 21. Severability	16
Section 22. Multiple Counterparts	16
Section 23. Authorization to Act for Issuer	16
Section 24. HUD Rider	16
EXHIBIT A - Property Description	A-1
EXHIBIT B - Project Description	B-1
EXHIBIT C - Tenant Income Certification	C-1
EXHIBIT D - Compliance Monitoring Report	D-1
EXHIBIT E - HUD Rider	E-1

REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS REGULATORY AND LAND USE RESTRICTION AGREEMENT (this "Agreement" or this "Regulatory Agreement") dated as of October 1, 2015 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"), Wilmington Trust, National Association, a national banking association, 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 Timbers Clayton 104 Apartments, L.P., a Texas 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 affordable housing project located on the real property described in Exhibit A hereto (the "Project Site") and described in Exhibit B hereto (the "Project Facilities" 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 (The Timbers Apartments Project) Series 2015 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 Financing 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 Interpretation³. 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).

"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 affordable 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 Financing 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.

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

"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 April 23, 2015.

"Installment Computation Date" means the last day of each fifth year commencing December 31, 2017, 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 Financing Agreement.

"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.

"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 affordable housing complex 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 15 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.

"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 Project Facilities, 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 Federal Tax Certificate and any attachments thereto.

(c) The Owner has commenced or will commence the acquisition, rehabilitation and equipping of each of the Projects 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 Indenture, 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 Financing 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 (as defined in section 61 of the Code) of the holders of the Bonds, 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) Less than 25 percent of the Net Proceeds of the Bonds actually expended will be used, directly or indirectly, for the acquisition of land or an interest therein. Notwithstanding the immediately preceding sentence no portion of the Net Proceeds of the Bonds will be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes.

(iii) No portion of the Net Proceeds of the Bonds will be used for the acquisition of any existing property or an interest therein unless (i) the first use of such property is pursuant to such acquisition or (ii) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed 15 percent of the cost of acquiring such building financed with the proceeds of the Bonds (with respect to structures other than buildings, this clause shall be applied by substituting 100 percent for 15 percent). For purposes of the preceding sentence, the term "rehabilitation expenditures" shall have the meaning set forth in section 147(d)(3) of the Code.

(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 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 Financing 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 Tax Certificate dated the Closing Date delivered by the Issuer with respect to the Bonds.

(c) 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 and 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 reasonable and actual fees and expenses of the Rebate Analyst, charged at rates substantially similar to the rate by such party for work of this type 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 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 Facilities qualify 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 Facilities 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. 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 the Set Aside, 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 in the Project are occupied; and (ii) within 90 days thereof, the date on which fifty percent (50%) of the Units in each Project 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 Financing 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 reasonable and actual 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 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 at the Project are occupied at all times by Low Income Tenants;

(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 Financing 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 twentieth calendar day of each April, July, October, and January, 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 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 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 Financing 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 Financing 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 Financing Agreement arising after the date of such disposition. The foregoing notwithstanding, the duties and obligations of the Owner as set forth in the 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 Mortgage, termination of the Financing Agreement and defeasance or termination of the Indenture.

The terms of this Regulatory Agreement to the contrary and notwithstanding, this Regulatory Agreement, the Financing Agreement and the Indenture 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 reasonable and actual 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 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 Mortgage, termination of the Financing 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 (which shall not require the Trustee to determine compliance with the resolutions herein). 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 Financing 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 Orange 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 Financing 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 Financing 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. HUD Rider. Attached as Exhibit E is the HUD Rider. In the event of a conflict between HUD required provisions and any other provisions in this Regulatory Agreement, the HUD required provisions control.

[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: Manager

Attest:

By: _____
Name: _____
Title: Secretary

**Wilmington Trust, National Association, as
Trustee**

By: _____
Name: _____
Title: _____

**TIMBERS CLAYTON 104 APARTMENTS, L.P.
a Texas Limited Partnership**

By: Austin Housing Finance Corporation
1034 Clayton Lane Non-Profit Corporation
A Texas non-profit corporation

It's: General Partner

By: _____

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF _____

§
§
§

This Regulatory Agreement was acknowledged before me on _____, 2015, by David Potter, Manager of Austin Housing Finance Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public Signature

My Commission expires: _____

(Personalized Seal)

ACKNOWLEDGMENT

STATE OF _____

§

COUNTY OF _____

§

§

This instrument was acknowledged before me on _____, 2015, by _____,
authorized signatory of Wilmington Trust, National Association.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public Signature

My Commission expires: _____

(Personalized Seal)

ACKNOWLEDGMENT

STATE OF _____

§

COUNTY OF _____

§

§

This instrument was acknowledged before me on _____, 2015, by _____,
the _____ of AHFC 1034 Clayton Lane, Non-Profit Corporation the general partner of Timbers
Clayton 104 Apartments, L.P.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public Signature

My Commission expires: _____

(Personalized Seal)

Authorized Officer _____ the

EXHIBIT A

Legal Description for Title Commitment attached on next page

EXHIBIT B

PROJECT AND OWNER

Owner: Timbers Clayton 104 Apartments, L.P.

Project Site: 1034 Clayton Lane, Austin, Texas Units: 104 Units

EXHIBIT C

TENANT INCOME CERTIFICATION

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project)
Series 2015

INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other* _____

Effective Date: _____

Move-in Date: _____ (MM/DD/YYYY)

*Transfer from Unit: _____

PART I - DEVELOPMENT DATA

Property _____ County: _____ BIN #: _____
Name: AHFC# _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	Student Status (circle one)	Last 4 digits of Social Security Number
1			HEAD		FT / PT / NA	
2					FT / PT / NA	
3					FT / PT / NA	
4					FT / PT / NA	
5					FT / PT / NA	
6					FT / PT / NA	
7					FT / PT / NA	

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$ _____	\$ _____	\$ _____	\$ _____
Add totals from (A) through (D) above				TOTAL INCOME (E): \$ _____

PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$ _____	\$ _____

Enter Column (H) Total _____ Passbook Rate _____
If over \$5000 \$ _____ X .06% (effective 2/1/2015) = (J) Imputed Income \$ _____

Enter the greater of the total of column I, or J: imputed income **TOTAL INCOME FROM ASSETS (K)** \$ _____

(L) Total Annual Household Income from all Sources [Add (E) + (K)] \$ _____

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature _____

(Date) _____

Signature _____

(Date) _____

Signature _____

(Date) _____

Signature _____

(Date) _____

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME
FROM ALL SOURCES: \$
From item (I.) on page 1

Mark the program(s) listed below for which this household's income will be counted toward the property's occupancy requirements.

<input type="checkbox"/> HTC or Exchange	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> OI***	
<input type="checkbox"/> TCAP	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> OI***	
<input type="checkbox"/> HOME	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	<input type="checkbox"/> OI***
<input type="checkbox"/> BOND	<input type="checkbox"/> 30%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	<input type="checkbox"/> OI***	<input type="checkbox"/> ET
<input type="checkbox"/> HTF	<input type="checkbox"/> ELI	<input type="checkbox"/> VLI	<input type="checkbox"/> LI	<input type="checkbox"/> OI***		
<input type="checkbox"/> NSP	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	<input type="checkbox"/> 120%
<input type="checkbox"/> CDBG	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	<input type="checkbox"/> 120%
<input type="checkbox"/> Other _____	<input type="checkbox"/>					

*** Upon Recertification household was determined to be over income (OI) according to eligibility requirements of the programs marked above.

PART VI. RENT

A. Tenant Paid Rent: \$ _____

B. Utility Allowance: \$ _____

C. Rent Assistance: \$ _____

D. Other non-optional charges and mandatory fees: \$ _____

E. Gross Rent For Unit (See Instructions): \$ _____ / _____

Mark the program(s) listed below for which this household's rent will be counted toward the property's occupancy requirements.

<input type="checkbox"/> HTC or Exchange	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	
<input type="checkbox"/> TCAP	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	
<input type="checkbox"/> HOME	<input type="checkbox"/> Low HOME	<input type="checkbox"/> High HOME			
<input type="checkbox"/> BOND	<input type="checkbox"/> 30%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	
<input type="checkbox"/> HTF	<input type="checkbox"/> 30%	<input type="checkbox"/> 50%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	
<input type="checkbox"/> NSP	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> Low HOME	<input type="checkbox"/> High HOME	
<input type="checkbox"/> CDBG	<input type="checkbox"/> 30%	<input type="checkbox"/> 40%	<input type="checkbox"/> Low HOME	<input type="checkbox"/> High HOME	
<input type="checkbox"/> Other _____	<input type="checkbox"/>				

PART VII. STUDENT STATUS (HTC, TCAP, Exchange, and BOND only)

ARE ALL OCCUPANTS FULL TIME STUDENTS?

If yes, Enter student explanation*
(also attach documentation)

☐ Yes ☐ No

Enter 1-5

*Student Explanation:

1. TANF assistance
2. Job Training Program
3. Single parent/dependent child
4. Married/joint return
5. Previous Foster Care

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of program's rules, regulations and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE _____

DATE _____

Supplement to the Income Certification

Unit #: _____ Date: _____

See below for Ethnicity, Race, and Other codes that characterize household composition. **Enter both Ethnicity and Race** codes for each household member, if applicable. Also indicate if an individual in the household is elderly and/or disabled.

HH Mbr #	Sex – enter M or F	Age	Ethnicity	Race	Elderly Enter Y or N	Disabled Enter Y or N
1						
2						
3						
4						
5						
6						
7						

The AHFC requests this information in order to comply with HUD's required reporting requirements. Although AHFC would appreciate receiving this information, you may choose not to furnish it. You may not be discriminated against on the basis of this information, or on whether or not you choose to furnish it. If you do not wish to furnish this information, please initial below.

RESIDENT/APPLICANT: I do not wish to furnish information regarding ethnicity, race, sex, age and other household composition.
(Initials) _____

The following Ethnicity codes should be used:	The following Race codes should be used:
A Hispanic	A White
B Not Hispanic	B Black/African American
	C Asian
	D American Indian/Alaska Native
	E Native Hawaiian/Other Pacific Islander
	F American Indian/Alaska Native & White
	G Asian & White
	H Black/African American & White
	I American Indian/Alaska Native & Black/African American
	J Other Multi Racial

DEFINITIONS

Ethnic categories:

- A. Hispanic – A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. Terms such as "Latino" or "Spanish Origin" apply to this category.
- B. Not Hispanic – A person not of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race.

Racial categories:

- A. White – A person having origins in any of the original peoples of Europe, the Middle East, or North Africa.
- B. Black/African American – A person having origins in any of the black racial groups of Africa. Terms such as "Haitian" or "Negro" apply to this category.
- C. Asian – A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.
- D. American Indian/Alaskan Native – A person having origins in any of the original peoples of North and South America (including Central America), and who maintains tribal affiliation or community attachment.
- E. Native Hawaiian/Other Pacific Islander – A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.

Note: The remaining racial categories (F-I) are multi racial categories made up of combinations of the single race categories defined above (A-E). If the appropriate multi-racial category is not listed, use the "Other Multi Racial" (J) category.

Disabled:

- A physical or mental impairment which substantially limits one or more major life activities; a record of such an impairment; or being regarded as having such an impairment. For a definition of "physical or mental impairment" and other terms used in this definition, please see 24 CFR 100.201.

"Handicap" does not include current, illegal use of or addiction to a controlled substance.

EXHIBIT D

COMPLIANCE MONITORING REPORT

TO: Austin Housing Finance Corporation
c/o Program Manager
P.O. Box 1088
Beaumont, Texas 77701

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project)
Series 2015

Timbers Clayton 104 Apartments, L.P. (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 Financing Agreement has been made under the supervision of the undersigned.
2. The Owner owns The Timbers 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 October 1, 2015, among the Owner, Austin Housing Finance Corporation (the "Issuer") and Wilmington Trust, National Association, as Trustee (the "Trustee"); and (2) the Financing Agreement, dated as of October 1, 2015, among the Owner, the Trustee and the Issuer (the "Financing 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 15 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 at each Project Facility shall at all times be rented to and occupied by Low Income Tenants.
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.
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.

TIMBERS CLAYTON 104 APARTMENTS, L.P.
a Texas Limited Partnership

By: Austin Housing Finance Corporation
1034 Clayton Lane Non-Profit Corporation
A Texas non-profit corporation

It's: General Partner

By: _____

EXHIBIT E

HUD RIDER

HUD RIDER TO RESTRICTIVE COVENANTS

This RIDER TO RESTRICTIVE COVENANTS is made as of October 1, 2015, by Timbers Clayton 104 Apartments, L.P. ("Borrower") and Austin Housing Finance Corporation ("Agency").

WHEREAS, Borrower has obtained financing from Dougherty Mortgage LLC ("Lender") for the benefit of the project known as The Timbers Apartments Project ("Project"), which loan is secured by a Deed of Trust ("Security Instrument") dated as of October 1, 2015, and recorded in the real property records of Travis County, Texas ("Records") and is insured by the United States Department of Housing and Urban Development ("HUD");

WHEREAS, Borrower has received tax-exempt bond financing from the Agency, which Agency is requiring certain restrictions be recorded against the Project; and

WHEREAS, HUD requires as a condition of its insuring Lender's financing to the Project, that the lien and covenants of the Restrictive Covenants be subordinated to the lien, covenants, and enforcement of the Security Instrument; and

WHEREAS, the Agency has agreed to subordinate the Restrictive Covenants to the lien of the Mortgage Loan in accordance with the terms of this Rider.

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

(a) In the event of any conflict between any provision contained elsewhere in the Restrictive Covenants and any provision contained in this Rider, the provision contained in this Rider shall govern and be controlling in all respects as set forth more fully herein.

(b) The following terms shall have the following definitions:

"Code" means the Internal Revenue Code of 1986, as amended.

"HUD" means the United States Department of Housing and Urban Development.

"HUD Regulatory Agreement" means the Regulatory Agreement between Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

"Lender" means Dougherty Mortgage, LLC, its successors and assigns.

"Mortgage Loan" means the mortgage loan made by Lender to the Borrower pursuant to the Mortgage Loan Documents with respect to the Project.

"Mortgage Loan Documents" means the Security Instrument, the HUD Regulatory Agreement and all other documents required by HUD or Lender in connection with the Mortgage Loan.

"National Housing Act" means the National Housing Act of 1934, as amended.

"Program Obligations" has the meaning set forth in the Security Instrument.

"Residual Receipts" has the meaning specified in the Program Obligations.

"Security Instrument" means the mortgage or deed of trust from Borrower in favor of Lender, as the same may be supplemented, amended or modified.

"Surplus Cash" has the meaning specified in the HUD Regulatory Agreement.

(c) Notwithstanding anything in the Restrictive Covenants to the contrary, the provisions hereof are expressly subordinate to (i) the Mortgage Loan Documents, including without limitation, the Security Instrument, and (ii) Program Obligations (the Mortgage Loan Documents and Program Obligations are collectively referred to herein as the "HUD Requirements"). Borrower covenants that it will not take or permit any action that would result in a violation of the Code, HUD Requirements or Restrictive Covenants. In the event of any conflict between the provisions of the Restrictive Covenants and the provisions of the HUD Requirements, HUD shall be and remains entitled to enforce the HUD Requirements. Notwithstanding the foregoing, nothing herein limits the Agency's ability to enforce the terms of the Restrictive Covenants, provided such terms do not conflict with statutory provisions of the National Housing Act or the regulations related thereto. The Borrower represents and warrants that to the best of Borrower's knowledge the Restrictive Covenants impose no terms or requirements that conflict with the National Housing Act and related regulations.

(d) Borrower and the Agency acknowledge that Borrower's failure to comply with the covenants provided in the Restrictive Covenants does not and shall not serve as a basis for default under the HUD Requirements, unless a default also arises under the HUD Requirements.

(e) Except for the Agency's reporting requirement, in enforcing the Restrictive Covenants the Agency will not file any claim against the Project, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Security Instrument or HUD Regulatory Agreement, or the rents or other income from the property other than a claim against:

- i. Available surplus cash, if the Borrower is a for-profit entity;
- ii. Available distributions of surplus cash and residual receipts authorized for release by HUD, if the Borrower is a limited distribution entity; or
- iii. Available residual receipts authorized by HUD, if the Borrower is a non-profit entity.

(f) For so long as the Mortgage Loan is outstanding, Borrower and Agency shall not further amend the Restrictive Covenants, with the exception of clerical errors or administrative correction of non-substantive matters, without HUD's prior written consent.

(g) Subject to the HUD Regulatory Agreement, the Agency may require the Borrower to indemnify and hold the Agency harmless from all loss, cost, damage and expense arising from any claim or proceeding instituted against Agency relating to the subordination and covenants set forth in the Restrictive Covenants, provided, however, that Borrower's obligation to indemnify

and hold the Agency harmless shall be limited to available surplus cash and/or residual receipts of the Borrower.

(h) No action shall be taken in accordance with the rights granted herein to preserve the tax exemption of the interest on the notes or bonds, or prohibiting the owner from taking any action that might jeopardize the tax-exemption, except in strict accord with Program Obligations.

Exhibit D

Bond Purchase Agreement

BOND PURCHASE AGREEMENT

\$ _____
Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project) Series 2015

October __, 2015

Austin Housing Finance Corporation
[P.O. Box 1088
Austin, Texas 78767]

Timbers Clayton 104 Apartments, L.P.
[c/o _____]
3270 Nacogdoches Road
San Antonio, Texas 78217

Ladies and Gentlemen:

Dougherty & Company LLC (the "Underwriter") offers to enter into the following agreement (the "Bond Purchase Agreement") with the Austin Housing Finance Corporation (the "Issuer") and Timbers Clayton 104 Apartments, L.P., a Texas limited partnership (the "Borrower"), which, upon acceptance of this offer, will be binding upon the Issuer, the Borrower and the Underwriter. This offer is made subject to the Issuer's and the Borrower's acceptance on or before 5:00 p.m., Central time, today. If this offer is not timely accepted, it will thereafter be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture (as hereinafter defined). For purposes of this Bond Purchase Agreement, (a) the term "Issuer Documents" means the Indenture, the Financing Agreement, the Tax Regulatory Agreement, and this Bond Purchase Agreement, (b) the term "Borrower Documents" means the Financing Agreement, the Funding Agreement, the Note, the Tax Regulatory Agreement, the Continuing Disclosure Agreement, this Bond Purchase Agreement, and any other document executed by the Borrower relating to the Bonds (defined below), (c) the term "Trustee Documents" means the Indenture, and (d) the term "Financing Documents" means, collectively (but without duplication), the Issuer Documents, the Borrower Documents, and the Trustee Documents.

Section 1. Purchase and Sale of the Bonds. Upon the terms and conditions and upon the basis of the representations and warranties herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all but not less than all of the Issuer's \$ _____ Multifamily Housing Revenue Bonds (The Timbers Apartments Project) Series 2015 (the "Bonds") at a purchase price equal to 100% of the principal amount thereof, plus an additional payment to the Issuer of \$155,000, which is in excess of the par public offering price (the "Underwriter's Premium"). The Underwriter will be reimbursed by the Borrower for such Underwriter's Premium as set forth below. The Issuer will deliver the Bonds to the order of the Underwriter (with CUSIP numbers printed thereon) against payment of the purchase price therefor in immediately available funds at 10:00

a.m., Central time, on the "Closing Date" as defined herein. The Bonds will mature on the date and will bear interest at the rate set forth on Schedule I attached hereto.

The Borrower agrees to pay to the Underwriter on the Closing Date, as compensation for services of the Underwriter hereunder, a fee (the "Underwriter's Fee") equal to \$ _____, plus a payment in the amount of \$ _____ to reimburse the Underwriter for payment of the Underwriter's Premium, as set forth above. Such fee shall include the following costs: clearance charges, regulatory agencies' fees, computer services expenses, interest carrying charges, telephone and fax charges, and travel, but shall not include the cost of Underwriter's Counsel. The Underwriter's Fee and reimbursement of the Underwriter's Premium shall be due and payable in immediately available funds on the Closing Date, solely and exclusively from funds provided by the Borrower.

Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer and the Borrower acknowledge and agree that: (i) the transaction contemplated by this Bond Purchase Agreement is an arm's length, commercial transaction between the Issuer, the Borrower, and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or the Borrower; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Issuer or the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer or the Borrower on other matters); (iii) the Underwriter is acting solely in its capacity as an underwriter for its own account, (iv) the only obligations the Underwriter has to the Issuer or the Borrower with respect to the transaction contemplated hereby are expressly set forth in this Bond Purchase Agreement; and (v) the Issuer and the Borrower have each consulted their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate. The parties acknowledge that the structure, terms and timing of the transaction have been determined by the Underwriter and the Borrower and presented to the Issuer for approval.

The Bonds shall be issued pursuant to and in accordance with the Texas Local Government Code, Chapter 394, as amended (the "Act"). The Bonds shall be issued pursuant to the terms of the Trust Indenture (the "Indenture") dated as of October 1, 2015, between the Issuer and Wilmington Trust, National Association, as trustee (the "Trustee"). The Bonds are being issued for the purpose of funding a loan (the "Loan") for the benefit of the Borrower, pursuant to the terms of a certain Financing Agreement dated as of October 1, 2015, between the Issuer and the Borrower. The proceeds of the Loan will be used to finance a portion of the cost of the acquisition, rehabilitation, renovation and equipping of the Project. The Bonds will be collateralized with the proceeds of payments to the Trustee provided by Dougherty Mortgage LLC (the "Mortgage Lender"). Mortgage Lender payments will be deposited into the Collateral Fund held by the Trustee, as trustee under the Indenture, pledged to the owners of the Bonds, and are expected to be used to pay principal on the Bonds when due. The Mortgage Lender will make a mortgage loan to the Borrower insured by the Federal Housing Administration.

On or before the Closing Date, the Issuer and the Borrower shall have delivered to the Underwriter the Official Statement completed with the information permitted to be omitted from the Preliminary Official Statement, dated October __, 2015 (the "Preliminary Official Statement") by Rule 15c2-12(b) under the Securities Exchange Act of 1934 (the "Rule") and such other amendments and supplements as shall have been approved by the Issuer, the Underwriter and the Borrower.

The Issuer and the Borrower hereby represent and warrant that the Preliminary Official Statement was deemed final by the Issuer and the Borrower as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be

excluded by the Rule. The Borrower has executed and delivered to the Underwriter a certificate in the form attached hereto as Appendix C to evidence the foregoing.

The Underwriter acknowledges that the Issuer and the Borrower have not authorized or consented to (i) the sale of Bonds to any purchaser in connection with the initial public offering of the Bonds unless a copy of the Official Statement relating to the Bonds (the "Official Statement") is delivered to such purchaser not later than the settlement of such transaction, (ii) making any representations or providing any information to prospective purchasers of the Bonds in connection with the initial public offering and sale of the Bonds other than the information set forth in the Official Statement and any amendment thereto approved in writing by the Issuer and the Borrower, or (iii) any actions in connection with the public offering and sale of the Bonds in violation of applicable requirements of federal and state securities laws and any applicable requirements of the Municipal Securities Rulemaking Board and the Financial Industry Regulatory Authority.

Section 2. Representations and Warranties of the Issuer. The Issuer represents and warrants as of the date hereof to the Underwriter and the Borrower as follows:

(a) The Issuer is a public nonprofit housing finance corporation organized and validly existing pursuant to the laws of the State of Texas (the "State"), and has full legal right, power and authority (i) to enter into the Issuer Documents, (ii) to adopt the Bond Resolution dated October [1], 2015 authorizing the issuance of the Bonds (the "Bond Resolution"), (iii) to issue, sell and deliver the Bonds as provided herein and in the Indenture, (iv) to authorize the Trustee under the Indenture to use the proceeds of the Bonds to make the Loan to provide for the acquisition, renovation, improvement and equipping of the Project, and (v) to carry out the transactions on its part contemplated by the Issuer Documents, as they may be amended or supplemented from time to time by the Issuer.

(b) The information in the Official Statement under the headings "THE ISSUER" and "ABSENCE OF LITIGATION" (insofar as the information under such captions applies to the Issuer) was, on the date thereof, and is, on the date hereof, true and correct and did not, on the date thereof, and does not, on the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(c) By adopting the Bond Resolution, the Issuer has duly authorized and approved the execution, delivery and use of the Official Statement (but by such authorization and approval, the Issuer makes no representations as to the accuracy or sufficiency of its contents, except as provided herein), has duly authorized and approved the execution and delivery of and the performance by the Issuer of the obligations on its part contained in the Issuer Documents, has duly authorized and approved the issuance, execution and delivery of, and the performance by the Issuer of its obligations under, the Bonds and has duly authorized and approved the consummation by it of all other transactions on its part contemplated by the Issuer Documents. The Bond Resolution has been duly adopted by the Issuer, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(d) The Issuer is not in breach of or default under any applicable law or administrative regulation of the State of Texas or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject which would impair in any material respect the performance of its obligations under the Issuer Documents.

(e) The execution and delivery by the Issuer of the Bonds and the Issuer Documents, compliance with the provisions of each thereof and the consummation of the transactions contemplated

thereby will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject; provided, however, that the Issuer makes no representation or warranty with respect to compliance with applicable state securities or Blue Sky laws or the registration of the Bonds or the Note under the Securities Act of 1933, as amended, or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(f) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations under the Issuer Documents have been obtained or will be obtained before the Closing Date (other than approvals related to the securities laws of any state or those obligations of the Borrower in Section 4(e) as to which no view is herein expressed); provided, however, that the Issuer makes no representation or warranty with respect to compliance with applicable state securities or Blue Sky laws or the registration of the Bonds or the Note under the Securities Act of 1933, as amended, or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(g) There is no action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, pending, or to the best knowledge of the Issuer threatened in writing, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (i) the use of the Official Statement or the use of the proceeds of the Bonds to make the Loan, (ii) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (iii) the tax-exempt status of the interest on the Bonds or the accuracy or completeness of the Official Statement, (iv) the execution and delivery of the Issuer Documents or the Bonds, or (v) the power of the Issuer to carry out the transactions contemplated by the Bonds, the Official Statement or any of the Issuer Documents.

(h) The Bonds, when issued, authenticated and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding limited and special obligations of the Issuer, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights generally and further subject to the exercise of judicial discretion in accordance with general principles of equity, and entitled to the benefits of the Indenture.

(i) The Issuer Documents, when duly executed and delivered by the Issuer and the other parties thereto, and all other documents to be delivered by the Issuer in connection with the consummation of the transactions contemplated hereby and by the Official Statement and such Issuer Documents, when duly executed and delivered by the Issuer and the other parties thereto, will constitute valid, legal and binding limited obligations of the Issuer, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally and further subject to the exercise of judicial discretion in accordance with general principles of equity.

(j) Any certificate signed by any official of the Issuer and delivered to the Underwriter shall be deemed to be a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(k) To the best of its knowledge, neither the Issuer nor anyone acting with its authorization on its behalf (other than the Underwriter) has, directly or indirectly, offered for sale or solicited any offer

to acquire the Bonds or any security the offering of which would be deemed for purposes of the Securities Act of 1933, as amended, to be part of the offering of the Bonds contemplated hereby.

(l) The Bonds, the principal of and the interest thereon, are special limited obligations of the Issuer payable solely from the revenues and assets of the Issuer pledged under the Indenture and from no other revenues or assets of the Issuer. The Bonds do not constitute an indebtedness or obligation of the State of Texas, and neither the faith and credit nor the taxing power of the State of Texas is pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power which is available to pay the Bonds.

Section 3. Covenants of the Issuer and Certain Conditions and Acknowledgements.
The Issuer covenants with the Underwriter as follows:

(a) The Issuer is and will be at the Closing Date duly organized and validly existing as a public nonprofit housing finance corporation duly organized and existing under the constitution and laws of the State of Texas with the power and authority under the constitution and laws of the State of Texas, to issue the Bonds and to execute, deliver and perform its obligations hereunder and under the Financing Agreement and the Indenture, to pledge the property described in the Indenture to be pledged thereby in the manner and to the extent therein set forth; all actions required for the issuance of the Bonds and the execution and delivery of, and the performance of its obligations under, this Bond Purchase Agreement and under the Financing Agreement, the Indenture and the Bonds have been, or as of the Closing Date will have been, duly and effectively taken; this Bond Purchase Agreement has been and the Financing Agreement and the Indenture will, as of the Closing Date, have been duly executed, issued and delivered; and the Bonds will, as of the Closing Date, have been duly authorized, executed, issued and delivered.

(b) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or, to the best knowledge of the Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Financing Agreement, or this Bond Purchase Agreement or (ii) the tax-exempt status of interest on the Bonds.

(c) The execution and delivery by the Issuer of the Bonds, the Indenture, the Financing Agreement and this Bond Purchase Agreement and the performance by the Issuer of its obligations thereunder (i) do not violate applicable provisions of the constitution, statutory laws or regulations of the State of Texas, (ii) do not violate its activating resolution or bylaws, (iii) do not breach or result in a default under any other agreement to which it is a party, and (iv) do not violate the terms of any judicial or administrative judgment, order, decree or arbitral decision that names the Issuer and is specifically directed to it or its properties, and no approval or other action by, or filing or registration with, any governmental authority or agency is required in connection therewith that has not been obtained or accomplished or will not be obtained or accomplished by the Closing Date (provided no representation or warranty is expressed as to any action required under federal or state securities or Blue Sky laws in connection with the sale of the Bonds by the Underwriter).

(d) The information relating to the Issuer contained in the Preliminary Official Statement and the Official Statement under the headings "THE ISSUER" and "ABSENCE OF LITIGATION" (to the extent that litigation affecting the Issuer is described under that heading) or incorporated by reference in the Preliminary Official Statement and the Official Statement or otherwise supplied in writing by the Issuer for inclusion therein 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 made therein, in light of the circumstances under which they were made, not misleading.

(e) Each of the representations of the Issuer contained in the Financing Agreement and in the Indenture are and will, as of the Closing Date, be true and correct in all material respects and are hereby made to the Underwriter as if set forth herein.

(f) The Issuer will not take or omit to take any action, which action or omission might in any way result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

(g) The obligation of the Issuer under this Bond Purchase Agreement shall be subject to the Issuer having received such legal opinions, certificates, proceedings, instruments and other documents as, in the sole discretion of counsel to the Issuer, are necessary in order to satisfy, or evidence satisfaction of, the conditions precedent in the Indenture.

(h) The Underwriter acknowledges that the Issuer, its officers, counsel, advisors and agents, [Travis] County, Texas, and employees and agents of any of the foregoing (each individually an "Issuer Party" and all collectively the "Issuer Parties") have not undertaken to furnish information to the Underwriter, or to ascertain the accuracy or completeness of any information that may have been furnished to the Underwriter by or on behalf of the Borrower relating to the operations, financial condition or future prospects of the Borrower or the Project and that none of the Issuer Parties have made any representations concerning the accuracy or completeness of any information supplied to the Underwriter and relating to the Project. On the basis of the foregoing, the Issuer hereby consents to the Underwriter's lawful use of the Preliminary Official Statement and the Official Statement in connection with the offer, sale, and distribution of the Bonds.

Section 4. Representations, Warranties and Agreements of the Borrower. The Borrower represents, warrants and agrees with the Underwriter and the Issuer as follows:

(a) The Borrower is duly organized and existing as a limited partnership under the laws of the State of Texas, has full legal right, power and authority to own its properties and to conduct its business as described in the Official Statement and to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents and the Official Statement, and is duly qualified to do such business and is in good standing wherever such qualification and/or standing are required, including the State of Texas.

(b) By all necessary action, the Borrower has duly authorized and approved the execution and delivery of the Borrower Documents, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture, the Official Statement and the Borrower Documents in connection with the issuance of the Bonds.

(c) On the Closing Date, the Borrower Documents will constitute the valid, legal and binding obligations of the Borrower (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) Between the date of this Bond Purchase Agreement and the date which is 25 days after the Closing Date, the Borrower shall promptly notify the Underwriter of the institution of any action, suit, proceeding, inquiry or investigation, of which it becomes aware, seeking to prohibit, restrain or otherwise restrict the issuance of the Bonds, the execution, delivery and performance by the Borrower of the

Borrower Documents or the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(e) The information relating to the Borrower contained in the Preliminary Official Statement and the Official Statement under the headings "PRIVATE PARTICIPANTS," "THE PROJECT," "CERTAIN BONDHOLDERS' RISKS," "UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE" or "ABSENCE OF LITIGATION" (as such information thereunder pertains to the Borrower) or incorporated by reference in the Preliminary Official Statement and the Official Statement or otherwise supplied in writing by the Borrower for inclusion therein 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 made therein, in light of the circumstances under which they were made, not misleading.

(f) If between the date of this Bond Purchase Agreement and the date which is 25 days after the Closing Date an event occurs, that is known to the Borrower that would cause the section of the Preliminary Official Statement, the Official Statement and any amendments or supplements under the headings "PRIVATE PARTICIPANTS," "THE PROJECT," "CERTAIN BONDHOLDERS' RISKS," "UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE" or "ABSENCE OF LITIGATION" (as such information thereunder pertains to the Borrower) to contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein with respect to the Borrower, in light of the circumstances under which they were made, not misleading, the Borrower shall promptly notify the Underwriter, and, if in the opinion of the Underwriter such event requires an amendment of or supplement to the Official Statement, the Borrower, at the expense of the Borrower, will amend or supplement the Official Statement in a form and manner approved by the Issuer, the Borrower and the Underwriter; provided, however, if such event shall occur on or prior to the Closing Date, the Underwriter, in its sole discretion, shall have the right to terminate its obligations hereunder by written notice to the Issuer and the Borrower, and the Underwriter shall have no obligation to purchase and pay for the Bonds.

(g) To the best knowledge of the Borrower, after due and diligent inquiry, as of the date hereof, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound which breach or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents provided, however, that the Borrower makes no representation or warranty with respect to compliance with

applicable state securities or Blue Sky laws or the registration of the Bonds or the Note under the Securities Act of 1933, as amended, or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(h) All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been or will be obtained prior to the Closing Date and are or will be in full force and effect prior to the Closing Date; provided, however, that the Borrower makes no representation or warranty with respect to compliance with applicable state securities or Blue Sky laws or the registration of the Bonds or the Note under the Securities Act of 1933, as amended, or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(i) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers executing this Bond Purchase Agreement, or contesting or affecting as to the Borrower, the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Borrower's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

(j) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Borrower shall not be required to register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(k) Any certificate signed by the Borrower and delivered to the Underwriter, or the Issuer pursuant to the Indenture or the Borrower Documents shall be deemed a representation and warranty by the Borrower to the Underwriter, and the Issuer as to the statements made therein.

(l) The Borrower will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

(m) The Borrower shall honor all other covenants contained in the Borrower Documents, which agreements are incorporated herein and made a part of this Bond Purchase Agreement; provided, however, that nothing herein shall be deemed to alter the non-recourse nature of any covenants which are, under the terms of the Borrower Documents, without recourse to the Borrower.

(n) The Borrower is not 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.

The execution and delivery of this Bond Purchase Agreement by the Borrower shall constitute a representation to the Underwriter and the Issuer that the representations and warranties contained in this Section 4 are true as of the date hereof.

Section 5. Indemnification.

(a) The Borrower and the General Partner each agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer and the Underwriter and each past, present and future member, officer, director, official, employee and agent of the Issuer and the Underwriter and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively referred to herein as the "Indemnified Parties"), against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), 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") caused by (i) the breach (or alleged breach) by the Borrower of any of its representations or warranties in this Bond Purchase Agreement or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact relating to the Borrower or the Project contained in the Official Statement or caused by any omission or alleged omission of a material fact from the Official Statement relating to the Borrower and the Project necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, based upon information provided (or required to be provided) by the Borrower, unless caused by the gross negligence or willful misconduct of the Indemnified Party seeking indemnification.

(b) Any Indemnified Party shall notify the Borrower and the General Partner of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower and the General Partner an opportunity to defend the same at the Borrower's or the General Partner's expense and with counsel satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense. If there may be legal defenses available to the Indemnified Party that are in conflict with those available to the Borrower or the General Partner or if the Borrower or the General Partner shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower and the General Partner, provided that any compromise or settlement shall be entered into only with the consent of the Borrower and the General Partner.

(c) Except with respect to the Issuer (including its past, present and future officers, directors, members, employees, counsel or agents), in order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (b) of this Section 5 is for any reason held to be unavailable (other than a holding to the effect that the specific circumstances are not the subject of the indemnity), the Borrower, the General Partner and the Indemnified Party shall contribute proportionately to the aggregate Liabilities to which the Borrower, the General Partner and the Indemnified Party may be subject, so that the Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower and the General Partner 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.

(d) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third party beneficiaries of this Bond Purchase Agreement for purposes of this Section 5. The provisions of this Section 5 will be in addition to all liability that the Borrower may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(e) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Financing Agreement, the Tax Regulatory Agreement or any other document.

Section 6. Disclosure Matters. The Issuer and the Borrower acknowledge that the Underwriter is required to comply with the requirements of the Rule in connection with the offer and sale of the Bonds and each agrees to cooperate (at the cost and expense of the Borrower) with the Underwriter so as to enable the Underwriter to comply with the Rule. To this end:

(a) The Borrower has delivered to the Underwriter the Official Statement that the Borrower deemed final as of its date, except for the omission of no more than the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, and other terms of the Bonds depending on such matters (collectively, the "Permitted Omissions").

(b) If, during the period from the date hereof to and including the date as of which 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 Closing Date, any event occurs as a result of which the Official Statement for the Bonds as then amended or supplemented might include an untrue statement of material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer, if such event relates to the information included in the Official Statement under the captions "THE ISSUER" and "ABSENCE OF LITIGATION" (insofar as such information thereunder pertains to the Issuer), or the Borrower, if such event relates to the captions "PRIVATE PARTICIPANTS," "THE PROJECT," "CERTAIN BONDHOLDERS' RISKS," "UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE" or "ABSENCE OF LITIGATION" (insofar as such information thereunder pertains to the Borrower), shall promptly notify the Underwriter thereof and shall (in either case, at the expense of the Borrower), upon the request of the Underwriter, prepare and deliver to the Underwriter as many copies of an amendment or supplement which will correct such statement or omission as the Underwriter may reasonably request.

(c) On or before the date which is five business days after the date hereof (or such earlier date as is necessary to accompany any confirmation that requests payment for a Bond), the Issuer agrees to deliver or cause to be delivered to the Underwriter, at the expense of the Borrower, as many copies of the Official Statement as the Underwriter may reasonably request.

Section 7. Closing. At 10:00 a.m., Central time, on October __, 2015, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Borrower, and the Underwriter (the "Closing Date"), the Issuer will deliver or cause to be delivered, the Bonds in definitive form, duly executed and authenticated by the Trustee. Delivery of the Bonds shall be made at the offices of the Trustee (or such other place upon which the Underwriters and the Issuer mutually agree) which shall hold the Bonds as custodian for The Depository Trust Company, 55 Water Street, New York, New

York 10041 ("DTC") under its "FAST" system. Subject to the terms and conditions hereof, the Issuer and the Borrower shall deliver at the offices of McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"), the other documents and instruments to be delivered pursuant to this Bond Purchase Agreement (the "Closing Documents"); and the Underwriter shall accept delivery of the Bonds and Closing Documents and pay the purchase price for the Bonds as set forth in Section 1 above by wire transfer, to the Trustee, in immediately available federal funds. Immediately following such payment and acceptance, the Underwriter shall receive its fee with respect to the Bonds in the amount set forth in Section 1 above by wire transfer from the Trustee in immediately available federal funds to the order of the Underwriter, in such manner as shall be agreed upon by the Borrower and the Underwriter. This delivery and payment is herein called the "Closing" and the date on which the Closing occurs is herein called the "Closing Date." The Bonds shall be prepared and delivered as fully registered Bonds without coupons in the denominations set forth in the Official Statement or multiples thereof. One fully registered Bond in the total aggregate principal amount of the Bonds, bearing a proper, duly assigned CUSIP number, will be issued initially in the name of Cede & Co., as nominee of DTC.

Section 8. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon representations, warranties and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations and warranties of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and shall also be subject to the following additional conditions:

(a) At the time of the Closing, the Bond Resolution shall have been duly approved and adopted by the Issuer and shall be in full force and effect and each of the Financing Documents shall have been duly authorized, executed and delivered, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such actions as, in the opinion of Bond Counsel and counsel for the Underwriter, shall be necessary and appropriate in connection with the transactions contemplated hereby.

(b) The Underwriter may terminate this Bond Purchase Agreement by notification to the Issuer and the Borrower if at any time subsequent to the date hereof and at or prior to the Closing:

(i) (A) legislation shall be enacted by the Congress of the United States or adopted by the Senate or House of Representatives of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to the Senate or House of Representatives by any committee of either such body to which such legislation has been referred for consideration or by a conference committee of such bodies, (B) a decision shall be rendered by a court of the United States or by the Tax Court of the United States, (C) a ruling, regulation or official action shall be rendered by or on behalf of the United States, or (D) a ruling, regulation or official action shall be issued, in any manner, including by pronouncement, press release or any other form of notice, by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or another governmental agency of the United States or by or on behalf of any member of the Senate or House of Representatives of the United States in any such instance with respect to federal taxation of interest received on obligations of the general character of the Bonds and which (1) in the reasonable opinion of counsel for the Underwriter,

would have or proposes action which would have the effect of making such interest includable in gross income for federal income tax purposes or (2) which, in the reasonable opinion of the Underwriter, would materially adversely affect the marketability of or the market price for the Bonds;

(ii) between the date hereof and the Closing, payment for and delivery of the Bonds is rendered impossible because (A) trading in securities generally shall have been suspended on the New York Stock Exchange or a general banking moratorium shall have been established by Federal or New York authorities or (B) a war involving the United States shall have been declared, or a national emergency, or any other outbreak or escalation of hostilities, or another national or international calamity shall have occurred, the effect of any of which, in the reasonable judgment of the Underwriter, materially adversely affects the marketability of the Bonds;

(iii) any event shall occur or exist which, in the reasonable judgment of the Underwriter, either makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or the draft thereof, dated the date hereof, or has the effect of constituting the omission from the Official Statement, on the draft thereof, dated the date hereof, of any statement or information which should have been reflected therein for the purpose for which the Official Statement is to be used in order to make the statements or information contained therein not misleading in any material respect;

(iv) legislation shall be enacted, or any action shall be taken by the Securities and Exchange Commission, which, in the reasonable opinion of counsel for the Underwriter, has or may have the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended;

(v) an occurrence, in the reasonable judgment of Underwriter, of a material adverse change in the capital markets which makes the sale or financing contemplated hereby impossible to proceed with the sale or financing contemplated hereby on any terms, manner and basis contemplated by the Bond Resolution and mutually agreed to by the Issuer, Underwriter and the Borrower;

(vi) there shall have occurred any materially adverse change in the affairs or financial condition of the Issuer or the Borrower which makes sale of the Bonds impossible on the terms contemplated by the Bond Resolution and mutually agreed to by the Issuer, Underwriter and the Borrower;

(vii) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any rating of the Bonds or the government of the United States which, in the reasonable judgment of the Underwriter, materially adversely effects the value or marketability of the Bonds; or

(viii) there shall have occurred any change which, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which (1) the calculation of yield for purposes of Section 103 of the Code, (2) the payment of debt service on the Bonds or (3) the basis for the exemption of interest on the Bonds from federal income taxation, is predicated.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(i) an approving opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, addressed to the Issuer, dated the Closing Date substantially in the form attached as Appendix F to the Official Statement, and a letter of such counsel dated the Closing Date and addressed to the Underwriter to the effect that such approving opinion may be relied on by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(ii) opinions and/or letters, dated the Closing Date and addressed to the Underwriter and to such other parties as may be appropriate, of

(A) McCall, Parkhurst & Horton L.L.P., Bond Counsel, substantially in the form attached hereto as Appendix A;

(B) Borrower's Counsel, substantially in the form attached hereto as Appendix B;

(C) Counsel to the Underwriter, as to such matters as the Underwriter may reasonably request.

(iii) a certificate, dated the Closing Date and signed on behalf of the Issuer, to the effect that:

(A) the Issuer has not received notice of any pending, nor to the Issuer's actual knowledge is there any threatened, action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (1) the use of the Official Statement, (2) the use of the proceeds of the Bonds to make the Loan, (3) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (4) the tax exempt status of the interest on the Bonds, (5) the accuracy or completeness of the Official Statement under the headings "THE ISSUER" and "ABSENCE OF LITIGATION" (but only as to information therein relating to the Issuer), (6) the execution and delivery by the Issuer of the Issuer Documents or the Bonds, or (7) the power of the Issuer to carry out the transactions on its part contemplated in the Issuer Documents;

(B) to the best knowledge and belief of the persons signing the certificate, the sections of the Official Statement under the headings "THE ISSUER" and "ABSENCE OF LITIGATION" (as to the Issuer) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and

(C) the Issuer has complied with all the covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date, and the representations and warranties of the Issuer contained herein and in each of the Bond Documents to which it is a party are true and correct as of the Closing Date;

(iv) a certificate of the Issuer and a certificate of the Borrower, each dated the Closing Date, with respect to the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code to support the conclusion that none of the Bonds will be an "arbitrage bond";

(v) a certificate of the Borrower, dated the Closing Date, to the effect that (A) each of the representations and warranties set forth in each of the Borrower Documents (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect, and (C) the Borrower has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Borrower Documents at or prior to the Closing Date;

(vi) counterpart originals or certified copies of each of the Financing Documents;

(vii) written evidence satisfactory to the Underwriter that Standard & Poor's Ratings Service has issued a rating of "AA+" for the Bonds, and such rating shall be in effect on the Closing Date;

(viii) such agreements, certificates and opinions as reasonably requested by the Underwriter to evidence the closing of the Loan;

(ix) the Underwriter shall have received the Borrower's 15c2-12 Certificate, duly executed by the Borrower substantially in the form set forth in Appendix C hereto; and

(x) such additional legal opinions, certificates (including any certificates necessary or desirable in order to establish the exclusion of the interest on the Bonds from gross income for federal income tax purposes), instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer's representations herein and in the Official Statement and the due performance or satisfaction by the Issuer at or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by the Issuer.

If the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, neither the Underwriter, the Borrower nor the Issuer shall be under any further obligation hereunder.

Section 9. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Borrower and the Issuer hereby agree to pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, the costs of printing and mailing the Official Statement; the fees and expenses of Issuer's counsel, including bond counsel, and Borrower's counsel; the fees and expenses of the Trustee and its counsel; and the fees and disbursements of any other experts or consultants retained by the Issuer or the Borrower; the fees of rating agencies in connection with the rating of the Bonds; the Underwriter's Fee and reimbursement of the Underwriter's Premium; the fees and expenses of counsel to the Underwriter; and all other expenses in connection with the public offering and sale of the Bonds. Notwithstanding the foregoing, the Issuer shall have no obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds, other than from the proceeds of the Bonds. The Borrower shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to

implementing this Bond Purchase Agreement and the issuance of the Bonds, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Borrower acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred in connection with the issuance of the Bonds. The Issuer and the Borrower acknowledge that the underwriting fee will pay or reimburse the Underwriter for various expenses incurred by the Underwriter which are incidental to implementing this Bond Purchase Agreement and the issuance and purchase of the Bonds.

Section 10. Notices. Any notice or other communication to be given to the Issuer or the Borrower may be given by mailing the same to each of them at the respective addresses set forth on the cover hereof, and any notice or other communication to be given to the Underwriter may be given by mailing the same to Dougherty & Company LLC, 90 South Seventh Street, Suite 4300, Minneapolis, Minnesota 55402; Attention: Jerry L. Wright.

Section 11. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Borrower and the Underwriter (including any successor or assignees of the Issuer or Underwriter), and, except as provided in Section 5 hereof, no other party or person shall acquire or have any right hereunder or by virtue hereof.

Section 12. Amendments. This Bond Purchase Agreement may not be amended without the written consent of the Issuer, the Borrower and the Underwriter.

Section 13. Survival of Representations and Warranties. The representations and warranties of the Issuer and the Borrower shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Issuer and the Borrower and regardless of delivery of and payment for the Bonds.

Section 14. Execution in Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. No Prior Agreements. This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the Issuer and the Borrower.

Section 16. Effective Date. This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Borrower and shall be valid and enforceable as of the time of such acceptance.

Section 17. Governing Law. This Bond Purchase Agreement shall be governed by the laws of the State of Texas without giving effect to the conflict of law principles of the State of Texas.

Section 18. No Personal Liability of Issuer. The Issuer and none of the members of the Issuer, nor any officer, agent or employee of the Issuer, shall be charged personally by the Underwriter with any liability, or be held liable to the Underwriter under any term or provision of this Bond Purchase Agreement, or because of execution or attempted execution, or because of any breach or attempted or alleged breach of this Bond Purchase Agreement.

Section 19. HUD Provisions. The Borrower, the Underwriter and the Issuer acknowledge that this Bond Purchase Agreement, and all Borrower's obligations hereunder, are subject and subordinate to the Mortgage Loan Documents. Notwithstanding any provision in this Bond Purchase Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) funds that are not derived from (i) revenues of the Project (as defined in the Mortgage), or (ii) any reserve or deposit made with the Mortgage Lender or any other party as required by HUD in connection with the Mortgage Loan Documents, or (iii) any proceeds of the Mortgage Note (which do not include the Collateral Payments) (collectively, "Non-Project Sources"). No claims or actions shall be made (or payable) under this Bond Purchase Agreement against the Project, the Mortgage Lender, the proceeds of the Mortgage Note or the assets of the Borrower, except from Non-Project Sources. In addition, the rights and obligations of the parties under this Bond Purchase Agreement and all other documents evidencing, implementing, or securing this Bond Purchase Agreement (collectively, the "Subordinate Bond Documents") are and shall be subordinated in all respects rights and obligations of the parties to and under the Mortgage Loan Documents. In the event of any conflict between the provisions of (i) this Bond Purchase Agreement or the Subordinate Bond Documents and (ii) the provisions of the Mortgage Loan Documents or the Program Obligations (as defined in the Mortgage), the provisions of the Mortgage Loan Documents or the Program Obligations shall control. The provisions of this Section 19 shall control over any inconsistent provisions in this Bond Purchase Agreement or the Subordinate Bond Documents. No amendment to this Bond Purchase Agreement shall conflict with the Mortgage Loan Documents or the Program Obligations.

[Remainder of page intentionally left blank]

If the foregoing is in accordance with your understanding of this Bond Purchase Agreement please sign and return to us by email your acceptance hereof, whereupon it will become a binding agreement among the Issuer, the Borrower and the Underwriter in accordance with its terms.

Very truly yours,

DOUGHERTY & COMPANY LLC,
as Underwriter

By: _____
Jerry L. Wright
Senior Vice President

[Signatures continued on next page]

[Issuer's Signature Page to Bond Purchase Agreement]

**AUSTIN HOUSING FINANCE
CORPORATION**, as Issuer

By: _____
[Title]

[Signatures continued on next page]

[Borrower's Signature Page to Bond Purchase Agreement]

TIMBERS CLAYTON 104 APARTMENTS, L.P.,
a Texas limited partnership

By: AHFC 1034 Clayton Lane Non-Profit Corporation,
a Texas corporation, its General Partner

By: _____
[NAME]
Its [TITLE]

SCHEDULE I

AMOUNT, MATURITY DATE AND INTEREST RATE

Maturity Date	Principal Amount	Interest Rate
[_____] 1, 201_]	\$ _____	0. __%

APPENDIX A
FORM OF SUPPLEMENTAL OPINION OF
BOND COUNSEL

October __, 2015

Austin Housing Finance Corporation
[City], Texas

Wilmington Trust, National Association, as Trustee
Dallas, Texas

Dougherty & Company LLC
Minneapolis, Minnesota

Re: \$_____ Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (The
 Timbers Apartments Project) Series 2015

[TO COME]

APPENDIX B

OPINION OF BORROWER'S COUNSEL

October __, 2015

§ _____

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project) Series 2015

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Texas and has all requisite limited partnership power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Borrower is qualified to do business in the State of Texas.

2. The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Official Statement and (b) to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents.

3. The General Partner is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Texas and has all requisite limited liability company power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The General Partner is qualified to do business in the State of Texas.

4. By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents, and approved the execution and delivery of, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bonds. The individual[s] who have executed the Borrower Documents on behalf of the General Partner of the Borrower have the authority to bind the General Partner and thereby the Borrower to the terms and conditions of the Borrower Documents.

5. The Borrower Documents have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such agreements by the respective other parties thereto where necessary, if any, constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

6. The execution and delivery of the Borrower Documents, the performance by Borrower of its obligations thereunder and the consummation of the transactions contemplated therein are within the organizational powers of Borrower and will not (i) conflict with or constitute a breach of the Borrower's organizational documents; (ii) to our knowledge, constitute a default under any indenture, mortgage, deed of trust or other material lien, lease, contract, note, order, judgment, decree or other material agreement, instrument or restriction of any kind to which Borrower is a party or by which any of its properties are

bound or affected; or (iii) result in a violation of any constitutional or statutory provision or any material order, rule, regulation, decree or ordinance of any court, government or governmental authority known to us to be applicable to the Borrower or its property.

7. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Bonds and the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of, breach of or default under, any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

8. As of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or issuer of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

9. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best of our knowledge, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

10. Nothing has come to our attention that would lead us to believe that the statements and information with respect to Project and the Private Participants contained in the Official Statement under the captions "PRIVATE PARTICIPANTS," "THE PROJECT," "CERTAIN BONDHOLDERS' RISKS," and "ABSENCE OF LITIGATION" (but only as to information under the caption "ABSENCE OF LITIGATION" relating to the Borrower, and except as to the statistical and financial data included in the Official Statement with respect to which we do not express any opinion), contain any untrue statement of

a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

11. The Borrower may not plead the defense of usury or maintain an action for usury with respect to the loan(s) being made under the Financing Documents.

Very truly yours,

APPENDIX C

RULE 15c2-12 CERTIFICATE

§ _____

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(The Timbers Apartments Project) Series 2015

The undersigned hereby certifies and represents to Dougherty & Company LLC (the "Underwriter") that he/she is authorized to execute and deliver this certificate on behalf of Timbers Clayton 104 Apartments, L.P., a Texas limited partnership (the "Borrower"), and hereby further certifies to the Underwriter as follows:

(a) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the issuance and sale of the above captioned bonds (the "Bonds").

(b) In connection with the issuance and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated the date of this certificate, setting forth information concerning the Bonds and the Borrower (the "Preliminary Official Statement").

(c) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), accreted values, yield to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the issuance and sale of the Bonds.

(d) The Preliminary Official Statement is, as of the date thereof, deemed final within the meaning of the Rule, except for Permitted Omissions.

(e) The sections of the Preliminary Official Statement entitled "UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE" and "APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENT" describes the agreement the Borrower expects to make for the benefit of the Bondholders in the Continuing Disclosure Agreement dated as of October 1, 2015 by and between the Borrower and Wilmington Trust, National Association, as dissemination agent, by which the Borrower will undertake to provide continuing disclosure in accordance with the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand as of the ____ day of October, 2015.

TIMBERS CLAYTON 104 APARTMENTS, L.P.,
a Texas limited partnership

By: AHFC 1034 Clayton Lane Non-Profit Corporation,
a Texas corporation, its General Partner

By: _____
[NAME]
Its [TITLE]

[Signature Page to Rule 15c2-12 Certificate]

Exhibit E

Official Statement Issuer Information

The Issuer was incorporated in 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 for the repayment of its revenue bonds. 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, which are payable solely from the security pledged under the Indenture. The Issuer has no taxing power.

The Mayor and the members of the City Council serve as the members of the Board of Directors (the "Board") of the Issuer.

The Issuer carries on operations that include the issuance of bonds and the lending of proceeds of such bonds in conduit lending transactions for multifamily housing projects. The Issuer does not have any employees and does not carry on operations (except for certain discrete operations as directed by the City under an annual servicing agreement between the City and the Issuer). The Issuer does not originate, underwrite, service or administer the loans made from bond proceeds. The origination, underwriting, administration, servicing and other functions to be performed in connection with the Bonds and the Project will be conducted by various other parties, including but not limited to the parties named in the Indenture, the Financing Agreement and the Tax Regulatory Agreement. 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 General Partner of the Borrower is a nonprofit corporation established and controlled by the Issuer.

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.

|

Exhibit F

Ground Lease

GROUND LEASE

between

AUSTIN HOUSING FINANCE CORPORATION,

as Landlord

and

TIMBERS CLAYTON 104 APARTMENTS, L.P.

as Tenant

Dated: As of _____, 2015

**GROUND
LEASE**

<u>Section</u>	<u>Page</u>
SECTION 1. <u>DEFINITIONS</u>	1
1.1. <u>Specific</u>	1
1.2. <u>General</u>	5
1.3. <u>Construction</u>	5
SECTION 2 <u>TITLE</u>	5
SECTION 3. <u>TERM</u>	6
3.1. <u>Length</u>	6
3.2. <u>Surrender</u>	6
3.3. <u>Holding Over</u>	6
3.4. <u>Title to and Alterations of Improvements</u>	7
SECTION 4. <u>RENT</u>	8
4.1. <u>Amount</u>	8
4.2. <u>Tax on Lease</u>	8
4.3. <u>Security Deposit</u>	8
4.4. <u>Net Lease</u>	8
4.5. <u>Condition of the Premises</u>	8
SECTION 5. <u>USE OF PROPERTY</u>	9
5.1. <u>Nature of use</u>	9
5.2. <u>Compliance With Law and Covenants</u>	10
5.3. <u>Restrictions Applicable to Tax Credit Units</u>	11
SECTION 6. <u>TAXES AND OPERATING EXPENSES</u>	11
6.1. <u>Tenant to Pay</u>	11
6.2. <u>Delivery of Bills and Notices</u>	11
6.3. <u>Proceedings to Contest</u>	11
6.4. <u>Operating Expenses</u>	12
6.4. <u>Right to Pay Taxes and Senior Mortgage</u>	12
SECTION 7. <u>INSURANCE AND INDEMNIFICATION</u>	12
7.1. <u>Insurance to be Maintained by Tenant</u>	12
7.2. <u>Insureds</u>	13

7.3.	<u>Insurer</u>	13
7.4.	<u>Evidence</u>	13
7.5.	<u>Indemnification of Landlord</u>	13
7.6.	<u>Increase in risk</u>	15
7.7.	<u>Participation by Permitted Leasehold Mortgagee</u>	15
7.8.	<u>Insurance Proceeds</u>	16
SECTION 8.	<u>LEASEHOLD MORTGAGE REQUIREMENTS</u>	16
8.1.	<u>Future Fee Estate Mortgages</u>	16
8.2.	<u>Nonmerger</u>	16
8.3.	<u>Foreclosure Rights of Leasehold Mortgagee</u>	16
8.4.	<u>Voluntary Surrender</u>	16
SECTION 9.	<u>IMPROVEMENTS TO PREMISES</u>	17
9.1.	<u>Intentionally Omitted</u>	17
9.2.	<u>Mechanics' or Other Liens</u>	19
9.3.	<u>Fixtures</u>	20
9.4.	<u>Intentionally Omitted</u>	20
9.5.	<u>Signs</u>	20
9.6.	<u>Tenant Control</u>	20
SECTION 10.	<u>REPAIRS AND MAINTENANCE</u>	20
10.1.	<u>Repairs</u>	20
10.2.	<u>Maintenance</u>	21
SECTION 11.	<u>LANDLORD'S RIGHT OF ENTRY</u>	21
11.1.	<u>Inspection and Repair</u>	21
11.2.	<u>Exhibiting the Premises</u>	21
SECTION 12.	<u>FIRE AND OTHER CASUALTIES</u>	22
12.1.	<u>Where Cost of Restoration Exceeds Specified Sum</u>	22
12.2.	<u>Application of Proceeds on Termination</u>	22
12.3.	<u>No Termination</u>	22
12.4.	<u>Rights of the Parties Under the Loan Documents</u>	23
12.5.	<u>Notice</u>	23
12.6.	<u>Termination Upon Non-Restoration</u>	23
SECTION 13.	<u>CONDEMNATION</u>	23

13.1.	<u>Notice of Taking</u>	23
13.2.	<u>Condemnation Awards</u>	23
13.3.	<u>Total Taking</u>	23
13.4.	<u>Partial Taking</u>	23
13.5.	<u>Notice</u>	24
13.6.	<u>Intentionally Omitted</u>	24
13.7.	<u>Termination Upon Non-Restoration</u>	24
13.8.	<u>No Waiver</u>	24
13.9.	<u>Rights of the Parties Under the Loan Documents</u>	24
SECTION 14.	<u>ASSIGNMENT AND SUBLETTING</u>	24
14.1.		24
14.2.	<u>Permitted Transfers</u>	25
14.3.	<u>Effect on Obligations</u>	25
14.4.	<u>Benefit and Burden</u>	25
SECTION 15.	<u>DEFAULT</u>	25
15.1.	<u>Definition</u>	25
15.2.	<u>Notice to Tenant; Grace Period</u>	25
15.3.	<u>Landlord's Rights on Event of Default</u>	26
15.4.	<u>Intentionally Omitted</u>	28
15.5.	<u>Landlord Event of Default</u>	28
SECTION 16.	<u>ESTOPPEL CERTIFICATE: SHORT FORM</u>	29
16.1.	<u>Estoppel Certificate</u>	29
16.2.	<u>Recordation</u>	29
16.3.	<u>Estoppel Certificates (Permitted Leasehold Mortgagees)</u>	29
SECTION 17.	<u>CONDITION OF TITLE AND PREMISES</u>	30
17.1.	<u>Limited Warranties</u>	30
17.2.	<u>Quiet Enjoyment</u>	30
17.3.	<u>Limitation on Liability</u>	30
SECTION 18.	<u>NOTICES</u>	30
SECTION 19.	<u>GENERAL</u>	31
19.1.	<u>Effectiveness</u>	31
19.2.	<u>Complete understanding</u>	31
19.3.	<u>Amendment</u>	32

19.4.	<u>Waiver</u>	32
19.5.	<u>Applicable Law</u>	32
19.6.	<u>Intentionally Omitted</u>	32
19.7.	<u>Time of Essence</u>	32
19.8.	<u>Headings</u>	32
19.9.	<u>Construction</u>	32
19.10.	<u>Exhibits</u>	32
19.11.	<u>Severability</u>	33
19.12.	<u>Disclaimer of Partnership Status</u>	33
19.13.	<u>Commissions</u>	33
19.14.	<u>Prevailing Party</u>	33
19.15.	<u>Intentionally Omitted</u>	33
19.16.	<u>Limited Third Party Rights</u>	33
19.17.	<u>New Lease</u>	33
19.18.	<u>Subleases</u>	33
19.19.	<u>Preservation of Lease</u>	34
19.20.	<u>Tenant's Rights, Generally</u>	34
19.21.	<u>No Personal Liability</u>	34
SECTION 20. CONTINUING RIGHT TO COMPEL TITLE		34
SECTION 21. HUD REQUIREMENTS		36

Exhibits

- A Description of Land
- B Schedule of Permitted Encumbrances
- C Insurance Requirements
- D Final Plans and Specifications

LEASE ADDEUNDUM

GROUND LEASE

THIS GROUND LEASE ("**Lease**") is made effective as of this ____ day _____ of, 2015, by and between the Austin Housing Finance Corporation, a housing finance corporation organized under the laws of the State of Texas ("**Landlord**"), and Timbers Clayton 104 Apartments, L.P., a Texas limited partnership ("**Tenant**").

RECITALS

A. Landlord is the owner of certain Land (as defined herein) which Landlord has agreed to lease under the terms and conditions hereof to Tenant for Tenant's construction and operation upon the Land of a rental project ("**Project**"), comprised of 104 rental dwelling units (the "**Units**").

B. Tenant and Landlord intend that all of the Units shall be rented to lessees so as to qualify the Units for Low Income Housing Tax Credits as defined in Section 42 of the Code (as defined below).

NOW THEREFORE, IN CONSIDERATION of the covenants and agreements of the parties hereto, as are hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each party hereto, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord all of that tract of land (the "**Land**"), in Travis County, Texas, and which is described in Exhibit A attached hereto,

TOGETHER WITH any and all rights, alleys, ways, privileges, appurtenances and advantages, to the same belonging or in any way appertaining (all of which, together with the Land, are hereinafter referred to collectively as the "**Premises**"), excluding any and all Improvements now or hereafter thereon (but without limiting Landlord's rights thereto under this Lease),

SUBJECT TO THE OPERATION AND EFFECT of the Permitted Encumbrances,

TO HAVE AND TO HOLD the Premises unto Tenant, its successors and permitted assigns, for the sole purpose and term of years set forth herein,

ON THE TERMS AND SUBJECT TO THE CONDITIONS which are hereinafter set forth:

SECTION 1. DEFINITIONS.

1.1 Specific. As used herein, the following terms have the following meanings:

"**Additional Rent**" has the meaning given to it in subsection 4.1.2.

"**Annual Rent**" has the meaning given it in subsection 4.1.1.

"**Bankruptcy**" shall be deemed, for any person or entity, to have occurred either

(a) if and when such person or entity (i) applies for or consents to the appointment of a receiver, trustee or liquidator of such person or entity or of all or a substantial part of its assets, (ii) files a voluntary petition in bankruptcy or admits in writing its inability to pay its debts as they

come due, (iii) makes an assignment for the benefit of its creditors, (iv) files a petition or an answer seeking a reorganization or an arrangement with its creditors or seeks to take advantage of any insolvency law, (v) performs any other act of bankruptcy, or (vi) files an answer admitting the material allegations of a petition filed against such person or entity in any bankruptcy, reorganization or insolvency proceeding; or

(b) if (i) an order, judgment or decree is entered by any court of competent jurisdiction adjudicating such person or entity a bankrupt or an insolvent, approving a petition seeking such an adjudication, or reorganization, or appointing a receiver, trustee or liquidator of such person or entity or of all or a substantial part of its assets, or (ii) there otherwise commences with respect to such person or entity or any of its assets any proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment, receivership or similar law, and if such order, judgment, decree or proceeding continues unstayed for any period of ninety (90) consecutive days after the expiration of any stay thereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commencement Date” has the meaning given it in subsection 3.1.1.

“Environmental Laws” shall mean any and all Federal, State or local statutes, laws, rules, regulations, ordinances, orders, codes, determinations, decrees, or rules of common law pertaining to health, safety, or the environment now or at any time hereafter in effect and any judicial or administrative interpretation thereof (including, but not limited to, any judicial or administrative order, consent decree or judgment relating to the environment or Hazardous Substances, or exposure to Hazardous Substances) including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Resource, Conservation and Recovery Act of 1976, as amended, the Clean Air Act, as amended, the Federal Water Pollution Control Act, as amended, the Oil Pollution Act of 1990, as amended, the Safe Drinking Water Act, as amended, the Hazardous Materials Transportation Act, as amended, the Toxic Substances Control Act, as amended, and any other environmental or health conservation or protection laws.

“Equipment” means all apparatus, machinery, devices, fixtures, appurtenances, equipment and personal property now or hereafter located on or within the Premises or the Improvements and necessary or desirable for the proper operation and maintenance of the Premises or the Improvements (other than moveable equipment belonging to any management company servicing the Improvements), including but not limited to any and all awnings, shades, screens and blinds; asphalt, vinyl, composition and other floor, wall and ceiling coverings; partitions, doors and hardware; elevators, escalators and hoists; heating, plumbing and ventilating apparatus; gas, electric and steam fixtures; chutes, ducts and tanks; oil burners, furnaces, heaters, incinerators and boilers; air-cooling and air-conditioning equipment; washroom, toilet and lavatory fixtures and equipment; engines, pumps, dynamos, motors, generators, electrical wiring and equipment; tools, building supplies, lobby decorations and window washing hoists and equipment; garage equipment, security systems, and gardening and landscaping equipment; swimming pool, recreational furniture and equipment; refrigerators, dishwashers, disposals, ranges, washers, dryers, and other kitchen appliances and all additions thereto and replacements thereof.

“Event of Default” has the meaning given it in subsection 15.1.

"Fee Estate" means the fee simple estate in the Premises, subject to the operation and effect of this Lease.

"Force Majeure" means any (a) strike, lock-out or other labor troubles, (b) governmental restrictions or limitations, (c) failure or shortage of electrical power, gas, water, fuel oil, or other utility or service, (d) riot, war, insurrection or other national or local emergency, (e) accident, flood, fire or other casualty, (f) adverse weather conditions resulting in cessation of work on the Project for in excess of one (1) week, (g) other act of God, or (h) other cause similar or dissimilar to any of the foregoing and beyond the reasonable control of the person in question.

"General Partner" means AHFC 1034 Clayton Non-Profit Corporation, a Texas nonprofit corporation.

"Holdover Rent" has the meaning given it in subsection 3.3.2.

"Improvements" has the meaning given it in subsection 5.1(b)(i).

"Institutional Lender" means any entity which is a lender to the Project or a servicer for such lender, and is either a commercial bank, savings bank, savings and loan institution or insurance company authorized to do business in Texas, a governmental revenue or development authority or any other governmental entity.

"Insurance Requirements" has the meaning given it in subsection 5.2.1.

"Land" shall mean that tract of realty located in Travis County, Texas, which is described in Exhibit A attached hereto;

"Investor Limited Partner" means _____, a _____, or its affiliates, and their respective successors and/or assigns or such other equity investor approved by Tenant.

"Landlord" means Landlord and its successors and assigns as holder of the Fee Estate.

"Landlord Event of Default" shall have the meaning given it in Section 15.5.

"Land Records" means the Official Public Records of Real Property of Travis County, Texas.

"Lease Year" means (a) the period commencing on the Commencement Date and terminating on the first (1st) anniversary of the last day of the calendar month containing the Commencement Date, and (b) each successive period of twelve (12) calendar months thereafter during the Term.

"Leasehold Estate" means the leasehold estate in the Premises held by Tenant under this Lease. The Leasehold Estate is intended to convey to Tenant ownership of the Improvements and Equipment, and the leasehold interest in the Land.

"Leasehold Mortgagee" means any lender holding a Mortgage against the Property.

"Legal Requirements" has the meaning given it in subsection 5.2.1.

“LIHTC/Bond Housing Requirements” means applicable Low Income Housing Tax Credits requirements as found in (i) Section 42 of the Code, and as required by the Texas Department of Housing and Community Affairs for the appropriate extended-use period, and (ii) applicable tax-exempt bond requirements as found in Section 142(d) (and other applicable provisions of the Code).

“Loan Documents” means all documents and instruments, including a Permitted Leasehold Mortgage, executed and delivered in connection with a loan from any Permitted Leasehold Mortgagee.

“Mortgage” means any mortgage or deed of trust at any time encumbering any or all of the Property, and any other security interest therein existing at any time under any other form of security instrument or arrangement used from time to time in the locality of the Property (including but not limited to any such other form of security arrangement arising under any deed of trust, sale-and-leaseback documents, lease-and-leaseback documents, security deed or conditional deed, or any financing statement, security agreement or other documentation used pursuant to the Uniform Commercial Code or any successor or similar statute), provided that such mortgage, deed of trust or other form of security instrument, and an instrument evidencing any such other form of security arrangement, has been recorded among the Land Records or in such other place as is, under applicable law, required for such instrument to give constructive notice of the matters set forth therein.

“Mortgagee” means the Person secured by a Mortgage.

“Option Exercise Notice” has the meaning given it in subsection 20.1.

“Partnership Agreement” means that certain Amended and Restated Agreement of Limited Partnership of Timbers Clayton 104 Apartments, L.P., dated as of _____, 2015, as may be amended from time to time.

“Permitted Encumbrances” means any and all instruments and matters of record or in fact on the date hereof, including but not limited to the instruments and matters listed in a schedule attached hereto as Exhibit B and matters permitted under Section 9.1.10 herein, and including any liens or encumbrances securing any construction and/or permanent loans made to the Tenant, at Tenant’s request, in connection with the Project and matters permitted by lenders of such loans.

“Permitted Leasehold Mortgage” has the meaning given in subsection 9.1.10(a).

“Permitted Leasehold Mortgagee” means each mortgagee, as the case may be, extending a Permitted Leasehold Mortgage, as defined in subsection 9.1.10(b). Upon inception of the Lease, Dougherty Mortgage LLC, a Delaware limited liability company, and _____, and each of their respective successors and/or assigns, shall be a Permitted Leasehold Mortgagee. No additional entity shall be a Permitted Leasehold Mortgagee without the approval of both HUD and Dougherty Mortgage LLC.

“Person” means a natural person, a trustee, a corporation, a partnership, a limited liability company and any other form of legal entity.

“Premises” has the meaning given it hereinabove; provided, that if at any time hereafter any portion of the Premises becomes no longer subject to this Lease, “Premises” shall thereafter mean so much thereof as remains subject to this Lease.

“Property” means the Premises, the Improvements and the Equipment.

“Purchase Option” has the meaning given it in subsection 20.1.

“Rent” means all Annual Rent and all Additional Rent payable under Section 4.

“Regulatory Agreement” means, collectively (i) the Texas Department of Housing and Community Affairs low-income housing tax credit land use restriction agreement, and (ii) the Bond-related Regulatory and Land Use Restriction Agreement.

“Resident” shall mean a person occupying a Unit in the Project pursuant to a Tenancy Agreement.

“Restoration” means the repair, restoration or rebuilding of any or all of the Property after any damage thereto or destruction thereof, with such alterations or additions thereto as are made by Tenant in accordance with this Lease, together with any temporary repairs or improvements made to protect the Property pending the completion of such work.

“Tax” and **“Taxes”** have the meanings given in subsection 6.1.

“TDHCA” means the Texas Department of Housing and Community Affairs.

“Tenancy Agreement” shall mean the form of lease agreement between the Tenant and a Resident under the terms of which a Resident is entitled to enjoy possession of a Unit in the Project.

“Tenant” means Timbers Clayton 104 Apartments, L.P., and its successors and permitted assigns as holder of the Leasehold Estate.

“Term” has the meaning given it in subsection 3.1.1. **“Termination Date”** has the meaning given it in subsection 3.1.1. **“Transfer”** has the meaning given it in subsection 14.1.1

1.2 **General.** Any other term to which meaning is expressly given in this Lease shall have such meaning.

1.3 **Construction.** Any Rent or any other amount paid hereunder shall be construed as made by Tenant solely for the use of the Premises, as Tenant shall be deemed to own the Improvements and the Equipment for all purposes. Any covenants contained herein made by the Tenant regarding the Improvements and the Equipment shall be construed solely to protect Landlord from liability in connection with the Improvements and the Equipment.

SECTION 2. TITLE. Tenant and Landlord hereby acknowledge that the fee estate to the real property upon which the Improvements are to be constructed is held exclusively by Landlord.

SECTION 3. TERM.

3.1. Length.

3.1.1. Original Term. This Lease shall be for a term ("**Term**") commencing on the date of this Lease ("**Commencement Date**"), and (b) terminating at 11:59 o'clock P.M. on the day immediately before the seventy-fifth (75th) anniversary of the first (1st) day of the first (1st) full calendar month following the Commencement Date (the "**Termination Date**", except that if the date of such termination is hereafter advanced to an earlier date or postponed pursuant to any provision of this Lease, or by express, written agreement of the parties hereto, or by operation of law, the date to which it is advanced or postponed shall thereafter be the "Termination Date" for all purposes of this Lease). Nothing in this Lease shall be deemed in any way to extend or permit the extension of the Term beyond the seventy-fifth (75th) anniversary, anything in this Lease to the contrary notwithstanding.

3.1.2. Confirmation of commencement and termination. Landlord and Tenant shall upon either's prior written request therefor, within fifteen (15) days after, respectively, (a) the commencement of the Term, and (b) the expiration of the Term or any earlier termination of this Lease by action of law or in any other manner, confirm in writing by instrument in recordable form that, respectively, such commencement or such termination has occurred, setting forth therein the Commencement Date and the Termination Date.

3.2. Surrender. Subject to Section 8.4 (Voluntary Surrender), Tenant shall, at its expense and subject to subsection 3.4, at the expiration of the Term or any earlier termination of this Lease, (a) promptly yield up to Landlord the Premises, the Units and the rest of the Improvements, and the Equipment, in good order and repair, ordinary wear and tear, and damage by casualty, subject to Section 12, and broom clean, (b) remove therefrom Tenant's signs, goods and effects and any machinery, trade fixtures and equipment used in conducting Tenant's trade or business and not part of the Units or the Equipment or otherwise owned by Landlord, and (c) repair any damage to the Property caused by such removal. Upon such expiration or termination (whether by reason of an Event of Default or otherwise), (a) neither Tenant nor its creditors and representatives shall thereafter have any right at law or in equity in or to any or all of the Property (including the Units and the rest of the Improvements) or to repossess any of same, or in, to or under this Lease, and Landlord shall automatically be deemed immediately thereupon to have succeeded to all of the same, free and clear of the right, title or interest therein of any creditor of Tenant or any other person whatsoever (but subject to the rights of any person then holding any lien, right, title or interest in or to the Fee Estate), and (b) Tenant hereby waives any and all rights of redemption which it may otherwise hold under any applicable law.

3.3. Holding Over.

3.3.1. Nothing in this Lease shall be deemed in any way to permit Tenant to use or occupy the Premises after the expiration of the Term or any earlier termination of this Lease. If and only if Tenant continues to occupy the Premises after such expiration or termination after obtaining Landlord's express, written consent thereto,

(a) such occupancy shall (unless the parties hereto otherwise agree in writing) be deemed to be under a month-to-month tenancy, which shall continue until either party hereto notifies the other in writing, by at least thirty (30) days before the end of any calendar

month, that the party giving such notice elects to terminate such tenancy at the end of such calendar month, in which event such tenancy shall so terminate;

(b) subject to the provisions of subsection 3.3.1(c), but anything in the remaining provisions of this Section to the contrary notwithstanding, the Annual Rent payable with respect to each such monthly period shall equal one-twelfth (1/12) of the Annual Rent for the Lease Year during which such expiration or termination occurred, as aforesaid, and the Additional Rent payable under Section 4; and

(c) such month-to-month tenancy shall be on the same terms and subject to the same conditions as those set forth in this Lease, except that if Landlord gives Tenant, by at least thirty (30) days before the end of any calendar month during such month-to-month tenancy, written notice that such terms and conditions (including any thereof relating to the amount and payment of Rent) shall, after such month, be modified in any manner specified in such notice, then such tenancy shall, after such month, be on the said terms and subject to the said conditions, as so modified.

3.3.2. If Tenant continues to occupy the Premises after the expiration of the Term or any earlier termination of this Lease without having obtained Landlord's express, written consent thereto, then without altering or impairing any of Landlord's rights under this Lease or applicable law, (a) Tenant hereby agrees to pay to Landlord immediately on demand by Landlord as holdover rental ("**Holdover Rent**") for the Premises, for each calendar month or portion thereof after such expiration of the Term or such earlier termination of this Lease, as aforesaid, until Tenant surrenders possession of the Premises to Landlord, a sum equaling the Annual Rent plus One Hundred and 00/100 Dollars (\$100.00) per each day of such holdover occupancy, and (b) Tenant shall surrender possession of the Premises to Landlord immediately on Landlord's having demanded the same. Nothing in this Lease shall be deemed in any way to give Tenant any right to remain in possession of the Premises after such expiration or termination, regardless of whether Tenant has paid any such Holdover Rent to Landlord.

3.4. Title to and Alterations of Improvements. At all times during the Term of this Lease, including without limitation for tax purposes, the Improvements and the Equipment shall be owned by Tenant and during the Term, Tenant alone shall be entitled to all of the tax attributes of ownership of the Improvements and the Equipment, including, without limitation, the right to claim depreciation or cost recovery deductions, amortization and the right to claim the low-income housing tax credit described in Section 42 of the Code. At the expiration or earlier termination of the Term of this Lease, or any portion thereof, Tenant shall peaceably leave, quit and surrender the Premises in the manner required under subsection 3.3.2, subject to the rights of Residents in possession of Units under Tenancy Agreements with Tenant (provided, however, that such Residents are not then in default thereunder, and attorn to Landlord as their lessor). Upon such expiration or termination of this Lease, the Premises, Improvements and Equipment, or any portion thereof so terminated, shall become the sole property of Landlord at no cost to Landlord, and shall be free of all liens and encumbrances other than Permitted Encumbrances and in good condition, subject only to reasonable wear and tear, and in the event of a casualty, to the provisions of Section 12.

SECTION 4. RENT.

4.1. Amount. As rent for the Premises, Tenant shall pay to Landlord.

4.1.1. Initial Payment and Rent. For and in consideration of this Lease by the Landlord, the Tenant shall pay the Landlord \$ _____, payable in a single installment on the date hereof, \$ _____ of which shall be allocated to the purchase of the existing Improvements (the "**Improvements Purchase Price**") and \$ _____ of which shall be allocable to the use or rent of the Land during the initial applicable 15-year tax credit compliance period (the "**Land Rent**" and, collectively with the Improvements Purchase Price, the "**Leasing Consideration Payment**"). Thereafter, an annual rent in the sum of One Hundred Dollars and 00/100 Dollars (\$100) (the "**Annual Rent**") shall be paid by the Tenant to the Landlord. All Annual Rent is due and payable for each Lease Year in advance of the first day of each Lease Year in lawful currency of the United States of America, to Landlord by delivering or mailing it to the Landlord's Address, or such other address or in such other manner as Landlord from time to time specifies by written notice to Tenant. At Tenant's option, Tenant may prepay the Annual Rent for the entire Term or any portion thereof at any time.

4.1.2. Additional Rent. Additional rent ("**Additional Rent**") in the amount of any payment referred to as such in this Lease which accrues while this Lease is in effect (which Additional Rent shall include any and all charges or other amounts which Tenant is obligated to pay under this Lease, including, but not limited to, costs of taxes, insurance and public utility charges, other than the Annual Rent). Such Additional Rent, unless required to be paid sooner hereunder, shall be due and payable within 30 days of Landlord's written demand therefor.

4.2. Tax on Lease. If federal, state or local law now or hereafter imposes any tax, assessment, levy or other charge (other than any income tax) directly or indirectly upon (a) Landlord with respect to this Lease or the value thereof, (b) Tenant's use or occupancy of the Premises, (c) the Annual Rent, Additional Rent or any other sum payable under this Lease, or (d) this transaction, Tenant shall pay the amount thereof as Additional Rent to Landlord upon demand

4.3. Security Deposit. No security deposit shall be required.

4.4. Net Lease. Other than as is expressly set forth in this Lease (and except for Landlord's legal fees, third-party consultants retained by Landlord and Landlord's own personnel costs), all costs, expenses, liabilities, charges or other deductions whatsoever with respect to the Premises and the construction, ownership, leasing, operation, maintenance, repair, rebuilding, use, occupation of, or conveyance of any or all of Tenant's Leasehold Estate, this Lease generally shall be the sole responsibility of and payable by Tenant; all of which costs, expenses, liabilities and charges shall be deemed Additional Rent hereunder.

4.5. Condition of the Premises. **TENANT ACKNOWLEDGES AND AGREES THAT THE PREMISES SHALL BE LEASED TO TENANT AND TENANT SHALL ACCEPT THE PREMISES, "AS IS, WHERE IS, AND WITH ALL FAULTS." LANDLORD HEREBY EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PREMISES. WITHOUT LIMITING THE GENERALITY OF THE PRECEDING SENTENCE OR ANY OTHER DISCLAIMER SET FORTH HEREIN, LANDLORD AND TENANT HEREBY AGREE THAT LANDLORD HAS NOT MADE AND IS NOT MAKING ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR**

IMPLIED, WRITTEN OR ORAL, AS TO (A) THE NATURE OR CONDITION, PHYSICAL OR OTHERWISE, OF THE PREMISES OR ANY ASPECT THEREOF, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF HABITABILITY, SUITABILITY, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR USE OR PURPOSE; (B) THE SOIL CONDITIONS, DRAINAGE CONDITIONS, TOPOGRAPHICAL FEATURES, ACCESS TO PUBLIC RIGHTS-OF-WAY, AVAILABILITY OF UTILITIES OR OTHER CONDITIONS OR CIRCUMSTANCES WHICH AFFECT OR MAY AFFECT THE PREMISES OR ANY USE TO WHICH TENANT MAY PUT THE PREMISES; (C) ANY CONDITIONS AT OR WHICH AFFECT OR MAY AFFECT THE PREMISES WITH RESPECT TO ANY PARTICULAR PURPOSE, USE, DEVELOPMENT POTENTIAL OR OTHERWISE; (D) ANY ENVIRONMENTAL, GEOLOGICAL, METEOROLOGICAL, STRUCTURAL OR OTHER CONDITION OR HAZARD OR THE ABSENCE THEREOF, HERETOFORE, NOW, OR HEREAFTER AFFECTING IN ANY MANNER THE PREMISES, INCLUDING, BUT NOT LIMITED TO, THE ABSENCE OF ASBESTOS, LEAD PAINT, OR ANY OTHER ENVIRONMENTALLY HAZARDOUS SUBSTANCE ON, IN, UNDER OR ADJACENT TO THE PREMISES, AND (E) THE COMPLIANCE OF THE PREMISES OR THE OPERATION OR USE OF THE PREMISES WITH ANY APPLICABLE RESTRICTIVE COVENANTS, OR ANY LAWS, ORDINANCES, OR REGULATIONS OF ANY GOVERNMENTAL BODY (INCLUDING SPECIFICALLY, WITHOUT LIMITATION, ANY ZONING LAWS OR REGULATIONS, ANY BUILDING CODES, ANY ENVIRONMENTAL LAWS, AND THE AMERICANS WITH DISABILITIES ACT OF 1990, ALL AS AMENDED FROM TIME TO TIME).

SECTION 5. USE OF PROPERTY.

5.1. Nature of Use. As long as the Regulatory Agreement is in effect, Tenant shall throughout the term of the Regulatory Agreement continuously use and operate the Premises and the Improvements and the Equipment only for the following uses and such other uses as are reasonably and customarily attendant to such uses including, without limitation, construction, development, marketing for lease and leasing of the Units in a manner which strictly satisfies the requirements of this Lease and the Regulatory Agreement (so long as it is in effect) and as follows:

(a) the Project shall be operated in accordance with the provisions of (a) the Regulatory Agreement (as long as the Regulatory Agreement is in effect); and (b) subsections 9.1.5 through 9.1.7, and have, at a minimum, the following characteristics: 104 Units, subject to LIHTC/Bond Housing Requirements (collectively, the “**Tax Credit Units**”), and

(b) in conjunction with the foregoing,

(i) the following improvements to the Premises (all of which, together with the Project and the Units, are herein referred to collectively as “**Improvements**”):

(1) such number of off-street parking spaces as is required for the Property from time to time by the applicable provisions of the municipal parking ordinance, as amended by any valid variance therefrom issued to Landlord, or other applicable law;

(2) the driveways and sidewalks set forth on the final site plan covering the Premises which has been approved in all respects by Landlord prior to the closing of the Loan and execution of this Lease (the "**Site Plan**");

(3) such utility lines and facilities, open space areas, landscaping or other improvements or features as are shown on the Site Plan;

(4) such interior Unit amenities as are on the plans and specifications approved in connection with the closing of the financing and execution of this Lease.

(5) any replacement or substitution of or addition to the Units or any of such amenities, parking facilities, driveways, sidewalks, utility lines and facilities, landscaping or other Improvements, provided that such replacement or addition is substantially consistent with the original design; and

(ii) the Equipment, and any replacements, alterations, additions or repairs thereto.

5.2. Compliance With Law and Covenants. Tenant, throughout the Term and at its sole expense, in its construction, possession and use of the Premises, the Units or the rest of the Improvements, and the Equipment,

5.2.1. shall materially comply promptly and fully with (a) all applicable laws, ordinances, notices, orders, rules, regulations and requirements of all federal, state and municipal governments and all departments, commissions, boards and officers thereof, including all applicable LIHTC/Bond Housing Requirements as long as the Regulatory Agreement is in effect (all of which are hereinafter referred to collectively as "**Legal Requirements**"); and (b) all requirements (i) of the National Board of Fire Underwriters (or any other body now or hereafter constituted exercising similar functions) which are applicable to any or all of the Property, or (ii) imposed by any policy of insurance covering any or all of the Property and required by Section 7 to be maintained by Tenant (all of which are hereinafter referred to collectively as "**Insurance Requirements**"); and (c) the provisions of the other Permitted Encumbrances, all if and to the extent that any of the Legal Requirements, the Insurance Requirements or the said provisions relate to any or all of the Premises, the Improvements, the Equipment, the fixtures and equipment upon the Premises, or the use or manner of use thereof, whether any of the foregoing are foreseen or unforeseen, or are ordinary or extraordinary;

5.2.2. (without limiting the generality of the foregoing provisions of this subsection) shall keep in force throughout the Term all licenses, consents and permits required from time to time by applicable law to permit the Property to be used in accordance with this Lease;

5.2.3. shall pay or cause to be paid when due all personal property taxes, income taxes, license fees and other taxes or special assessments assessed, levied or imposed upon Tenant or any other person (other than Landlord) in connection with the operation of any business upon the Property or its use thereof in any other manner;

5.2.4. shall not take or fail to take any action, as the result of which action or failure to act Landlord's estate, right, title or interest in and to any or all of the Premises or the rest of the Property might be impaired; and

5.2.5. shall not (either with or without negligence) (a) knowingly cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances or materials, or (b) knowingly allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances or materials, or (c) knowingly allow any such materials or substances to be brought onto the Property except to use in the ordinary course of Tenant's business or by lessees of the Units. For purposes of this Lease, "**hazardous substances or materials**" shall include, without limitation, those substances described as such in any Environmental Law. If any lender or governmental agency reasonably requires testing to ascertain whether or not there has been any release of hazardous substances or materials on the Premises while this Lease is in effect, then the costs thereof shall be reimbursed by Tenant to Landlord upon demand as Additional Rent if such requirement applies to the Premises. Tenant shall execute affidavits, representations and the like from time to time at Landlord's reasonable request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Premises.

5.3. Restrictions Applicable to Tax Credit Units. The Units are subjected and benefited by the terms and conditions of the LIHTC/Bond Housing Requirements (as long as the Regulatory Agreement is in effect). All LIHTC/Bond Housing Requirements (as long as the Regulatory Agreement is in effect) and the restrictions set forth in Section 5 with respect to the Units shall be binding upon Landlord and Tenant and each of their respective successors and assigns, except any entity which succeeds to Tenant's interest in the Premises by foreclosure or an instrument in lieu of foreclosure, such entity having the ability to opt out of the LIHTC/Bond Housing Requirements pursuant to and in accordance with the Regulatory Agreement.

SECTION 6. TAXES AND OPERATING EXPENSES.

6.1. Tenant to Pay. Tenant (a) shall bear the full expense of any and all real property or other taxes, including any and all payments in lieu of taxes, if applicable, metropolitan district charges or other assessments or charges levied against any or all of the Premises, the Units, the other Improvements and the Equipment, whether against the Fee Estate or the Leasehold Estate therein, and payable with respect to any calendar or tax year or other period falling wholly or partly within the Term, including but not limited to any assessments or fees levied against the Units pursuant to any Permitted Encumbrances each a "Tax" and all of which are hereinafter referred to collectively as "**Taxes**"), except that if any such tax, charge or assessment is levied with respect to a period beginning before the Commencement Date or ending after the Termination Date, Tenant shall bear the full expense of only that percentage thereof equaling the percentage of such period falling within the Term; (b) shall pay the same when due and payable and before any penalty is incurred for late payment thereof; and (c) shall deliver to Landlord the receipted bill for such Taxes within ten (10) days after Landlord requests it from Tenant in writing. Tenant shall not be required to pay any income taxes otherwise chargeable to the Landlord.

6.2. Delivery of Bills and Notices. Each party hereto shall deliver to the other, promptly after such party's receipt thereof, the originals or accurate copies of any and all bills for Taxes and notices of assessments or reassessments made or to be made for the purpose of levying any Taxes. If the Premises are not now treated as a separate tax lot by the assessing authority, Landlord shall use its reasonable efforts promptly hereafter to have the Premises so treated.

6.3. Proceedings to Contest. Subject to the terms and conditions in subsection 9.2.3 hereof, Tenant may, without postponing payment thereof, as aforesaid, bring proceedings to contest

any Legal Requirement and to contest the validity or the amount of any Taxes, or to recover any amount thereof paid by Tenant, provided that prior thereto Tenant notifies Landlord in writing that Tenant intends to take such action. Tenant shall indemnify and hold harmless Landlord against and from any expense arising out of any such action. Landlord shall, upon written request by Tenant, cooperate with Tenant in taking any such action, provided that Tenant indemnifies and holds harmless Landlord against and from any expense or liability arising out of such cooperation.

6.4. Operating Expenses.

6.4.1. Tenant's Obligation. Subject to Tenant's legal rights to dispute such expenses and to the terms and conditions in Section 9.2.3 hereof, Tenant will pay (or cause to be paid) directly to the providers of such services all costs and expenses attributable to or incurred in connection with the development, construction, completion, marketing, leasing, maintenance, management and occupancy of the Premises and the Improvements (collectively, "**Operating Expenses**") including without limitation (a) all energy sources for the Improvements, such as propane, butane, natural gas, steam, electricity, solar energy and fuel oil; (b) all water, sewer and trash disposal services; (c) all maintenance, repair, replacement and rebuilding of the Improvements including, without limitation, all Equipment; (d) all landscaping, maintenance, repair and striping of all parking areas; (e) all insurance premiums relating to the Premises and the Improvements, including fire and extended coverage, public liability insurance, rental insurance and all risk insurance; and (f) the cost and expenses of all capital improvements or repairs (whether structural or non-structural) required to maintain the Improvements in good order and repair, including but not limited to any required by any governmental or quasi- governmental authority having jurisdiction over the Premises or the Improvements.

6.4.2. Permits and Licenses. Tenant shall also procure, or cause to be procured, at Tenant's sole cost and expense, any and all necessary permits, licenses, or other authorizations required for the lawful and proper installation and maintenance upon the Premises of wires, cables, pipes, conduits, tubes, fiber optics and other equipment and appliances for use in supplying any such service to the Improvements and upon the Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, will join with Tenant in any application required for obtaining or continuing any such services.

6.5. Right to Pay Taxes and Senior Mortgage. Any Permitted Leasehold Mortgagee shall have the right (but not the obligation) to pay any taxes payable by Landlord or Tenant with respect to the Premises, and to cure any monetary or non-monetary default by Landlord or Tenant under any Mortgage or other encumbrance on the Premises which has priority over the Lease; and if Permitted Leasehold Mortgagee does so pay or cure, Landlord or Tenant, as applicable, agrees that it will reimburse Permitted Leasehold Mortgagee for the amount thereof promptly following request by Lender therefor unless the Landlord or Tenant is protesting such taxes in good faith pursuant to and in accordance with Permitted Leasehold Mortgagee's Loan Documents.

SECTION 7. INSURANCE AND INDEMNIFICATION.

7.1. Insurance to be Maintained by Tenant. Tenant shall maintain at its expense throughout the Term insurance adequate to protect Tenant's and Landlord's interests in the Property. Landlord has approved the insurance requirements attached hereto as Exhibit C and any additional insurance coverage that Tenant is required to maintain under Permitted Leasehold Mortgagee's Loan Documents. Tenant shall fully comply with all of the insurance requirements

imposed upon Tenant under the Permitted Leasehold Mortgage and the Loan Documents to which the Tenant is a party. All insurance coverages shall have waiver of subrogation provisions reasonably acceptable to Landlord. Approval, disapproval or failure to act by Landlord regarding any insurance applied by Tenant shall not relieve Tenant of full responsibility or liability for damages or accidents as set forth in this Lease. Neither shall the bankruptcy, insolvency or denial of liability by the insurance company exonerate Tenant from any such liability.

7.2. Insureds. Each such policy shall name as insureds thereunder (a) Tenant, (b) Landlord, and as additional insureds, each designee of Landlord and any Permitted Leasehold Mortgagee.

7.3. Insurer. All insurance required and all renewals of insurance shall be issued by companies of recognized responsibility licensed to issue such policies and otherwise transact business in the State of Texas. All insurance policies will expressly provide that such policies will not be canceled or altered without thirty (30) days' prior written notice to Landlord, and any other named and additional insured thereunder, in the case of "All Risk" coverage insurance, and to Landlord, and all other named and additional insureds thereunder, in the case of general liability insurance. Such insurance will, to the extent obtainable, provide that no act or omission of Tenant which would otherwise result in forfeiture or reduction of the insurance will affect or limit the obligation of the insurance company to pay the amount of any loss sustained; and will, to the extent obtainable, contain a waiver by the insurer of its rights of subrogation against Landlord. Upon issuance, each insurance policy or duplicate or certificate of such policy shall be delivered to Landlord.

7.4. Evidence. Tenant shall deliver to Landlord no later than thirty (30) days after the Commencement Date an original or a signed duplicate copy of each such policy, and at least ten (10) days before any such policy expires, Tenant shall deliver to Landlord an original or a signed duplicate copy of a binder/certificate of insurance therefore for renewal coverage. All public liability, property damage liability, and casualty policies maintained by Tenant will be written as primary policies, not contributing with and not in excess of coverage that Landlord may carry.

7.5. Indemnification of Landlord.

7.5.1 TENANT SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS LANDLORD FROM THIRD PARTY CLAIMS NOT ATTRIBUTABLE TO LANDLORD'S ACTION OR INACTION AGAINST AND FROM ANY AND ALL LIABILITY, CLAIM OF LIABILITY OR EXPENSE ARISING OUT OF OR IN ANY WAY CONNECTED WITH (A) THE USE, OCCUPANCY, CONDUCT, OPERATION OR MANAGEMENT OF THE PROPERTY DURING THE TERM, OR (B) ANY WORK OR THING WHATSOEVER DONE OR NOT DONE ON THE PROPERTY DURING THE TERM, OR (C) ANY BREACH OR DEFAULT BY TENANT IN PERFORMING ANY OF ITS OBLIGATIONS UNDER THIS LEASE OR APPLICABLE LAW, OR (D) ANY NEGLIGENT, INTENTIONALLY TORTIOUS OR OTHER ACT OR OMISSION OF TENANT OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES, SUBTENANTS, LICENSEES OR INVITEES DURING THE TERM, OR (E) ANY INJURY TO OR DEATH OF ANY PERSON, OR DAMAGE TO ANY PROPERTY, OCCURRING ON THE PROPERTY DURING THE TERM (WHETHER OR NOT SUCH EVENT RESULTS FROM A CONDITION EXISTING BEFORE THE EXECUTION OF THIS LEASE BUT

EXCLUDING ANY HAZARDOUS SUBSTANCE CONDITION UNKNOWN TO TENANT AS OF, AND EXISTING BEFORE, THE EXECUTION OF THIS LEASE) AND FROM AND AGAINST ALL EXPENSES AND LIABILITIES INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR ANY ACTION OR PROCEEDING BROUGHT THEREON (INCLUDING BUT NOT LIMITED TO THE REASONABLE FEES OF ATTORNEYS, INVESTIGATORS AND EXPERTS), ALL REGARDLESS OF WHETHER SUCH CLAIM IS ASSERTED DURING OR AFTER THE EXPIRATION OF THE TERM OR ANY EARLIER TERMINATION OF THIS LEASE BUT EXCLUDING, HOWEVER, ANY LIABILITY, CLAIM OF LIABILITY OR EXPENSE CAUSED DIRECTLY BY LANDLORD, ITS EMPLOYEES OR AGENTS. THIS SUBSECTION 7.5.1 SHALL SURVIVE THE TERMINATION OF THIS LEASE.

7.5.2 TENANT AGREES THAT LANDLORD SHALL NOT BE LIABLE FOR ANY DAMAGE OR LIABILITY OF ANY KIND OR FOR ANY INJURY TO OR DEATH OF PERSONS OR DAMAGE TO PROPERTY OF TENANT OR ANY OTHER PERSON FROM ANY CAUSE WHATSOEVER BY REASON OF ANY WORK, LABOR OR MATERIALS PERFORMED OR DELIVERED TO, OR CONNECTED TO THE USE, OCCUPANCY, OR ENJOYMENT OF THE PREMISES BY TENANT OR ANY PERSON ON THE PREMISES. TENANT DOES HEREBY INDEMNIFY AND SAVE HARMLESS LANDLORD FROM ALL CLAIMS, ACTIONS, DEMANDS, COSTS AND EXPENSES AND LIABILITY WHATSOEVER, INCLUDING REASONABLE ATTORNEYS' FEES, ON ACCOUNT OF ANY SUCH REAL OR CLAIMED DAMAGE OR LIABILITY SUSTAINED BY THIRD PARTIES AND FROM ALL LIENS, CLAIMS AND DEMANDS OCCURRING IN OR AT THE PREMISES, OR ARISING OUT OF THE CONSTRUCTION, USE, OCCUPANCY OR ENJOYMENT OF THE PREMISES AND ITS FACILITIES, OR ANY REPAIRS OR ALTERATIONS WHICH TENANT MAY MAKE UPON THE PREMISES, OR OCCASIONED IN WHOLE OR IN PART BY ANY ACT OR OMISSION OF TENANT, ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES, INVITEES OR ANY OTHER PARTY, OTHER THAN CLAIMS, ACTIONS, DEMANDS, COSTS AND EXPENSES AND LIABILITIES ARISING DIRECTLY FROM THE ACTS OR OMISSIONS OF LANDLORD, ITS EMPLOYEES OR AGENTS.

7.5.3 Tenant acknowledges that Landlord is not required to provide security for persons or property in or about the Premises. Tenant hereby waives and releases any claim against Landlord for injury to or death of any person and any property damage arising out of or attributable to any criminal activity in or about the Premises, specifically including, but not limited to, vandalism, theft, burglary, robbery, rape, murder or assault, unless arising directly from the acts or omissions of Landlord, its employees or agents.

7.5.4 TENANT HEREBY AGREES TO INDEMNIFY, PROTECT, DEFEND AND HOLD LANDLORD AND LANDLORD'S RELATED PARTIES HARMLESS FROM ANY AND ALL CLAIMS, CAUSES OF ACTIONS AND SUITS FOR INJURY TO OR DEATH OF ANY OF TENANT'S RELATED PARTIES OR RESIDENTS OF THE UNITS RESULTING FROM CRIMINAL ACTIVITIES IN OR ABOUT THE PREMISES, INCLUDING ALL COSTS, REASONABLE ATTORNEYS' FEES AND EXPENSES INCURRED. TENANT SHALL DEFEND ANY CLAIM, CAUSE OF ACTION OR SUIT MADE OR BROUGHT AGAINST LANDLORD OR LANDLORD'S RELATED PARTIES AT TENANT'S SOLE EXPENSE, BY COUNSEL REASONABLY SATISFACTORY TO

LANDLORD. AS USED HEREIN, "LANDLORD'S RELATED PARTIES" SHALL MEAN AND REFER TO LANDLORD'S OFFICERS, DIRECTORS, AFFILIATES, AGENTS, CONTRACTORS, VOLUNTEERS AND EMPLOYEES, AND THEIR RESPECTIVE HEIRS AND PERSONAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS. AS USED HEREIN, "TENANT'S RELATED PARTIES" SHALL MEAN TENANT'S AGENTS, CONTRACTORS, EMPLOYEES, PATRONS, BUSINESS INVITEES AND GUESTS, OTHER THAN CLAIMS, ACTIONS, DEMANDS, COSTS AND EXPENSES AND LIABILITIES ARISING DIRECTLY FROM THE ACTS OR OMISSIONS OF LANDLORD, ITS EMPLOYEES OR AGENTS.

7.5.5 TENANT HEREBY AGREES TO INDEMNIFY LANDLORD AND HOLD LANDLORD HARMLESS FROM AND AGAINST ANY AND ALL LOSS, DAMAGES, LIABILITIES, EXPENSE AND COST INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, PAID, INCURRED OR SUFFERED BY LANDLORD AS A DIRECT OR INDIRECT RESULT OF THE PRESENCE ON OR UNDER, OR THE ESCAPE, SEEPAGE, LEAKAGE, SPILLAGE, EMISSION, DISCHARGE, MIGRATION OR RELEASE FROM THE PROPERTY OF ANY HAZARDOUS SUBSTANCE, AS HEREINAFTER DEFINED, OTHER THAN CLAIMS, ACTIONS, DEMANDS, COSTS AND EXPENSES AND LIABILITIES ARISING DIRECTLY FROM THE ACTS OR OMISSIONS OF LANDLORD, ITS EMPLOYEES OR AGENTS.

7.5.6 HUD Indemnification Provision. Notwithstanding anything to the contrary set forth in this Lease, the payment of Tenant's indemnification obligations under this Lease is restricted to available Surplus Cash, as such term is defined in the Regulatory Agreement for Multifamily Projects executed by Tenant and U.S. Department of Housing and Urban Development, and available liability insurance proceeds. Additionally, notwithstanding anything to the contrary set forth in this Lease, HUD and Permitted Leasehold Mortgagee shall have no indemnification obligations under this Lease, including without limitation, if HUD or Permitted Leasehold Mortgagee become a successor in interest to Tenant hereunder; however, such indemnity provisions may apply to a subsequent purchaser of the Project from HUD.

7.6. Increase in Risk.

7.6.1. Tenant shall not do or permit to be done any act or thing which would result in either (a) any policy of insurance of any kind covering any or all of the Property or any liability of Landlord in connection therewith becoming void or suspended, or (b) the insurance risk under any such policy (in the opinion of the insurer thereunder) being made materially greater; and

7.6.2. if such insurance is maintained by Landlord, Tenant shall pay as Additional Rent the amount of any increase in any premium for such insurance resulting from any breach of such covenant, within ten (10) business days after Landlord notifies Tenant in writing of such increase.

7.7. Participation by Permitted Leasehold Mortgagee. Landlord agrees that the Permitted Leasehold Mortgagee will participate with Tenant in the settlement of all insurance claims and Permitted Leasehold Mortgagee shall control disbursements, and subject to HUD requirements, if any, control use of all insurance proceeds.

7.8. Insurance Proceeds. Landlord and the Tenant hereby agree that for so long as a Permitted Leasehold Mortgage is outstanding, any and all insurance proceeds received by the Tenant or the Landlord in connection with the Property shall be applied in accordance with the most senior Permitted Leasehold Mortgage.

SECTION 8. LEASEHOLD MORTGAGE REQUIREMENTS.

8.1. Future Fee Estate Mortgages. Other than Permitted Encumbrances and the Regulatory Agreement, Landlord shall not mortgage or permit any future liens or encumbrances whatsoever against the Fee Estate or Premises, or otherwise pledge, assign or otherwise dispose of the Fee Estate or Premises without the prior written consent of Tenant, Investor Limited Partner and any Permitted Leasehold Mortgagee, and such consent may be withheld in each of the foregoing parties' respective sole and absolute discretion. To the extent a future Mortgage on the Fee Estate is permitted hereunder, such Mortgage shall expressly provide that it is subordinate and subject to the Tenant's interest under this Lease and any Permitted Leasehold Mortgage. Additionally, the Tenant shall not subordinate its interest in the Leasehold Estate to any future Mortgage of the Fee Estate obtained by Landlord.

8.2. Nonmerger. This Lease shall not terminate as to the Permitted Leasehold Mortgagee due to any conveyance of Tenant's interest in the Leasehold Estate to Landlord or of the Landlord's interest in the Fee Estate hereunder to the Tenant. Accordingly, if this Lease and the Fee Estate in the Premises are commonly held, then they shall remain separate and distinct estates. They shall not merge without written consent by all Permitted Leasehold Mortgagees.

8.3. Foreclosure Rights of Leasehold Mortgagee. Upon foreclosure or assignment in lieu of foreclosure of the Leasehold Estate, the most senior Permitted Leasehold Mortgagee shall have the right to acquire the Lease in its own name or the name of a nominee without consent or approval of Landlord. In the event that Tenant's interest in the Leasehold Estate hereunder is acquired by any Leasehold Mortgagee, or its nominee or designee, then such Leasehold Mortgagee, or its nominee or designee, shall also have the right to further assign or sublet the leasehold interest hereunder to a third party without the consent or approval of Landlord.

Foreclosure of any Permitted Leasehold Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Permitted Leasehold Mortgage, or in lieu of foreclosure, or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision of, or a default under, the Lease, and upon such foreclosure, sale or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as the Tenant under the Lease (the "New Tenant").

8.3.1 Obligations of New Tenant. The New Tenant shall only be personally obligated for performance of obligations under the Lease commencing as of the date of such foreclosure, sale or conveyance in lieu of foreclosure and end as of the date of any assignment of the Lease to a successor Tenant, being the date such a successor Tenant shall be responsible for the obligations of Tenant hereunder.

8.4. Voluntary Surrender. Notwithstanding anything contained herein to the contrary, Landlord shall not accept a voluntary surrender of the Lease at any time during which the Leasehold Estate is encumbered by a Permitted Leasehold Mortgage and prior to the later of (a) expiration of the applicable fifteen (15) year tax credit compliance period and extended use period

as set forth in Section 42 of the Internal Revenue Code of 1986, as amended, for the last building in the Project, or (b) such time as the Investor Limited Partner is no longer a partner of the Tenant.

SECTION 9. IMPROVEMENTS TO PREMISES.

9.1. Intentionally Omitted.

9.1.1. Intentionally Omitted.

9.1.2. Intentionally Omitted.

9.1.3. Intentionally Omitted.

9.1.4. Intentionally Omitted.

9.1.5. **Utilities.** Prior to the commencement of any construction or excavation activities by Tenant, Tenant shall contact all appropriate utility agencies for the purpose of verifying the location, depth and nature of all utilities affecting the Premises and any areas bordering upon the Premises.

9.1.6. **Safety.** Tenant shall comply in all respects with the overall safety programs promulgated by any applicable governmental or quasi-governmental agency, from time to time, applicable to the Premises.

9.1.7. **Alterations.** Any improvements made to the Premises by either party hereto shall be made only in good and workmanlike manner using new materials of the same quality as the original Improvements, and in accordance with all applicable building codes and other laws.

9.1.8. Intentionally Omitted.

9.1.9. **Warranty.** Tenant warrants to Landlord that material and equipment furnished in connection with the construction of the Improvements, or any alteration, addition, of the Improvements undertaken in accordance with subsection 9.1.7, will be of good quality and new, that all construction work associated with the Improvements will be free from any material defects, and that such construction work will comply in all material respects with the requirements of the approved Plans and Specifications. All construction work not conforming to these requirements, including substitutions, shall be considered defective. Tenant's warranty excludes any of the following, to the extent directly caused by Landlord: damage or defect caused by abuse, improper or insufficient maintenance, improper operation or normal wear and tear under normal usage. If required by Landlord, pursuant to written notice from Landlord to Tenant, Tenant shall within 20 days thereafter, furnish reasonably satisfactory evidence as to the kind and quality of materials and equipment. Without limiting the indemnification provisions of Section 7.5, but intending to elaborate thereon, Tenant shall defend, indemnify and hold harmless Landlord against and from any and all liability, claim of liability or expense arising directly or indirectly, wholly or in part out of any failure of Tenant's warranties hereunder to be true, complete and accurate in all material respects, other than claims, actions, demands, costs and expenses and liabilities arising directly from the acts or omissions of Landlord, its employees or agents.

9.1.10. Permitted Leasehold Mortgages.

(a) Landlord acknowledges and agrees that it will not be possible for the Tenant to construct the Improvements without obtaining a loan or loans from one or more Persons in order to finance the construction of said Improvements and the development of the Project. Therefore, Landlord hereby covenants and agrees that its interest in the Lease is and shall be subject to, subordinate and inferior to any and all loans (interim, permanent, "cash flow", "soft" or refinancings thereof) obtained by the Tenant for the purpose of financing the construction of the Improvements and the development and operation of the Project, and to the lien of any Mortgages (each, a "**Permitted Leasehold Mortgage**"), assignments of rents and leases, security agreements, and other collateral or security documents or instruments required by the Permitted Leasehold Mortgagee providing such financing, and to all renewals, extensions, modifications, consolidations, replacements and refinancings and to all advances made or hereafter to be made upon the security of such Mortgages, assignments of rents and leases, security agreements, and other collateral or security documents or instruments and the LURA. Landlord shall, at Tenant's request, join in, execute and/or deliver any and all such assignments of rents and leases, security agreements, and other collateral or security documents or instruments as may be required by such Permitted Leasehold Mortgagee in order to subject and subordinate the Landlord's interest in this Lease to the lien of such documents or instruments, and upon Tenant's request shall join in, execute and/or deliver any and all such further instruments or assurances as any such Permitted Leasehold Mortgagee may reasonably deem necessary to evidence or confirm the subordination of this Lease or the encumbrance of the Landlord's interest herein to the lien of any such Permitted Leasehold Mortgage, assignments of rents and leases, security agreements, and other collateral or security documents or instruments. Provided, however, and notwithstanding anything contained herein to the contrary, Landlord shall not be required to suffer, incur, accept or assume any personal liability for any such financing, loans or indebtedness, or any costs or expenses thereof, or any other indebtedness or liability of Tenant thereunder, and any Mortgage, assignments of rents and leases, security agreements, and other collateral or security documents or instruments of any nature whatsoever which the Landlord may be called upon to join in, execute and/or deliver under and pursuant to this section shall expressly exculpate Landlord from and against any and all such personal liability.

(b) Tenant may, with Landlord's consent (Landlord having consented to the Wilmington Trust, National Association as a Permitted Leasehold Mortgage, assign or Mortgage this Lease (including any options it contains) to any Leasehold Mortgagee for the purposes described in Section 9.1.10(a) above, each a "**Permitted Leasehold Mortgage**". A Permitted Leasehold Mortgagee (and anyone whose title derives from a Permitted Leasehold Mortgagee) may, without Landlord's consent, hold a foreclosure sale, convey through deed in lieu of foreclosure, take title to this Lease, and transfer or assign this Lease, either in its own name or through a nominee, to any party and the party acquiring the Leasehold Estate and its successors and/or assigns shall not be subject to Section 14.

(c) Except: (i) as permitted pursuant to Sections 9.1.10(a) and (b), and (ii) as to the successor or assign to a Permitted Leasehold Mortgagee, neither Tenant nor any successor in interest to the Premises or any part thereof shall engage in any financing or any other transaction creating any Mortgage or other encumbrance or lien upon the Premises, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attached to the Premises, except as approved with the prior written consent of Landlord in each instance, which

consent may be withheld in Landlord's reasonable discretion (any Mortgage consented to by Landlord, as aforesaid, is also hereinafter referred to singularly as a Permitted Leasehold Mortgage), and except for an inchoate lien for taxes or municipal obligations, utility and access easements, and restrictions required by Section 42 of the Code.

9.2. Mechanics' or Other Liens.

9.2.1. Tenant shall: (a) within sixty (60) days after it is filed or claimed, have released (by bonding or otherwise) any mechanics', materialman's or other lien filed or claimed against any or all of the Premises, the Property, by reason of labor or materials provided for or about any or all of the Premises, the Units, or the rest of the Improvements or the Property during the Term, or otherwise arising out of Tenant's use or occupancy of any or all of the Premises, the Units, or the rest of the Improvements or the Property, and (b) defend, indemnify and hold harmless Landlord against and from any and all liability, claim of liability or expense (including but not limited to that of reasonable attorneys' fees) incurred by Landlord on account of any such lien or claim other than such liens arising out of the actions of the Landlord or its agents, acting as Landlord.

9.2.2. Nothing in this Lease shall be deemed in any way (a) to constitute Landlord's consent or request, express or implied, that any contractor, subcontractor, laborer or materialman provide any labor or materials for any alteration, addition, improvement or repair to any or all of the Property if doing so would give rise to the filing of any mechanic's or materialman's lien against any or all of the Property or Fee Estate or Landlord's estate or interest therein, or (b) to give Tenant any right, power or authority to contract for or permit to be furnished any service or materials, if doing so would give rise to the filing of any mechanics' or materialmans' lien against any or all of the Property or Landlord's estate or interest therein, or (c) to evidence Landlord's consent that the Property be subjected to any such mechanics' or materialmans' lien.

9.2.3. Right to Contest Certain Claims. Notwithstanding the provisions of Sections 9.2.1 or 9.2.2 of this Lease to the contrary, Tenant shall not be in default for failure to comply with any Legal Requirement or to pay or discharge any Tax, assessment, fine, claim, or mechanic's or materialman's lien asserted against the Property if, and so long as, (a) Tenant shall have notified Landlord of same within five (5) business days of obtaining knowledge thereof; (b) Tenant shall diligently and in good faith contest the same by appropriate legal proceedings which shall operate to prevent the enforcement or collection of the same and the sale of the Property or any part thereof, to satisfy the same; (c) Tenant shall have furnished to Landlord a cash deposit, or an indemnity bond satisfactory to Landlord with a surety reasonably satisfactory to Landlord, or in lieu thereof Tenant is permitted to deposit any amount required by law to secure the Tenant's obligations during the pendency of such contest with the appropriate authority, in the amount of the Tax, claim, assessment, fine or mechanic's or materialman's lien claim, plus a reasonable additional sum to pay all costs, interest and penalties that may be imposed or incurred in connection therewith, to assure payment of the matters under contest and to prevent any sale or forfeiture of the Property or any part thereof; (d) Tenant shall promptly upon final determination thereof pay the amount of any such Tax, assessment or claim so determined, together with all costs, interest and penalties which may be payable in connection therewith, and to the extent Tenant has made funds available to Landlord pursuant to Section 9.2.3(c) (the Landlord shall make such funds available to Tenant to make the payment contemplated under this Section

9.2.3(d)); (e) the failure to pay the Tax, claim, assessment, fine or mechanic's or materialman's lien claim does not constitute a default under any deed of trust, mortgage or security interest covering or affecting any part of the Property; and (f) notwithstanding the foregoing, Tenant shall immediately upon request of Landlord pay (and if Tenant shall fail to do so, Landlord or Permitted Leasehold Mortgagee may, but shall not be required to, pay or cause to be discharged or bonded against) any such Tax, claim, assessment, fine or claim or mechanic's or materialman's claim notwithstanding such contest, if in the reasonable opinion of Landlord or Leasehold Mortgagee the Property shall be in jeopardy or in danger of being forfeited or foreclosed. Landlord or Permitted Leasehold Mortgagee may pay over any such cash deposit or part thereof to the claimant entitled thereto at any time after delivering advance written notice to the Tenant when, in the reasonable judgment of Landlord or Permitted Leasehold Mortgagee, the entitlement of such claimant is legally established. Upon the discharge and/or dismissal of all tax assessments, fines and liens covered by this Section 9.2.3, Landlord shall return any unexpended funds delivered to it by Tenant to fulfill its obligations under this Section 9.2.3.

9.3. Fixtures. Any and all improvements, repairs, alterations and all other property attached to or otherwise installed as a fixture within the Premises by Landlord or Tenant shall, immediately on the completion of their installation, become part of the Units and remain with the Units at the expiration or earlier termination of this Lease, except that any machinery, Equipment or fixtures installed by Tenant at no expense to Landlord and used in the conduct of Tenant's trade or business (rather than to service the Premises, the Units or the Property generally) and not part of the Equipment shall remain Tenant's property, and shall be removed from the Premises by Tenant at the end of the Term (and any damage to the Property caused by such removal shall be repaired at Tenant's expense).

9.4. Intentionally Omitted.

9.5. Signs. Tenant shall have the right to erect from time to time about the Units, in accordance with applicable law, such signs as it desires, and are approved in writing by Landlord (unless required by the Loan Documents), and provided that any such sign has been approved by all architectural review committees having jurisdiction over any portion of the Property pursuant to any Permitted Encumbrance. Moreover, Tenant shall erect from time to time, at Tenant's expense, and upon the request of Landlord, about the Units, in accordance with applicable law, such signs as Landlord reasonably desires in order to advise the public of Landlord's participation in the Project.

9.6. Tenant Control. Notwithstanding anything to the contrary herein, the Landlord shall have no control over the construction of the Improvements.

SECTION 10. REPAIRS AND MAINTENANCE.

10.1. Repairs. Tenant shall, throughout the Term and at its expense, use commercially reasonable efforts to

10.1.1. take good care of the Property and keep it in good order and condition; and

10.1.2. promptly make any and all repairs, ordinary or extraordinary, foreseen or unforeseen, to the Property (including but not limited to the landscaping thereon) as are necessary to maintain it in good condition, subject to ordinary wear and tear (including but not limited to any and all such repairs to the plumbing, heating, ventilating, air-conditioning, electrical and other

systems for the furnishing of utilities or services to the Property), and replace or renew the same where necessary (using replacements at least equal in quality and usefulness to the original improvements, equipment or things so replaced), and Landlord shall have no obligation hereunder as to the same.

10.2. Maintenance. Tenant shall use commercially reasonable efforts to keep and maintain all of the Property in a clean and orderly condition, free of accumulation of dirt, rubbish, snow and ice.

SECTION 11. LANDLORD'S RIGHT OF ENTRY.

11.1. Inspection and repair. Subject to the rights of any Resident under a Tenancy Agreement, Landlord and its authorized representatives shall be entitled to enter the Project and Units and the rest of the Property at any time during Tenant's business hours upon two (2) business days written notice and at any other reasonable time to (a) inspect the Property at any time with such notice and (b) make any repairs thereto and/or take any other action therein which Landlord is permitted to make by any provision of this Lease, after giving Tenant at least two (2) business days written notice of Landlord's intention to take such action and allowing Tenant reasonable time to take the appropriate action (provided, that in any situation in which, due to an emergency or otherwise, the health, welfare or safety of the Residents or physical condition of the Project and Units or any other part of the Property would be unreasonably jeopardized unless Landlord were to take such action immediately, Landlord shall give only such notice, if any, to Tenant as is reasonable under the circumstances, and may enter the same at any time). Nothing in this Section shall be deemed to impose any duty upon Landlord to make any such repair or take any such action, and Landlord's performance thereof shall not constitute a waiver of Landlord's right hereunder to have Tenant perform such work. Landlord may, while taking any such action upon the Property, store therein any and all necessary materials, tools and equipment, and Tenant shall have no liability to Landlord for any damage to or destruction of any such materials, tools and equipment, except if and to the extent that such damage or destruction is proximately caused by the gross negligence or intentional conduct of Tenant or its agents and employees. Landlord shall not in any event be liable to Tenant for any inconvenience, annoyance, disturbance, loss of business or other damage sustained by Tenant by reason of the making of such repairs or the taking of such action, or on account of the bringing of materials, supplies and equipment onto the Property during the course thereof, and Tenant's obligations under the provisions of this Lease shall not be affected thereby.

11.2. Exhibiting the Premises. Landlord and its business invitees may from time to time, after giving two (2) business days written notice thereof to Tenant, and subject to the rights of any Resident under a Tenancy Agreement, enter the Project and the Units and the rest of the Property during Tenant's normal business hours to exhibit the Premises for purposes of (a) during the last twenty-four (24) months of the Term (or at any time after Landlord or Tenant has exercised any right to terminate this Lease which it holds hereunder), leasing the Premises to any prospective tenant thereof, and (b) exhibiting the same to any governmental and/or quasi- governmental authorities or other third-parties which may have an interest in developments similar to the Property or similarly financed or for any other business purpose; provided that in doing so Landlord and each such invitee observes all reasonable safety standards and procedures which Tenant may require. In exercising its rights under this subsection 11.2, Landlord shall use its good

faith, reasonable efforts to minimize any interference or disruption of Tenant's work or Tenant's use or operation of the Property.

SECTION 12. FIRE AND OTHER CASUALTIES.

12.1. Where Cost of Restoration Exceeds Specified Sum.

12.1.1. Subject to provisions of the most senior Permitted Leasehold Mortgage as set forth in Sections 7.7 and 12.4, if any or all of the Property is damaged or destroyed, Tenant shall (a) immediately notify Landlord thereof if the cost of restoration on account thereof equals or exceeds Twenty-Five Thousand and 00/100 Dollars (\$25,000.00), and (b) provided that any insurance proceeds are available to Tenant and adequate for such purposes, and regardless of the dollar amount of such damage or loss (and regardless of whether the cost of restoration is less than or greater than Twenty Five Thousand and 00/100 Dollars (\$25,000.00)), commence and complete restoration with reasonable diligence at Tenant's expense, as nearly as possible to the Property's value, condition and character immediately before such damage or destruction occurred to the extent of such available proceeds.

12.1.2. Subject to the provisions of Sections 7.7, 12.1.1 and 12.4 hereof, all insurance proceeds (other than any proceeds which are separately paid on account of any damage to or destruction of Tenant's personal property, inventory or work-in-process, all of which shall be paid to Tenant) payable as a result of such casualty under policies of insurance held by or for the account of Tenant pursuant to Section 7 against such casualty and received by Tenant or the Depository, as the case may be (less such reasonable attorneys' fees or other expenses as are incurred by the Depository, Landlord or Tenant in the collection thereof, which shall be paid out of such proceeds), shall be paid to the most senior Permitted Leasehold Mortgagee or a trustee it designates, to be used in accordance with the applicable Loan Documents. Any remainder shall be disbursed to the Tenant. In the case of a casualty, this Lease shall continue.

12.2. Application of Proceeds on Termination. Anything in this Lease to the contrary notwithstanding, upon the expiration or earlier termination of this Lease before such restoration is completed free and clear of any such liens, any insurance proceeds not theretofore applied to the cost of such restoration or disbursed to Permitted Leasehold Mortgagees (the most senior Permitted Leasehold Mortgagee being entitled to proceeds first) shall be paid to Tenant to the extent permitted by the Loan Documents.

12.3. No Termination. Subject to Section 12.6, no total or partial damage to or destruction of any or all of the Property shall entitle Tenant or Landlord to surrender or terminate this Lease, or shall relieve Tenant from its liability hereunder to pay in full the Annual Rent, any Additional Rent and all other sums and charges which are otherwise payable by Tenant hereunder, or from any of its other obligations hereunder, and Tenant hereby waives any right now or hereafter conferred upon it by statute or otherwise, on account of any such damage or destruction, to surrender this Lease, to quit or surrender any or all of the Property, or to have any suspension, diminution, abatement or reduction of the Annual Rent or any Additional Rent or other sum payable by Tenant hereunder (except that, if and to the extent that Landlord has, on account of any such Rent or other sum, received, for its own account, the proceeds of any rent insurance pursuant to the provisions of this Lease, Tenant shall be entitled to a credit therefor against its obligations hereunder to pay such Rent and other sums, by applying such credit toward the unpaid installments of Annual Rent in the order in which they fall due hereunder).

12.4. Rights of the Parties Under the Loan Documents. Notwithstanding anything herein to the contrary, for so long as the Permitted Leasehold Mortgage is in effect, the related Loan Documents evidencing the Permitted Leasehold Mortgage shall control the use and application of all casualty proceeds relating to the Property. In any event, the Tenant and Permitted Leasehold Mortgagee will participate in any proposed settlement with the applicable insurer.

12.5. Notice. The Landlord will provide reasonable prior notice to Permitted Leasehold Mortgagees and Tenant of any proceeding for adjustment or adjudication of any insurance or condemnation claim involving the Premises and will permit the Permitted Leasehold Mortgagees and Tenant to participate therein as interested parties.

12.6. Termination Upon Non-Restoration. Following a casualty, the Lease may be terminated by Tenant, with the prior written consent of the Permitted Leasehold Mortgagee and the Investor Limited Partner (such consent may be withheld in each of the foregoing parties' respective sole and absolute discretion), if such casualty prevents the use and operation of Improvements as a low income or moderate income development under Section 42 of the Code, or if the insurance proceeds made available to Tenant are insufficient to restore the Improvements to a condition substantially similar to the conditions existing prior to such casualty, with the prior written consent of the Permitted Leasehold Mortgagee and the Investor Limited Partner (such consent may be withheld in each of the foregoing parties' respective sole and absolute discretion).

SECTION 13. CONDEMNATION.

13.1. Notice of Taking. Forthwith upon receipt by either Landlord or Tenant of notice of the institution of any proceedings for the taking or condemnation of all or a portion of the Property or Improvements by the government of the United States, State of Texas, County of Travis or City of Austin, or any other governmental authority, or any corporation under the right of eminent domain (a "**Taking**"), the party receiving such notice shall promptly give notice thereof to the other, and such other party may also appear in such proceeding and be represented by counsel, who may be counsel for the party receiving such notice.

13.2. Condemnation Awards. Subject to the provisions of Section 13.9 hereof, Tenant's share of any condemnation award shall be no less than the total condemnation award less the value of Landlord's remainder interest in the Premises, considered as if unimproved but encumbered by the Ground Lease. To the extent that Tenant is entitled to any condemnation award, it shall be paid to the most senior Permitted Leasehold Mortgagee to be used first to restore the Improvements or otherwise in accordance with the applicable Loan Documents.

13.3. Total Taking. Subject to the provisions of Section 13.8 hereof, in the event of a permanent Taking of the Fee Estate or of control of the Premises or of the entire Leasehold Estate hereunder (a "**Total Taking**"), this Lease shall thereupon terminate as of the effective date of such Total Taking, without liability or further recourse to the parties, provided that any Rent payable or obligations owed by the Tenant to the Landlord as of the date of said Total Taking shall be paid or otherwise carried out in full with due credit given for any pre-payment of Rent.

13.4. Partial Taking. Subject to the provisions of Section 13.9 hereof, in the event of a partial condemnation, this Lease shall continue. Any condemnation award shall be paid to the most senior Permitted Leasehold Mortgagee or a trustee it designates, to be used in accordance with the applicable Loan Documents. Any remainder shall be disbursed to the Tenant.

13.5 Notice. The Landlord will provide reasonable prior notice to each Permitted Leasehold Mortgagee and Tenant of any proceeding for adjustment or adjudication of any insurance or condemnation claim involving the Premises and will permit each Permitted Leasehold Mortgagee and Tenant to participate therein as interested parties.

13.6. Intentionally Omitted

13.7. Termination Upon Non-Restoration. Following a partial Taking, the Lease may be terminated by Tenant, with the prior written consent of the Permitted Leasehold Mortgagee and the Investor Limited Partner (such consent may be withheld in each of the foregoing parties' respective sole and absolute discretion), if such partial Taking prevents the use and operation of Improvements as a low income or moderate income development under Section 42 of the Code, or if the proceeds made available to Tenant are insufficient to restore the Improvements to a condition substantially similar to the conditions existing prior to the occurrence of such partial Taking.

13.8. No Waiver. No provisions in this Lease shall limit the rights of either Landlord or Tenant to seek compensation from a condemning authority as provided by statute, common law, the State of Texas or the United States Constitution.

13.9. Rights of the Parties Under the Loan Documents. Notwithstanding anything herein to the contrary, for so long as the Permitted Leasehold Mortgage is in effect, the related Loan Documents shall control the use and application of all condemnation proceeds relating to the Property and, as applicable, the Lease termination provisions hereunder. In any event, the Tenant and the Permitted Leasehold Mortgagee shall participate in all settlements with the condemning authority.

SECTION 14. ASSIGNMENT AND SUBLETTING.

14.1.

14.1.1. Assignments. Subject to the provisions of Section 9.1.10 and the other terms and provisions herein to the contrary, Tenant hereby acknowledges that Landlord has entered into this Lease because of Tenant's financial strength, goodwill, ability and expertise and that, accordingly, this Lease is one which is personal to Tenant, and Tenant agrees for itself and its successors and assigns in interest hereunder that it will not, other than by Permitted Leasehold Mortgage and rentals made in accordance with Section 19.18 hereof (a) assign this Lease or any of its rights under this Lease as to all or any portion of the Premises, the Units, the rest of the Improvements, the Equipment or the Property generally, or (b) make or permit any voluntary or involuntary total or partial sale, lease, assignment, conveyance, mortgage, pledge, encumbrance or other transfer of any or all of the Premises, the Units, the rest of the Improvements, the Equipment or the Property or the occupancy or use thereof (each of which is hereinafter referred to as a "Transfer"), other than in accordance with LIHTC/Bond Housing Requirements and the terms of this Lease or pursuant to a foreclosure or deed-in-lieu thereof of a Permitted Leasehold Mortgagee, (each of which is hereinafter referred to as a "**Permitted Transfer**"), without first obtaining Landlord's express written consent thereto (which consent will not be unreasonably withheld, delayed or conditioned). Further notwithstanding anything to the contrary herein, during the term of this Lease, the Landlord shall not transfer, encumber or otherwise dispose of the Premises or any interest therein without the consent of the Tenant and the Permitted Leasehold Mortgagee.

14.2. Permitted Transfers. Notwithstanding anything to the contrary set forth elsewhere in this Section 14, any transfer of a general partner or limited partner interest in Tenant in accordance with the terms of the Partnership Agreement shall be a Permitted Transfer hereunder and shall not require Landlord's consent, and any transfer, in whole or in part, of the Property or the Leasehold Estate in accordance with the Partnership Agreement, each Permitted Leasehold Mortgage, Regulatory Agreement, any transfer in the ordinary course of business including, without limitation, any residential lease and any utility and access easement, any transfer required by LIHTC/Bond Housing Requirements, and any right of first refusal under Section

42(i)(7) of the Code or otherwise given to the Landlord shall be a Permitted Transfer hereunder and shall not require Landlord's consent. Further, notwithstanding anything to the contrary herein, during the term of this Lease, the Landlord shall not transfer, encumber or otherwise dispose of the Premises or any interest therein without the consent of the Tenant, Investor Limited Partner, and the Permitted Leasehold Mortgagee. Such consent may be withheld in each of the foregoing parties' respective sole and absolute discretion.

14.3. Effect on Obligations. Except as set forth in Section 19.21, no such Transfer shall alter or impair the obligations hereunder of Tenant or any other person constituting Tenant or holding any interest hereunder before any such Transfer.

14.4. Benefit and Burden. Subject to the foregoing provisions of this Section, this Lease shall be binding on and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns in interest hereunder.

SECTION 15. DEFAULT.

15.1. Definition. As used in this Lease, each of the following events shall constitute an "Event of Default": if Tenant fails (a) to pay any Annual Rent, Additional Rent or other sum which it is obligated to pay under this Lease, when and as it is due and payable hereunder and without demand therefor, or (b) to perform any of its obligations under this Lease, including, but not limited to, an obligation to construct the Improvements in the manner and within the time frame contemplated hereunder; or (c) if Tenant fails to abide by LIHTC/Bond Housing Requirements (unless Tenant is a New Tenant hereunder acquiring the Leasehold Estate by foreclosure or deed-in-lieu thereof).

15.2. Notice to Tenant; Grace Period. Anything in this Section to the contrary notwithstanding, if an Event of Default occurs Landlord shall not exercise any right or remedy on account thereof which it holds under this Lease or applicable law unless and until Landlord provides notice and an opportunity to cure as follows:

15.2.1. Notice and Opportunity to Cure. (a) Landlord shall so notify Tenant, Investor Limited Partner and each Permitted Leasehold Mortgagee, each of whom shall have the right to cure such Event of Default, and (b) Landlord shall not terminate this Lease for Tenant's default unless and until Landlord has given each Permitted Leasehold Mortgagee and Investor Limited Partner notice of such Event of Default and 90 days in addition to any applicable cure period given Tenant in which to cure such Event of Default. If such Event of Default cannot be reasonably cured within 90 days, then the Investor Limited Partner and each Permitted Leasehold Mortgagee shall have such additional time as it shall reasonably require, so long as the Investor Limited Partner and/or Permitted Leasehold Mortgagee is proceeding with reasonable diligence.

During the continuance of an Event of Default, Investor Limited Partner and Permitted Leasehold Mortgagee may enter on the Premises (subject to the Tenancy Agreements) if either party deems it necessary to do so in order to cure such Event of Default.

15.2.2. Subject to Section 15.2.1 (Notice and Opportunity to Cure), Tenant shall cure an Event of Default within the cure period specified, as follows: (a) if such Event of Default consists of a failure to pay money, within sixty (60) days after Landlord gives such written notice to Tenant, Investor Limited Partner, and Permitted Leasehold Mortgagee or (b) if such Event of Default consists of something other than a failure to pay money, within ninety (90) days after Landlord gives such written notice to Tenant, Investor Limited Partner, and Permitted Leasehold Mortgagee or if longer, the period allowed by TDHCA to cure such Event of Default.

15.2.3 Notwithstanding any provision of this Lease to the contrary, Landlord shall take no action with respect to a particular Event of Default if (i) Landlord or any of its affiliates is the general partner of Tenant, and (ii) Tenant's Partnership Agreement obligates Tenant's general partners to either prevent or cure such Event of Default.

15.2.4. Intentionally Omitted.

15.3. Landlord's Rights on Event of Default.

15.3.1. If an Event of Default occurs and continues beyond all applicable notice and cure periods provided for herein, Landlord may (subject to the provisions of subsection 15.2) take any or all of the following actions:

(a) reenter and repossess any or all of the Premises and any or all Improvements thereon and additions thereto; and/or

(b) declare the entire balance of the Annual Rent for the remainder of the Term to be due and payable immediately, and collect such balance in any manner not inconsistent with applicable law; provided that if Landlord elects to relet any or all of the Premises following such acceleration of Annual Rent, the provisions of subsection 15.3.1(d) shall be applicable to the rights of Landlord and Tenant. Accelerated payments payable hereunder shall not constitute a penalty or forfeiture or liquidated damages, but shall merely constitute payment of Annual Rent in advance; provided, however, if, following a Permitted Leasehold Mortgagee's receipt of notice of such acceleration, a Permitted Leasehold Mortgagee commences foreclosure proceedings within forty-five (45) days and forecloses as soon as reasonably possible thereafter, Landlord, without the necessity of any reservation of rights against the Tenant, agrees to waive such acceleration and this Lease shall be reinstated to the same extent as if no default had occurred hereunder; and/or

(c) terminate this Lease by giving written notice of such termination to Tenant, which termination shall be effective as of the date of such notice or any later date therefor specified by Landlord therein (provided, that without limiting the generality of the foregoing provisions of this subsection 15.3.1(c), Landlord shall not be deemed to have accepted any abandonment or surrender by Tenant of any or all of the Premises or Tenant's Leasehold Estate under this Lease unless Landlord has so advised Tenant expressly and in writing, regardless of whether Landlord has reentered or relet any or all of the Premises or exercised any or all of Landlord's other rights under this Section or applicable law); and, on the date specified in such notice, Tenant's right to possession of the Property will cease and the Leasehold Estate conveyed

by this Lease upon Tenant shall revest in Landlord, provided, however, such revesting of the Leasehold Estate and the reentry by Landlord shall be subject to and limited by and shall not defeat, render invalid or limit in any way the lien of any Leasehold Mortgage or any provision of LIHTC/Bond Housing Requirements provided, however, if, following a Permitted Leasehold Mortgagee's receipt of notice of such termination, a Permitted Leasehold Mortgagee commences foreclosure proceedings within forty-five (45) days and forecloses as soon as reasonably possible thereafter, Landlord, without the necessity of any reservation of rights against the Tenant, agrees to waive such termination and this Lease shall be reinstated to the same extent as if no default had occurred hereunder ; and/or

(d) in Landlord's own name (but either (i) as agent for Tenant, if this Lease has not then been terminated, or (ii) for the benefit of Tenant, if this Lease has then been terminated), relet any or all of the Premises, with or without any additional premises, for any or all of the remainder of the Term (or, if this Lease has then been terminated, for any or all of the period which would, but for such termination, have constituted the remainder of the Term) or for a period exceeding such remainder, on such terms and subject to such conditions as are acceptable to Landlord in its sole discretion (including but not limited to the alteration of any or all of the Premises in any manner which, in Landlord's judgment, is necessary or desirable as a condition to or otherwise in connection with such reletting, and the allowance of one or more concessions or "free-rent" or reduced-rent periods), and collect and receive the rents therefor. Anything in this Lease or applicable law to the contrary notwithstanding, (i) Landlord shall not have any duty or obligation to relet any or all of the Premises as the result of any Event of Default, or any liability to Tenant or any other person for any failure to do so or to collect any rent or other sum due from any such reletting; (ii) Tenant shall have no right in or to any surplus which may be derived by Landlord from any such reletting, if the proceeds of such reletting exceed any Rent, installment thereof or other sum owed by Tenant to Landlord hereunder; and (iii) Tenant's liability hereunder shall not be diminished or affected by any such failure to relet or the giving of any such initial or other concessions or "free-rent" or reduced rent periods in the event of any such reletting. In the event of any such reletting, Tenant shall pay to Landlord, at the times and in the manner specified by Section 4 (unless Landlord has elected to accelerate Rent as provided in subsection 15.3.1(b), in which event Tenant shall be obligated to pay such accelerated amount as provided in such subsection), both (i) the installments of the Annual Rent and any Additional Rent accruing during such remainder (or, if this Lease has then been terminated, damages equaling the respective amounts of such installments of the Annual Rent and any Additional Rent which would have accrued during such remainder, had this Lease not been terminated), less any monies received by Landlord with respect to such remainder from such reletting of any or all of the Premises, plus (ii) the cost to Landlord of any such reletting (including but not limited to any reasonable attorneys' fees, leasing or brokerage commissions, repair or improvement expenses and the expense of any other actions taken in connection with such reletting), plus (iii) any other sums for which Tenant is liable under subsection 15.3.4 (and Tenant hereby waives any and all rights which it may have under applicable law, the exercise of which would be inconsistent with this subsection 15.3.1(d)) and or enforce any one or more of the LIHTC/Bond Housing Requirements; and/or

(e) pursue any combination of such remedies and/or any other right or remedy available to Landlord on account of such Event of Default under this Lease and/or at law or in equity. Nothing herein shall limit or prejudice Landlord's right to prove for and obtain as damages, by reason of such termination, an amount equal to the maximum allowed by any statute

or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved.

15.3.2. No such expiration or termination of this Lease, or summary dispossession proceedings, abandonment, reletting, bankruptcy, re-entry by Landlord or vacancy, shall relieve Tenant of any of its liabilities and obligations under this Lease (whether or not any or all of the Premises are relet), and Tenant shall remain liable to Landlord for all damages resulting from any Event of Default, including but not limited to any damage resulting from the breach by Tenant of any of its obligations under this Lease to pay Rent and any other sums which Tenant is obligated to pay hereunder.

15.3.3. If any or all of the Premises are relet by Landlord for any or all of the unexpired Term of this Lease, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the Premises so relet during the term of the reletting.

15.3.4. If an Event of Default occurs, Tenant shall, immediately on its receipt of a written demand therefor from Landlord, reimburse Landlord for (a) all expenses (including but not limited to any and all reasonable repossession costs, management expenses, operating expenses, legal expenses and reasonable attorneys' fees) incurred by Landlord (i) in curing or seeking to cure any Event of Default and/or (ii) in exercising or seeking to exercise any of Landlord's rights and remedies under this Lease and/or at law or in equity on account of any Event of Default, plus (b) interest on all such expenses, at the lesser of eight percent (8%) or the highest rate then permitted on account thereof by applicable law, all of which expenses and interest shall be Additional Rent and shall be payable by Tenant immediately on demand therefor by Landlord.

15.3.5. Notwithstanding anything contained in this Lease to the contrary, Landlord agrees that at any time during the period in which a Permitted Leasehold Mortgage encumbers any portion of the Premises and during the period between the Commencement Date and the date that is the later of (i) the expiration of the applicable fifteen (15) year tax credit compliance period and extended use period as set forth in Section 42 of the Code, and (ii) the date the Investor Limited Partner is no longer the Investor Limited Partner in Tenant, Landlord shall not exercise any of its remedies under the Lease, other than to specifically enforce the Tenant's obligation to comply with Section 5 and Section 7.5 hereof and the Lease shall not be terminated without the prior written consent of Investor Limited Partner and each Permitted Leasehold Mortgagee (such consent may be withheld in each of the foregoing parties' respective sole and absolute discretion).

15.4. Intentionally Omitted.

15.5 Landlord Event of Default. Landlord shall be deemed in default of its obligations under this Lease if Landlord shall fail to perform, in a timely manner in accordance with the terms of this Lease, any obligation under this Lease required to be performed by Landlord, or if any Landlord representation made herein is false in any material respect, (each a "**Landlord Event of Default**"). If such Landlord Event of Default shall continue for thirty (30) days after written notice of such failure from Tenant or such additional period as may be reasonably required to cure such failure, if the same may not be reasonably cured within thirty (30) days so long as Landlord commences such cure within ten (10) days after notice thereof and thereafter diligently prosecutes the same to completion, but in any event such cure must be completed to Tenant's reasonable satisfaction within ninety (90) days of Tenant's notice to Landlord subject to the parties' mutual

agreement to extend such time periods and subject to delays caused directly by Force Majeure, and matters outside the reasonable control of Landlord so long as Landlord has acted diligently, with dispatch, and in good faith to prevent or shorten any such delays. In no event shall Landlord be entitled to any cure period for any failure to repay the Rent under the terms and conditions set forth in Section 4.1.1 herein. If Landlord fails to complete such cure as provided above, then subject to the provisions of any Permitted Leasehold Mortgage, Tenant shall thereupon be entitled to exercise any and all remedies available to Tenant for such default under this Lease or at law or in equity. Without waiving or limiting any other remedies available to Tenant, upon such default by Landlord (and subject to the notice and cure rights of Landlord), Tenant shall be entitled (but not obligated) to perform or cause such obligations to be so performed on behalf of Landlord, and Landlord shall reimburse Tenant for its reasonable third-party out of pocket costs and expenses incurred by Tenant in doing so, which amount shall be due within thirty (30) days of Landlord's receipt of a written statement of the costs and expenses so incurred by Tenant. In the event Landlord or a creditor thereof files a petition for relief naming Landlord as a debtor under Title 11 of the United States Code, Landlord hereby acknowledges and agrees that Tenant's possessory interest under this Lease and ownership of the Improvements are a unique interest and cannot be converted into a cash claim under Section 363 of Title 11 of the United States Code unless Tenant expressly consents to the same.

SECTION 16. ESTOPPEL CERTIFICATE: SHORT FORM.

16.1. Estoppel Certificate. Each party hereto shall, at any time and from time to time within ten (10) days after being requested to do so by the other party and/or any Permitted Leasehold Mortgagee, in writing, execute, acknowledge, and address and deliver to the requesting party (or, at the latter's request, deliver to any existing or prospective Mortgagee, transferee or other assignee of the requesting party's interest in the Property which acquires such interest in accordance with this Lease) a certificate in recordable form:

16.1.1. certifying (a) that this Lease is unmodified and in full force and effect (or, if there has been any modification thereof, that it is in full force and effect as so modified, stating therein the nature of such modification); (b) that Tenant has accepted possession of the Premises and the date on which the Term commenced; (c) as to the dates on which Annual Rent and any Additional Rent and other charges arising hereunder have been paid; (d) as to the amount of any prepaid Rent or any credit due to Tenant hereunder; (e) as to whether or not, to the best of such party's knowledge, information and belief, Tenant or Landlord (as the case may be) is then in default in performing any of its obligations hereunder (and, if so, specifying the nature of each such default); and (f) as to any other fact or condition reasonably requested by the requesting party; and

16.1.2. acknowledging and agreeing that any statement contained in such certificate may be relied upon by the requesting party and any such other addressee.

16.2. Recordation. A Memorandum of this Lease shall be recorded in the Land Records for Travis County, Texas.

16.3. Estoppel Certificates (Permitted Leasehold Mortgagees). Landlord shall promptly, upon request by any Permitted Leasehold Mortgagee, certify in writing that this Lease is in full force and effect, whether or not this Lease has been amended, that to Landlord's knowledge, Tenant is not in default, and the date through which Rent has been paid, or any other item reasonably requested.

SECTION 17. CONDITION OF TITLE AND PREMISES.

17.1. Limited Warranties. Tenant hereby acknowledges that it has examined the Premises, the title thereto, zoning which may be applicable thereto, if any, the municipal parking ordinance, the streets, sidewalks, parking areas, curbs and access ways adjoining them, any surface and subsurface conditions thereof, and the present uses and nonuses thereof, if any, and that it accepts each of them in its present condition or state, without restriction, representation, covenant or (except as is set forth in subsection 17.2) warranty, express or implied, in fact or at law, by Landlord or any other person, and, without recourse to Landlord as to any appurtenances thereto, the nature, condition or usability thereof, or the uses to which any or all of the Property may be put.

17.2. Quiet Enjoyment. Landlord hereby

17.2.1. represents, warrants, covenants and agrees that, at the time of the execution and delivery of this Lease by the parties hereto, it (a) is the owner of the Fee Estate in and to the Premises, subject to the operation and effect of and only of the Permitted Encumbrances, and that it has no knowledge of any claim or demand contesting or impairing its interests in the Fee Estate; and (b) has the full right, power and authority to enter into this Lease and thereby to lease the Premises; and

17.2.2. warrants that Tenant will have quiet and peaceful possession of the Premises during the Term so long as all of Tenant's obligations hereunder are timely performed, except if and to the extent that such possession is terminated pursuant to Sections 12, 13 or 15.3 or any other express provision of this Lease.

17.3. Limitation on Liability. Nothing in this Lease shall be deemed to impose on Landlord any liability on account of any act or failure to act by any person other than Landlord (or, where expressly so provided herein, Landlord's agents and employees). Notwithstanding anything to the contrary contained in this Lease, Tenant shall not be liable under this Lease except to the extent of its ownership interest in the Property.

SECTION 18. NOTICES. Any notice, demand, consent, approval, request or other communication or document to be provided hereunder to Landlord or Tenant (a) shall be in writing, and (b) shall be deemed to have been provided on the earlier of (i) (1) five (5) business days after being sent as certified or registered mail in the United States mails, postage prepaid, return receipt requested, or (2) the next business day after having been deposited (in time for delivery by such service on such business day) with Federal Express or another national courier service, or (3) (if such party's receipt thereof is acknowledged in writing) upon having been sent by telefax or another means of immediate electronic communication, in each case to the address of such party as such party may designate from time to time by notice to each other party hereto, or (ii) (if such party's receipt thereof is acknowledged in writing) its having been given by hand or other actual delivery to such party. Notices shall be sent to the following:

To Landlord:

Austin Housing Finance Corporation
1000 East 11th Street
Austin, Texas 78702
Attn: David Potter
Telephone: (512) 974-3100

To Tenant: Timbers Clayton 104 Apartments, L.P.
c/o Cesar Chavez Foundation
29700 Woodford-Tehachapi Road
Keene, California 93531
Attn: Paul S. Park

With a copy to: Coats, Rose, Yale, Ryman & Lee, P.C.
901 South Mopac Boulevard
Building 1, Suite 500
Austin, Texas 78746
Attention: Scott A. Marks
Fax#: (713) 890-3911

Landlord shall forward any notices demands, consents, approvals, requests and other communication and documents (other than rent and other periodic billing notices) sent to Tenant shall also be sent to each Permitted Leasehold Mortgagee (the Permitted Leasehold Mortgagee as of the Commencement Date may be provided with notice hereunder at the address noted, below) and Investor Limited Partner.

Investor Limited Partner: [FILL IN]

With a copy to: [FILL IN]

Permitted Leasehold Mortgagees:

Dougherty Mortgage LLC
90 South 7th Street, Suite 4300
Minneapolis, Minnesota 55402-4108
Attn: FHA Servicing
Phone: 612-317-2124

With copies to:

[FILL IN]

Any notice required or permitted to be given under this Lease shall be deemed given if provided in accordance with the foregoing subsection of this Section 18; provided, however, that any party may change its address for notice purposes by timely notice to the other party delivered in accordance with the terms and conditions of this Section 18.

SECTION 19. GENERAL

19.1. Effectiveness. This Lease shall become effective on and only on its execution and delivery by each party hereto.

19.2. Complete Understanding. This Lease represents the complete understanding between the parties hereto as to the subject matter hereof, the Premises, the Units, the rest of the Improvements, the Equipment, or the rest of the Property, and the rights and obligations of the parties hereto as to the same, and supersedes all prior negotiations, representations, guaranties,

warranties, promises, statements or agreements, either written or oral, between the parties hereto as to the same. No inducements, representations, understandings or agreements have been made or relied upon in the making of this Lease, except those specifically set forth in this Lease. Neither party hereto has any right to rely on any other prior or contemporaneous representation made by anyone concerning this Lease which is not set forth herein.

19.3. Amendment. This Lease may be amended, modified, restated, or supplemented by and only by an instrument executed and delivered by each party hereto, and only with the prior written consent of each Permitted Leasehold Mortgagee and the Investor Limited Partner.

19.4. Waiver. No party hereto shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing (and, without limiting the generality of the foregoing, no delay or omission by any party hereto in exercising any such right shall be deemed a waiver of its future exercise). No such waiver made in any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right. Without limiting the generality of the foregoing, no action taken or not taken by Landlord under this Section or any other provision of this Lease (including but not limited to Landlord's acceptance of the payment of Rent after an Event of Default occurs) shall operate as a waiver of any right to be paid a late charge or of any other right or remedy which Landlord would otherwise have against Tenant on account of such Event of Default under this Lease or applicable law.

19.5. Applicable Law. This Lease shall be given effect and construed by application of the law of the State of Texas without regard to its conflicts of laws or principles, and any action or proceeding arising hereunder shall be brought in the courts of Travis County, Texas.

19.6. Intentionally Omitted.

19.7. Time of Essence. Time shall be of the essence of this Lease, except that, whenever the last day for the exercise of any right or the discharge of any obligation hereunder falls on a Saturday, Sunday or statutory holiday, the party having such right or obligation shall have until 5:00 p.m. on the next succeeding day which is not a Saturday, Sunday or statutory holiday to exercise such right or discharge such obligation.

19.8. Headings. The headings of the Sections and subsections, hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

19.9. Construction. As used herein, all references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, and (c) to any Section or subsection shall be deemed, unless otherwise expressly indicated, to have been made to such Section or subsection of this Lease. Landlord agrees that, when interpreting this Lease, there shall be no presumption against the Tenant on account of the fact that Tenant is the party that caused the drafting of this Lease.

19.10. Exhibits. Each writing or plat referred to herein as being attached hereto as an exhibit or otherwise designated herein as an exhibit hereto is hereby made a part hereof.

19.11. Severability. No determination by any court, governmental or administrative body or agency or otherwise that any provision of this Lease or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (a) any other such provision, or (b) such provision in any circumstance not controlled by such determination. Each such provision shall remain valid and enforceable to the fullest extent allowed by, and shall be construed wherever possible as being consistent with, applicable law.

19.12. Disclaimer of Partnership Status. Nothing in this Lease shall be deemed in any way to create between the parties hereto any relationship of partnership, joint venture or association, and the parties hereto hereby disclaim the existence of any such relationship.

19.13. Commissions. Each party hereto hereby represents and warrants to the other that, in connection with the leasing of the Premises hereunder, the party so representing and warranting has not dealt with any real estate broker, agent or finder, and there is no commission, charge or other compensation due on account thereof. Each party hereto shall defend, indemnify and hold harmless the other against and from any liability, claim of liability or expense arising out of any inaccuracy in such party's representation.

19.14. Prevailing Party. In the event either party hereunder initiates judicial action against the other in order to enforce the terms, covenants and provisions of this Lease, the non-prevailing party in such judicial action shall reimburse the prevailing party in such judicial action for all reasonable expenses, fees, costs, including attorneys' fees incurred by the prevailing party in connection with such judicial action.

19.15. Intentionally Omitted.

19.16. Limited Third Party Rights. Notwithstanding anything to the contrary set forth elsewhere in this Lease, the Investor Limited Partner and each Permitted Leasehold Mortgagee shall be deemed a third-party beneficiary as contemplated herein of the following provisions (not being an exhaustive listing thereof) of the Lease: Section 6 (Taxes and Operating Expenses), Section 7 (Insurance and Indemnification), Section 8 (Leasehold Mortgage Requirements), Section 9.1.10 (Permitted Leasehold Mortgages), Section 12 (Fire and Other Casualties), Section 13 (Condemnation), Section 14.2 (Permitted Transfers), Section 15 (Default), Section 16 (Estoppel Certificate, Short Form) Section 18 (Notices), Section 19.3 (Amendment), Section 19.17 (New Lease), Section 19.18 (Subleases), and Section 19.19 (Preservation of Lease), Section 19.20 (Tenant's Rights, Generally), and Section 19.21 (No Personal Liability), and Investor Limited Partner and each Permitted Leasehold Mortgagee shall have rights to enforce such terms (as applicable). The foregoing rights of the Investor Limited Partner and each Permitted Leasehold Mortgagee to be a third-party beneficiary under this Lease shall be the only rights of Investor Limited Partner (express or implied) and each Permitted Leasehold Mortgagee, to be a third-party beneficiary under this Lease.

19.17 New Lease. If this Lease terminates because of an Event of Default of Tenant, or if Tenant rejects it in bankruptcy or similar proceedings or any other reason other than expiration of the Term, then Landlord shall, upon request, enter into a new lease with the most senior Permitted Leasehold Mortgagee or its nominee on the same terms and with the same priority as this Lease.

19.18 Subleases. Tenant may, without Landlord's consent, sublease the Premises. Landlord shall not disturb the possession, interest, or quiet enjoyment of any subtenant. Any

sublease is subordinate to the Ground Lease, each Permitted Leasehold Mortgage and any new lease entered into between the Landlord and each Permitted Leasehold Mortgagee. The Landlord agrees to enter into a reasonable non-disturbance agreement with the sub-tenants. In connection with any subletting right, the subtenant will be required to attorn to each Permitted Leasehold Mortgagee if any Permitted Leasehold Mortgagee forecloses and becomes the owner of the Leasehold Estate.

19.19 Preservation of Lease. This Lease may not be amended, modified, changed, cancelled, waived or terminated without the prior written consent of each Permitted Leasehold Mortgagee and the Investor Limited Partner. Landlord shall not accept a voluntary surrender of the Lease without consent by each Permitted Leasehold Mortgagee and the consent of the Investor Limited Partner. Such consent may be withheld in each Permitted Leasehold Mortgagee's sole and absolute discretion. Any such amendment, modification, change, cancellation, waiver or termination shall not bind Permitted Leasehold Mortgagees or the Investor Limited Partner and their respective successors and assigns unless made with such Permitted Leasehold Mortgagee's and Investor Limited Partner's consent in their sole and absolute discretion.

19.20. Tenant's Rights, Generally. Upon and during the continuation of an event of default under, and subject to, any documents relating to the financing of the Property, any Permitted Leasehold Mortgagee may exercise all of Tenant's rights under this Lease subject to the terms hereof.

19.21. No Personal Liability. Permitted Leasehold Mortgagee or its designee or affiliate shall not have any liability under this Lease for acts or omissions taking place prior to the date it acquires record title to Tenant's interest in the Leasehold Estate and becomes Tenant (or "New Tenant") under this Lease. Any liability to Landlord or Landlord's successors and assigns shall be limited to the value of each Permitted Leasehold Mortgagee's or its designee's or affiliate's respective interest in the Leasehold Estate created hereunder. If a Permitted Leasehold Mortgagee or its designee or affiliate shall succeed to the interest of the Tenant under the Lease, whether as a purchaser at a foreclosure sale or by the acceptance of a deed-in-lieu of foreclosure, such Permitted Leasehold Mortgagee, designee or affiliate, shall (a) not be liable for any act or omission of Tenant and (b) be released from all liability prior to the date such Permitted Leasehold Mortgagee or its designee or affiliate succeeds to the interest of Tenant hereunder.

SECTION 20. CONTINUING RIGHT TO COMPEL TITLE

20.1 Tenant hereby grants Landlord a present and continuing exclusive right to compel transfer of legal title through a purchase of all of the Property owned by the Tenant at the time of purchase, including without limitation Tenant's Leasehold Estate in the Premises, (i) on any date that is thirty (30) days after Landlord delivers written notice (the "**Option Exercise Notice**") to Tenant and to Investor Limited Partner of Landlord's intent to exercise this purchase option, and (ii) upon the Tenant's receipt of the Purchase Price (as defined below). The "**Purchase Price**" for the Tenant's Property pursuant to the option shall be the greater of the following amounts, subject to the provisions set forth hereinbelow:

(a) Price Formula. An amount, determined by the Tenant's accountants, which is sufficient (i) to pay all outstanding indebtedness evidenced by each promissory note secured by each Permitted Leasehold Mortgagee, (ii) to distribute to the Tenant's partners cash proceeds sufficient to enable the partners to pay any and all taxes imposed on the amounts paid by Landlord

to Tenant as the Purchase Price, the taxes projected to be imposed on the partners as a result of the sale pursuant to the option; and (iii) to pay an amount, on an after-tax basis equal to the diminution of economic value to the Investor Limited Partner as a result of the purchase (the "**ILP Diminution**"), which shall include without limitation (A) all capital contributions of the Investor Limited Partner which have not previously been returned to the Partners in the form of distributions from the Partnership, (B) the outstanding balance of all loans (and any accrued interest thereon) made to the Partnership by the Investor Limited Partner or its affiliates, which will not otherwise be repaid at the time of the purchase, (C) the amount of any projected tax credits, as defined in the Tenant's partnership agreement, which, as a result of the purchase will not be available to the Investor Limited Partner and the amount of any tax credits which will be recaptured from the Investor Limited Partner as a result of the purchase, (D) all costs and penalties incurred by the Investor Limited Partner with respect to the Credits already received (including the costs of any recapture bonds), and (E) the present value of the anticipated cash flow payable to the Investor Limited Partner using a 10% discount factor and (F) all costs and expenses incurred by or on behalf of the Investor Limited Partner with respect to (1) its admission to the Tenant and (2) its activities with respect to the Tenant prior to the purchase. The calculation of any ILP Diminution shall be determined by the accountants to the Tenant, shall be approved by the Investor Limited Partner in its reasonable discretion and shall include the value of the special limited partner interest using the formulas above. All payments of ILP Diminution shall be paid directly by Landlord to the Investor Limited Partner; or

(b) Fair Market Value. One hundred percent (100%) of the fair market value of the Tenant's Property, appraised as low-income housing to the extent continuation of such use is required under any document of record, and taking into consideration any third-party liens on the Tenant's Property, any such appraisal to be made by an independent appraiser. Landlord shall be responsible for all costs of the appraisers and the appraisal.

20.2 Upon determination of the Purchase Price, Tenant and Landlord, shall transfer title of the Tenant's Property by an Assignment of Ground Lease (the "**Lease Assignment**") and a blanket conveyance bill of sale and assignment agreement (the "**Bill of Sale**") and together with the Lease Assignment, the "**Conveyance Documents**") and enter into a declaration of surrender of this Ground Lease with the closing to occur no later than the date specified in the notice of intent to compel title or thirty (30) days after the purchase price has been determined, whichever is later. This provision of the Ground Lease shall be subject to specific performance by a court of law. The purchase and sale hereunder shall be closed through a deed-and-money escrow with the title insurer for the Tenant's Property or another mutually acceptable title company. Upon closing, the Tenant shall deliver to Landlord, along with the Conveyance Documents, a Texas form Owner's Title Policy dated as of the close of escrow, in the amount of the purchase price, subject to the liens, encumbrances and other exceptions then affecting the title. Landlord shall be responsible for all closing costs including, but not limited to, transfer taxes, title policy premiums and recording costs. Rents, insurance, taxes, debt service then due and payable and other costs and revenues then prepaid or accrued, as the case may be, shall be apportioned as of midnight of the day preceding the closing of title, except that rents shall be apportioned as of the date of actual collection thereof (which obligation shall survive the closing).

20.3 In consideration of the right to compel title granted hereunder at the price specified herein, Landlord hereby agrees that the Conveyance Documents to Landlord shall contain a covenant running with the land, restricting the use of the Tenant's Property to low-income

housing to the extent required by any document of record. Such deed covenant shall include a provision requiring Landlord to pay any and all costs, including attorneys' fees, incurred by the Investor Limited Partner in enforcing or attempting to enforce such use restrictions, and to pay any and all damages incurred by the Investor Limited Partner from any delay in or lack of enforceability of the same. All provisions relating to such use restrictions contained in such Conveyance Documents and in this Ground Lease shall be subject and subordinate to any third-party liens encumbering the Tenant's Property.

20.4 In the absence of Conveyance Documents conforming to the requirements of this Ground Lease, the provisions of this Ground Lease shall run with the land.

20.5 Notwithstanding any term to the contrary contained herein, the rights granted in this Section 20 shall be subordinate, in all respects, to each Permitted Leasehold Mortgage.

SECTION 21. HUD REQUIREMENTS

SEE MODIFIED RIDER ATTACHED HERETO AS LEASE ADDENDUM.

IN WITNESS WHEREOF, each party hereto has executed this Lease by its duly authorized representatives, to be effective as of the above written day and year.

AUSTIN HOUSING FINANCE CORPORATION,
a Texas housing finance corporation

By: _____
Name: _____
Title: _____

- Landlord -

TIMBERS CLAYTON 104 APARTMENTS, L.P.
a Texas limited
partnership

By: AHFC 1034 Clayton Lane Non-Profit
Corporation, a Texas nonprofit corporation,
its general partner

By: _____
Name: _____
Title: _____

- Tenant -

State of Texas: COUNTY OF _____: TO WIT:

I HEREBY CERTIFY that on or about this ____ day of _____, 2015, before me, a Notary Public for the state aforesaid, personally appeared _____, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing Ground Lease, who acknowledged that she is the _____ of the Austin Housing Finance Corporation a housing finance corporation organized under the laws of the State of Texas, that he has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth; and that the same is its act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

Notary Public

My commission expires on _____.

State of Texas: COUNTY OF _____: TO WIT:

I HEREBY CERTIFY that on or about this ____ day of _____, 2015, before me, a Notary Public for the state aforesaid, personally appeared _____, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing Ground Lease, who acknowledged that he is the _____ of the AHFC 1034 Clayton Non-Profit Corporation, a Texas nonprofit corporation, the general partner of Timbers Clayton 104 Apartments, L.P., a Texas limited partnership, and that he has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth; and that the same is its act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

Notary Public

My commission expires on _____.

GROUND LEASE

EXHIBIT A

Description of Land

Lot 1, Block A., The Timbers, According to the Map or Plat Thereof Recorded in Book 99, Pages 296-297 of the Plat Records of Travis County, Texas.

GROUND LEASE

EXHIBIT B

Schedule of Permitted Encumbrances

GROUND LEASE

EXHIBIT C

Insurance Requirements

A. General Requirements

All policies or documents evidencing the required insurance shall:

1. Be provided at least ten (10) days prior to equity closing to ensure adequate lead time for Tenant to engage its consultant and receive its Final Insurance Due Diligence Report prior to closing; updates must be provided as required for each capital contribution.
2. Be maintained throughout the term of the loan(s) and the term of ownership for all borrowers/owners/investment partners.
3. Clearly identify the property location or description on each certificate.
4. Be provided in the following form, with all forms and endorsements noted:
 - Accord 25 - Ink-signed Certificate of Liability Insurance
 - Accord 28 (2003/10 edition) - Ink-signed Evidence of Property Insurance
 - A full copy of the policy when available
5. Name the Operating Partnership as the Named Insured on each policy provided by the Owner, or on behalf of the Owner, and name the following entities as Additional Insureds on all policies required of any party under these guidelines (with the exception of auto liability, professional liability (E&O) and Workers' Compensation:
 - ILPs and their successors and assigns,
 - SLPs and their successors and assigns and
 - All Additional Investors (the equity providers)
6. All liability insurance policies provided by parties other than the Owner shall name the Partnership and/or the entities that comprise it as Additional Insureds. Professional liability coverage shall indicate the Partnership as certificate holder
7. Binders may be accepted for a 30-day period only.
 - Continuous binders are acceptable if issued by the insurance company's underwriter. Continuous binders must be replaced with certificates or policies within 30 days of receipt.
 - Facsimile copies are acceptable as temporary evidence of coverage. Hard copies must be promptly delivered to confirm evidence.
8. Be issued/written by insurance carrier or carriers acceptable to the lender and investor and having:
 - A rating of A: Class VII or better (a couple of investors require A-/X or better) by A.M. Best's Key Rating guide (*note: the insurance company's NAIC number is needed in addition to their name*), **or**
 - A rating of "A" or higher from Standard & Poor's.
9. Be written on a per occurrence basis (, professional liability coverage and Environmental Impairment Liability including contractor's pollution legal liability insurance coverage, which may be written on a claims-made basis).
10. Have a cancellation provision requiring the carrier to notify the parties (Partnerships, GP, ILP, SLP, Lenders and equity providers) at least thirty (30) days in advance ,(10) days for nonpayment of premium, of any policy reduction, cancellation, premiums due, any lapse

expiration, material change, amendment or non-renewal intent. Notice should be advance *written* notice via certified mail return receipt requested.

11. Be written for a term of not less than one year, with premiums prepaid and evidence of premium payment accompanying the binders and policies.

The following requirements apply to Property policies:

12. Name the Lender and its successors and assigns (collectively, the Lender) as Mortgagee and Loss Payee..
13. Name the SLP and its successors and assigns as Loss Payee
14. Contain a deductible or self insured retention (SIR) not greater than \$10,000 (except when a separate wind-loss deductible applies, then the amount must not exceed 3% of the face amount of the policy).
15. Builders Risk policies must be on a non-reporting basis.
16. Not contain any effective co-insurance provisions.
17. Not use a blanket or package policy unless it provides the same or better coverage as a single property insurance policy, **and**:
 - All other projects must be listed and identifiable in the policy and associated schedules. Note: The Declaration page listing each appropriate Endorsement /Form and copies of each Form will be accepted as evidence.
 - Total coverage must be based on 100% replacement value of all properties covered. Coverage limits other than replacement cost are generally not acceptable and any variations from an amount less than replacement cost must be pre approved by the SLP.

B. Insurance to be Maintained During Construction

The following coverages must be maintained on all properties, on a per project basis, during construction and until permanent insurance is placed, and are required by all investors (unless noted) though amounts may vary.

1. Owner's Commercial General Liability and Excess/Umbrella Liability Insurance:

General Partner shall carry, for the benefit of the Partnership and General Partner, covering the premises and operations by independent contractors, Commercial General Liability Insurance of the real estate development class against claims for bodily injury, personal injury and products and completed operations..

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- Form should remain silent on assault & battery, sexual assault and punitive damages (no exclusions or limitations).
- Environmental Liability Insurance will be required for existing Apartment Complexes that are being substantially rehabilitated.
- The minimum amount of primary coverage is \$1 million per occurrence / \$2 million general aggregate and contain a deductible no greater than \$10,000.
- The minimum Umbrella/Excess Liability Insurance ranges from \$4 million per occurrence and \$4 million general aggregate to \$30 million per occurrence and \$30 million general aggregate (depending on investor and the guidelines shown below):

Garden Apts 1-3 stories, SF, & other non-elevator buildings:

< 50 Units: \$4 million as noted above

51 - 300 Units: \$5 million

> 300 Units: \$5 -\$10 million, depending on location/conditions

Mid-rise Apartment Building (4-10 stories):

< 50 Units: \$5 million as noted above

51 - 300 Units: \$5 -\$10 million , depending on location/etc.

> 300 Units: \$10 -\$20 million, depending on location/conditions

High-rise Apartment Building (11-40 stories):

1 - 300 Units: \$10 -\$30 million , depending on location/conditions

> 300 Units: \$30 million and above, depending on location/etc.

2. **All-Risk Builder's Risk Insurance:** Insurance providing 100% replacement cost coverage (including a 5% contingency), in an amount equal to the completed construction value plus personal property and shall include coverage for Soft Costs including 12 months Business Interruption (Loss of Rents) or actual loss sustained, loan interest, real estate taxes, architect's & engineer's fees, legal & accounting fees, insurance premiums, and advertising and promotional expenses. Additional coverage requirements are as follows:
 - If any of the units will be turned over and occupied prior to completion, policy shall include a Permission for Partial Occupancy Endorsement.
 - No coinsurance or coinsurance offset by an Agreed Amount Endorsement
 - Ordinance & Law Coverage (See **Section C.** for coverage requirements).
 - The maximum deductible is \$10,000 per occurrence.
 - Windstorm, earthquake, and flood exclusions are generally acceptable exclusions provided that a separate policy is obtained for these risks. See **Section C.** for details regarding coverage requirements for these separate perils.
3. **General Contractor's General Liability and Excess/Umbrella Liability Insurance:** The General Contractor shall provide the following insurance coverages:
 - A) **Commercial General Liability Insurance:** The General Contractor (and each prime contractor having a direct contract with the Partnership) shall provide Commercial General Liability Insurance covering claims for bodily injury, property damage and personal injury arising out of the Contractor' operations, independent contractors, and products/completed operations.
 - Coverage limits of the construction exposure class shall be in an amount not less than \$5 million combined single limits (per occurrence / per project aggregate). This requirement can be met through any combination of primary and excess insurance, such as the standard \$1 million/ \$2 million primary with \$4 million/ \$4 million umbrella. If the primary coverage applies to other locations or activities, then the primary aggregate must apply to each insured location separately.
 - \$1 million per occurrence /\$2 million general aggregate shall be required for prime contractors other than the GC. If the primary coverage applies to other locations or activities, then the primary general aggregate must apply to each insured project separately.
 - B) **Pollution/Environmental Coverage Insurance:** Providing defense and indemnity coverage for bodily injury, property damage and environmental investigation and clean-up costs for pollution conditions. Coverage limits of the construction exposure class shall be in an amount not less than \$1 million combined single limits (per occurrence/per location and in the aggregate).

C) **Automobile Liability Insurance**: Commercial Automobile Liability with coverage for owned, hired, and non-owned autos with no less than \$1 million combined single limit per occurrence.

D) **Workers' compensation and Employers' Liability Insurance**: Coverage shall be in statutory amounts with Employers Liability limits of \$1 million bodily injury by accident for each accident, bodily injury by disease for each employee and policy limit for bodily injury by disease (\$500,000 fallback).

E) **Payment and Performance Bonds**: The Construction Contract must be secured by one of the following:

- A letter of credit in an amount not less than fifteen (15%) of the Construction Contract amount, or
- 100% payment and performance bonds in a form and substance acceptable to the SLP, or
- Each major subcontractor, as identified by the SLP, being bonded in a form and substance acceptable to the SLP.

4. **Construction Manager's Commercial General Liability Insurance (If applicable)**: If a construction manager is utilized, Commercial General Liability Insurance is to be and the amount of coverage shall be no less than \$500,000 combined single limits. \$500,000 combined single limits Automobile Liability (including coverage for liability assumed under contract), statutory Workers' Compensation and \$500,000 Employers' Liability shall also be maintained.

5. **Architect's & Engineer's Professional Liability / Errors & Omissions Insurance**: Professional Liability (E & O) Insurance shall be provided covering each professional entity for the greater of \$500,000 or 10% of the construction contract amount each claim and in the aggregate (\$1 million or 10% for high-rises), in a form satisfactory to the Investor. Coverage shall remain in effect for three years from acceptance of the Project by Owner.

- Comprehensive General Liability insurance with a minimum of \$500,000 in combined single limits shall be provided.

C. Insurance to be Obtained Upon Completion (or on Existing Buildings) & Maintained Thereafter

Commencing from the earliest of (i) Receipt of final Certificates of Occupancy for all buildings in the Property, (ii) Final Construction Completion or (iii) the lapse in Builders Risk Coverage; and continuing until no longer required by the SLP, the Partnership shall maintain the following insurance coverage:

1. **General Contractor's Commercial General Liability Insurance**: General Contractor must continue to carry Products and Completed Operations insurance for a minimum of three (3) years following completion of construction.
2. **Architect's & Engineer's Professional Liability / Errors & Omissions Insurance**: Each entity must continue to carry the same Professional Liability insurance coverage as required in B.6 for a minimum of three (3) years following completion of construction.
3. **Owner's Commercial General Liability Insurance**: The General Partner shall cause the Partnership to continue to carry the same insurance coverages as required in B.1. with the following additional loss control requirement to be implemented:
 - Contains a deductible of no greater than \$10,000.
4. **Property (Special Cause of Loss Form) Insurance**: Insurance on the project covering risks of direct physical loss.

- Such insurance shall be in an amount equal to 100% replacement value of the property.
 - The policy shall provide Replacement Cost coverage.
 - The policy shall include an Agreed Amount Clause or Waiver of Coinsurance.
 - The maximum deductible is \$10,000 per occurrence (except when a separate wind-loss deductible applies, then the amount must not exceed 5% of the face amount of the policy).
5. **Business Interruption Insurance** - Loss of income insurance shall be carried in an amount equal to 12 months anticipated gross rental income from tenant occupancy (including any commercial portion) of the property plus Tax Credit..
 6. **Windstorm Coverage** - If the Special Causes of Loss Form property damage insurance excludes wind-related events, a separate windstorm insurance policy shall be obtained for 100% replacement cost of the property. The policy must include business interruption. The maximum deductible is 3%.
 7. **Flood** - PNC Real Estate requires flood insurance if any property is, or planned to be located, in a Special Flood Hazard Area designated by FEMA as Zone A or V in an amount equal to the full replacement cost and 12 months Business Income coverage . The maximum deductible is 2% of the total insured value per building. If this coverage amount is more than the maximum amount of insurance available under the National Flood Insurance Program, an excess flood or difference in conditions policy may be required for the difference.
 8. **Earthquake** - Where the Property is located in an area prone to seismic activity (zones 3 & 4) and has a PML greater than 20%, earthquake insurance is required for the life of the investment. Coverage must equal 100% of the full replacement cost, include Business Interruption, and have a maximum deductible of 5%-10% of the total insured value.
 9. **Ordinance and Law Coverage** - Where the Property represents a non-conforming use under current building, zoning, or land use laws or ordinances, insurance shall be obtained in the following amounts: * Loss of Undamaged Portion of the Building - Full replacement cost of the structure minus the local threshold; * Demolition Cost - Minimum of 10% of replacement cost; and * Increased Cost of construction - Minimum of 10% of the replacement cost.
 10. **Extended Period of Indemnity** - Business Interruption (Loss of Rents) coverage shall be extended for a minimum of three months after property is ready for occupancy following a casualty.
 11. **Owner's Boiler & Machinery Insurance**: Required where any centralized HVAC equipment is in operation at the Property or where the Property contains boilers or other pressure-fired vessels that are required to be regulated by the State as follows:
 - Boiler and Machinery Insurance shall be required for the full replacement cost of the building that houses the equipment.
 - Coverage against loss or damage from steam boiler explosion, electrical breakdown or mechanical breakdown which can include refrigeration equipment, air conditioning equipment, various types of piping, turbines, engine's pumps, compressors, electric motors, transformers and other assorted types of apparatus now or hereafter installed on the Property.
 - Coverage shall be extended to include Business Income.
 - Deductibles must be equal or lower than the deductibles on the Property Insurance Policy

GROUND LEASE

EXHIBIT D

Final Plans and Specifications

As previously submitted to and approved by Landlord.

LEASE ADDENDUM

Notwithstanding any other provisions of this ground lease, if and so long as this leasehold is subject to a security instrument insured, reinsured, or held by HUD or given to HUD in connection with a resale, or the Property is acquired and held by HUD because of a default under the security instrument, the following provisions of this Lease Addendum shall be in effect:

a) The tenant is authorized to obtain a loan, the repayment of which is to be insured by HUD and secured by a security instrument on this leasehold estate and the Improvements. The tenant is further authorized to execute all documents necessary as determined by HUD and otherwise to comply with Program Obligations for obtaining such an insured loan.

b) In the event that HUD acquires title to this leasehold estate or otherwise acquires title to the tenant's interest herein, HUD shall have the option to purchase good and marketable fee simple title to the Property and the landlord's interest, if any, in the Improvements, free of all liens and encumbrances except such as may be waived or accepted by HUD. Such option shall be exercised within twelve (12) months after HUD so acquires such leasehold estate or the tenant's interest. The purchase price shall be the sum of _____ Dollars (\$ _____), payable in cash, by check drawn on the U.S. Treasury, by electronic funds transfer or by wire transfer, provided all rents are paid to date of transfer of title. HUD shall, within said twelve months, give written notice to the landlord of its election to exercise said option to purchase. The landlord shall, within thirty (30) days after HUD gives such notice, execute and deliver to HUD a warranty deed of conveyance to HUD as grantee conveying the said fee and interest and containing a covenant against the grantor's acts, but excepting therefrom acts of the tenant and those claiming by, through or under the tenant. Nothing in this option shall require the landlord to pay any taxes or assessments that were due and payable by the tenant.

c) If approved by HUD, Investor Limited Partner and each Permitted Leasehold Mortgagee, the Tenant may convey, assign, transfer, lease, sublease or sell all or any part of its leasehold interest in the Property and its interest in the Improvements without the need for approval or consent by any other person or entity.

d) (i) Insurance policies shall be in an amount, and with such company or companies and in such form, and against such risks and hazards, as shall be approved by lender and HUD.

(ii) The landlord shall not take out separate insurance concurrent in form or contributing in the event of loss with that specifically required to be furnished by the tenant to lender. The landlord may at its own expense, however, take out separate insurance which is not concurrent in form or not contributing in the event of loss with that specifically required to be furnished by the tenant to lender.

e) (i) If all or any part of the Property or the Improvements or the leasehold estate shall be taken or damaged by condemnation, that portion of any award attributable to the Improvements or the tenant's interest in the leasehold estate or damage to the Improvements or the to tenant's interest in the leasehold estate shall be paid to lender or otherwise disposed of as

may be provided in the security instrument. Any portion of the award attributable solely to the underlying fee estate (exclusive of any Improvements) shall be paid to the landlord. After the date of taking, the annual ground rent shall be reduced ratably by the proportion which the award paid to the landlord bears to the total value of the Property as established by the amount HUD is to pay, as set forth in paragraph (b) of this Lease Addendum.

(ii) In the event of a negotiated sale of all or a portion of the Property or the Improvements, in lieu of condemnation, the proceeds shall be distributed and annual ground rent reduced as provided in cases of condemnation, but the approval of HUD and lender shall be required as to the amount and division of the payments to be received.

f) Except as provided in Section 8.4 and Section 15.3.5 of the Lease, the landlord may terminate the ground lease prior to the expiration day of the full term of this ground lease ("**Expiration Date**") after a tenant default under this ground lease ("**Ground Lease Event of Default**"), but only under the following circumstances and procedures. If any Ground Lease Event of Default shall occur, then and in any such event, the landlord shall at any time thereafter during the continuance of such Ground Lease Event of Default and prior to any cure, give written notice of such default(s) ("**Notice of Default**") to the tenant, lender, HUD and Investor Limited Partner, specifying the Ground Lease Event of Default and the methods of cure, or declaring that a Ground Lease Event of Default is incurable. If the Ground Lease Event of Default is a failure to pay money, the landlord shall specify and itemize the amounts of such default. Failure to pay money shall be specified as a separate default and not combined with a non-monetary Ground Lease Event of Default. Within sixty (60) days from the date of giving the Notice of Default to the tenant, the tenant must cure a monetary default by paying the landlord all amounts specified in the Notice of Default and must cure any specified Ground Lease Event of Default that is capable of being cured within such period. During the period of 180 days commencing upon the date Notice of Default was given to lender, HUD and Investor Limited Partner, lender, HUD or Investor Limited Partner may: (a) cure any Ground Lease Event of Default; and (b) commence foreclosure proceedings or institute other state or federal procedures to enforce lender's or HUD's rights with respect to the leasehold or the tenant Improvements. If the tenant, lender, HUD or Investor Limited Partner reasonably undertake to cure any Ground Lease Event of Default during the applicable cure period and diligently pursues such cure, the landlord shall grant such further reasonable time as is necessary to complete such cure. If HUD, lender or Investor Limited Partner commences foreclosure or other enforcement action within such 180 days, then its cure period shall be extended during the period of the foreclosure or other action and for 90 days after the ownership of the tenant's rights under the lease is established in or assigned to HUD, Investor Limited Partner or such lender or a purchaser at any foreclosure sale pursuant to such foreclosure or other action. The transfer of the tenant's rights under the lease to lender, HUD, Investor Limited Partner or purchaser, pursuant to such foreclosure or other action shall be deemed a termination of any incurable Ground Lease Event of Default and such terminated Ground Lease Event of Default shall not give the landlord any right to terminate the lease. Such purchaser may cure a curable Ground Lease Event of Default within said 90 days. Except as provided in Section 8.4 and Section 15.3.5 of the Lease, if after the expiration of all of the foregoing cure periods, no cure or termination of an existing Ground Lease Event of Default has been achieved as aforesaid, then and in that event, this lease shall terminate, and, on such date, the term of this lease shall expire and terminate and all rights of the tenant under the lease

shall cease and the Improvements, subject to the security instrument and the rights of lender thereunder, shall be and become the property of the landlord. All costs and expenses incurred by or on behalf of the landlord (including, without limitation, reasonable attorneys' fees and expenses) occasioned by any default by the tenant under this ground lease shall constitute additional rent hereunder. The landlord shall have no right to terminate this ground lease except as provided in this paragraph (f).

g) Upon termination of this ground lease pursuant to paragraph (f) above, the landlord shall immediately seek to obtain possession of the Property and Improvements. Upon acquiring such possession, the landlord shall notify HUD and lender in writing. Lender and HUD shall each have six (6) months from the date of receipt of such notice of acquisition to elect to take, as tenant, a new ground lease on the Property and on the Improvements. Such new ground lease shall have a term equal to the unexpired portion of the term of this ground lease immediately prior to such termination and shall, except as otherwise provided herein, be on the same terms and conditions as contained in this ground lease, including without limitation, the option to purchase set forth under paragraph (b) above, except that lender's or HUD's liability for ground rent shall not extend beyond their occupancy under such ground lease. The landlord shall tender such new ground lease to lender or HUD within thirty (30) days after a request for such ground lease and shall deliver possession of the Property and Improvements immediately upon execution of the new ground lease. Upon executing a new ground lease, lender or HUD shall pay to the landlord any unpaid ground rent due or that would have become due under this ground lease to the date of the execution of the new ground lease, including any taxes which were liens on the Property or the Improvements and which were paid by the landlord, less any net rentals or other income which the landlord may have received on account of the Property and Improvements since the date of default under this ground lease.

h) The landlord agrees that within ten (10) days after receipt of written request from the tenant, it will join in any and all applications for permits, licenses or other authorizations required by any Governmental Authority³ in connection with any work which the tenant may do hereunder and will also join in any grants for easements for electric, telephone, telecommunications, cable, gas, water, sewer and such other public utilities and facilities as may be reasonably necessary in the operation of the Property or of any Improvements and if, at the expiration of such ten (10) day period, the landlord shall not have joined in any such application, or grants for easements, the tenant shall have the right to execute such application and grants in the name of the landlord, and for that purpose, the landlord hereby irrevocably appoints the tenant as its attorney-in-fact to execute such papers on behalf of the landlord, only to the extent that a public body as landlord may do so within the exercise of its municipal powers and responsibilities.

i) Nothing in this ground lease shall require the tenant to pay any franchise, estate, inheritance, succession, capital levy or transfer tax of the landlord or any income excess profits or revenue tax, or any other tax, assessment charge or levy upon the rent payable by the tenant under this ground lease.

j) All notices, demands and requests which are required to be given by the landlord, the tenant, lender or HUD in connection with this Ground Lease shall be in writing and shall be

sent by registered or certified mail, postage prepaid, and addressed to the address of the party as given in this instrument unless a request for a change in this address has been sent to the party giving the notice by registered or certified mail prior to the time when such notice is given.

All notices to lender or HUD shall be addressed as follows:

If to Lender:

If to HUD: :

Landlord:

Tenant:

If to either, with a copy to:

Scott A. Marks
Coats | Rose
901 South MoPac Expressway
Building 1, Suite 500
Austin, Texas 78746

Investor Limited Partner:

With a copy to:

k) This ground lease shall not be modified without the written consent of HUD, lender and Investor Limited Partner.

l) The provisions of this Lease Addendum benefit lender and HUD and are specifically declared to be enforceable against the parties to this lease and all other persons by lender, HUD and Investor Limited Partner.

m) In the event of any conflict, inconsistency or ambiguity between the provisions of this Lease Addendum and the provisions of any other part of this ground lease, the provisions of this Lease Addendum shall prevail and control.

Warning

Any person who knowingly presents a false, fictitious or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability and administrative sanctions.

³ **"Governmental Authority"** means any board, commission, department or body of any municipal, county, state, tribal or federal governmental unit, including any U.S. territorial government, and any public or quasi-public authority, or any subdivision of any of them, that has or acquires jurisdiction over the mortgaged property, including the use, operation or improvement of the mortgaged property.

² **"Improvements"** means the buildings, structures, and alterations now constructed or at any time in the future constructed or placed upon the land, including any future replacements and additions.