RESOLUTION NO. 20171207-AHFC003

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (HOUSING FIRST OAK SPRINGS APARTMENTS PROJECT) SERIES 2017; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; 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 authorize the issuance of the Issuer's Multifamily Housing Revenue Bonds (Housing First Oak Springs Apartments Project) Series 2017 (the "Bonds"), in one or more series in accordance with the terms of a Indenture of Trust (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 the Act; and

WHEREAS, the Issuer desires to use the proceeds of the Bonds to finance the costs of acquisition and construction 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 of 1986, as amended, and to pay costs of issuance of the Bonds (if necessary); and

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

WHEREAS, the Issuer will assign its rights under the Loan Agreement to the Trustee pursuant to the Indenture in order to secure repayment of the Bonds; and

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

WHEREAS, the Issuer will execute an Assignment of Deed of Trust and Loan Documents (the "Assignment"); and

WHEREAS, the Issuer has further determined that the Issuer will deliver the Bonds to Capital One, National Association or an affiliate thereof (the "Purchaser"); and

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Regulatory Agreement and the Assignment 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 this 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 Purchaser. The maturity date for the Bonds will not exceed the maximum amount allowed under Texas law. The interest rate for the Bonds will not exceed the maximum amount allowed under Texas law and the aggregate principal amount of Bonds will not exceed $13,000,000 in the aggregate.

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, with such changes therein as may be approved by the authorized representatives of the Issuer named in this Resolution at the time of execution and delivery thereof, and the authorized representatives of the Issuer named in this Resolution each are authorized to execute and attest to (if required) the Indenture and to deliver the Indenture to the Trustee.

Section 1.3 - Approval, Execution and Delivery of the Loan Agreement and Regulatory Agreement. The form and substance of the Loan Agreement and the Regulatory Agreement are approved in substantially final form, with such changes therein as may be approved by the authorized representatives of the Issuer named in this Resolution at the time of execution and delivery thereof, and the authorized representatives of the Issuer named in this Resolution each are authorized to execute and attest (if required) the Loan Agreement and the Regulatory Agreement.

Section 1.4 - Approval, Execution and Delivery of the Assignment. The form and substance of the Assignment are approved in substantially final form, with such changes therein

as may be approved by the authorized representatives of the Issuer named in this Resolution at the time of execution and delivery thereof, and the authorized representatives of the Issuer named in this Resolution each are authorized to execute and attest (if required) the Assignment.

Section 1.5 - 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 1.6 - 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 - Loan Agreement
Exhibit C - Regulatory Agreement
Exhibit D – Assignment

Section 1.7 - Power to Revise Form of Documents. The authorized representatives of the Issuer named in this Resolution each are authorized to approve such revisions in the form of the documents attached hereto as may be acceptable to such authorized representative or authorized representatives, following consultation with McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, with such approval to be evidenced by the execution of such documents by the authorized representatives of the Issuer named in this Resolution.

Section 1.8 - Authorized Representatives. The President, Vice President, Treasurer, Secretary and Manager each is hereby named as an authorized representative of the Issuer, acting alone, for purposes of executing, attesting, affixing the Issuer's seal to, and delivering the documents and instruments referred to herein.

Section 1.9 - Meeting. The meeting at which this Resolution was adopted was held on December 7, 2017 and a quorum was present. Such meeting was held in accordance with the requirements of applicable law and Issuer's bylaws.

ADOPTED: December 07, 2017

ATTEST: Jannette S. Goodall
Secretary

Exhibit A

Indenture

TRUST INDENTURE

by and between

AUSTIN HOUSING FINANCE CORPORATION

as ISSUER

to

BOKF, NA

as TRUSTEE

Dated as of December 1, 2017

Relating to

$11,500,000.00

Austin Housing Finance Corporation

Multifamily Housing Mortgage Revenue Bonds

(Housing First Oak Springs Project)

Series 2017

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TABLE OF CONTENTS

Page

Article 1 DEFINITIONS, EXHIBITS AND GENERAL PROVISIONS 3

Section 1.1. Definitions 3
Section 1.2. Rules of Interpretation. 14

Article 2 THE BONDS 15

Section 2.1. Authorized Amount and Form of Bonds 15
Section 2.2. Issuance of Bonds 16
Section 2.3. Execution 17
Section 2.4. Registration and Authentication 18
Section 2.5. Conditions Precedent to the Delivery of Bonds 18
Section 2.6. No Additional Bonds 19
Section 2.7. Mutilated, Lost, or Destroyed Bonds 19
Section 2.8. Ownership of Bonds 19
Section 2.9. Registration, Transfer, and Exchange of Registered Bonds 19
Section 2.10. Nonpresentment of Bonds 21
Section 2.11. Disposition of Bonds 22
Section 2.12. Restrictions on Transfer 22
Section 2.13. Concerning Subordinated Bonds 23
Section 2.14. No Usury 23

Article 3 REDEMPTION OF BONDS BEFORE MATURITY 24

Section 3.1. Redemption and Purchase 24
Section 3.2. Notice of Redemption or Purchase 24
Section 3.3. Cancellation 25
Section 3.4. Method of Redemption or Purchase 25
Section 3.5. Put Option 25

Article 4 GENERAL COVENANTS 26

Section 4.1. Payment of Principal, Premium, and Interest 26
Section 4.2. Performance of Covenants 26
Section 4.3. Instruments of Further Assurance 27
Section 4.4. Recording and Filing 27
Section 4.5. Books and Records 27
Section 4.6. Access to Bond Register 28
Section 4.7. Rights Under Loan Agreement 28
Section 4.8. Rights Under Mortgage 28
Section 4.9. Tax Covenants Relating to the Bonds 28
Section 4.10. Change in Law 29
Section 4.11. **INDEMNIFICATION** 29

DRAFT

Article 5 FUNDS AND ACCOUNTS 30

Section 5.1. Trust Funds Pledged and Assigned to the Trustee 30
Section 5.2. Project Fund; Disbursement of Project Funds. 31
Section 5.3. Revenue Fund 32
Section 5.4. Bond Fund 33
Section 5.5. Deposit of Funds with Paying Agent 34
Section 5.6. Rebate Fund 35
Section 5.7. Mortgage Recovery Fund 36
Section 5.8. Servicing Fund 38
Section 5.9. Costs of Issuance Fund 38
Section 5.10. Interest Earned on Funds 38
Section 5.11. Final Balances 38

Article 6 INVESTMENTS 38

Section 6.1. Investments by the Trustee 38
Section 6.2. Computation of Balances in Funds 40
Section 6.3. Downgrade of Investments 40

Article 7 DISCHARGE OF LIEN 40

Section 7.1. Payment of Bonds; Satisfaction, Defeasance, and Discharge of Bonds, and Obligation to Holders 40
Section 7.2. Cancellation of Surrendered Bonds 42
Section 7.3. Payment of Bonds 42
Section 7.4. Application of Deposited Money 42
Section 7.5. Survival of Certain Provisions 42

Article 8 DEFAULT PROVISIONS AND REMEDIES 43

Section 8.1. Events of Default 43
Section 8.2. Acceleration 44
Section 8.3. Remedies 44
Section 8.4. Direction of Proceedings by Bondholder Representative 44
Section 8.5. Waiver of Stay or Extension Laws 45
Section 8.6. Priority of Payment and Application of Moneys 45
Section 8.7. Remedies Vested in the Trustee 47
Section 8.8. Rights and Remedies of Holders 48
Section 8.9. Termination of Proceedings 48
Section 8.10. Waiver of an Event of Default 48

Article 9 THE TRUSTEE 49

Section 9.1. Acceptance of the Trustee 49
Section 9.2. The Trustee's Fees, Charges, and Expenses 53
Section 9.3. Notice to Holders of Default 53
Section 9.4. Intervention by the Trustee 54

Section 9.5. Successor Trustee 54
Section 9.6. Resignation by the Trustee 54
Section 9.7. Removal of the Trustee 54
Section 9.8. Appointment of Successor Trustee 54
Section 9.9. Acceptance by Successor Trustees 55
Section 9.10. Right of the Trustee To Pay Taxes and Other Charges 55
Section 9.11. The Trustee Protected in Relying Upon Resolutions 55
Section 9.12. Successor Trustee as Custodian of Funds and Paying Agent 55
Section 9.13. Co-Trustee 56
Section 9.14. Obligations as to Reporting 57
Section 9.15. Appointment of Bond Registrar and Paying Agent 58
Section 9.16. Successor Paying Agent or Bond Registrar 58
Section 9.17. Confirmation of the Trustee 58
Section 9.18. Certain Representations of the Trustee 58

Article 10 SUPPLEMENTAL INDENTURES 59

Section 10.1. Supplemental Indentures Not Requiring Consent of Holders 59
Section 10.2. Supplemental Indentures Requiring Consent of Holders 59
Section 10.3. Opinion of Bond Counsel 60
Section 10.4. Rights of the Trustee and Issuer 60

Article 11 AMENDMENTS TO LOAN DOCUMENTS 61

Section 11.1. Amendments Not Requiring Holder Consent 61
Section 11.2. Amendments Requiring Holder Consent 61
Section 11.3. Opinion of Bond Counsel 62
Section 11.4. Rights of the Trustee and Issuer 62

Article 12 MISCELLANEOUS PROVISIONS 62

Section 12.1. Consent of Holders 62
Section 12.2. Rights Under Indenture 63
Section 12.3. Severability 63
Section 12.4. Notices 63
Section 12.5. Required Approvals 65
Section 12.6. Counterparts 66
Section 12.7. Limitation of Liability of Issuer and Its Officers, Employees, and Agents 66
Section 12.8. Subordination to Extended Use Loan Agreement 67
Section 12.9. Governing Law 67
Section 12.10. Complete Agreement 67
Section 12.11. USA Patriot Act 67

EXHIBIT A – FORM OF REQUISITION CERTIFICATE A-1
EXHIBIT B – FORM OF BOND B-1

EXHIBIT C – INVESTOR'S LETTER C-1
EXHIBIT D – RESERVED D-1

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TRUST INDENTURE

THIS TRUST INDENTURE (this "Indenture") dated as of December 1, 2017, by and between AUSTIN HOUSING FINANCE CORPORATION, a housing finance corporation, duly organized and existing under the laws of the State of Texas (together with its successors an assigns (the "**Issuer**"), and BOKF, NA, a national banking association, duly established, existing under the laws of the United States of America, and authorized to accept and execute trusts of the character herein set out, as the trustee (together with its successors and assigns, the "**Trustee**", as that term is hereafter defined):

WITNESSETH:

WHEREAS, the Issuer has been created and organized pursuant to and in accordance with the provisions of Chapter 394, of the Texas Local Government Code, as amended (collectively, the "**Act**"), for the purpose, among others, of providing qualified residential rental projects; and

WHEREAS, the Act authorizes the Issuer to issue bonds to finance the costs of acquisition, construction and equipping of projects such as the Project (defined below); and

WHEREAS, the Issuer deems it desirable and in keeping with its purposes to issue its $11,500,000 Multifamily Housing Revenue Bonds (Housing First Oak Springs Project) Series 2017 (the "**Bonds**") for the purposes of funding a loan (the "**Loan**") in the amount of $11,500,000.00 to Housing First Oak Springs, LP, a limited partnership organized and existing under the laws of the State of Texas (together with its permitted successor and assigns, the "**Borrower**") the proceeds of which will be used to finance the acquisition, construction and equipping of a 50-unit single resident occupancy residential rental project known as Housing First Oak Springs and located in the City of Austin, Travis County, Texas (the "**Project**"); and

WHEREAS, under the terms of the Loan Agreement dated as of December 1, 2017 (the "**Loan Agreement**"), among the Issuer, the Borrower and the Bondholder Representative (as hereinafter defined), the Issuer has agreed to make the Loan and the Borrower has agreed to the repayment of the sums borrowed pursuant thereto and the Borrower has executed or caused to be executed the Mortgage and the Loan Documents (as such terms are hereinafter defined) with respect to the Project to secure, among other things, the payments due and other obligations under the Loan Agreement; and

WHEREAS, the Bonds have initially been sold at a price of par to Capital One, National Association; and

WHEREAS, the execution and delivery of this Indenture and the issuance of the Bonds have been in all respects duly and validly authorized by the Issuer; and

WHEREAS, terms not otherwise defined in the recitals or granting clauses hereof shall have the meanings as hereinafter defined; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee (to the extent required) and issued as provided in this Indenture, valid, binding, and legal limited obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid

contract for the security of the Bonds, have been done and performed; and the execution and delivery of this Indenture, and the execution and issuance of said Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and interest and premium, if any, on the Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants, agreements, and conditions expressed or implied herein and in the Bonds, does hereby assign, transfer in trust, and pledge to the Trustee and its successors and assigns in trust forever, and does hereby grant a security interest unto the Trustee and its successors in trust, and to them and their assigns forever, the following (excepting, however, the Unassigned Issuer's Rights, collectively referred to as the "**Trust Estate**"):

GRANTING CLAUSE FIRST

All right, title, interest, and privileges of the Issuer in, to, and under (but not its obligations under) the Loan Agreement and the Note (as hereinafter defined), including, but not limited to, all sums which the Issuer is entitled to receive from the Borrower pursuant to the Loan Agreement (but excluding the Unassigned Issuer's Rights), the Funds (excluding funds held in the Rebate Fund), and all other sums (except rebatable arbitrage whether or not deposited in the Rebate Fund) which are required to be deposited in the Funds in accordance with Article 5 hereof;

GRANTING CLAUSE SECOND

All of the Issuer's right, title, and interest in all property mortgaged, pledged, and assigned under the Mortgage and the Loan Documents to secure the Loan (not including the Unassigned Issuer's Rights) and/or the Bonds and any and all other property of every name and nature which may from time to time hereafter by delivery or by writing of any kind be subjected to the lien hereof by the Issuer or by anyone on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same as additional security hereunder subject to the terms hereof; and

GRANTING CLAUSE THIRD

The earnings derived from the investment of any of the foregoing sums (except amounts on deposit in and rebatable arbitrage required to be deposited in the Rebate Fund) as provided herein.

TO HAVE AND TO HOLD all the Trust Estate, together with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, first for the equal and proportionate benefit, security, and protection of all Holders from time to time of the Bonds other than the Holders of the Subordinated Bonds issued under and secured by this Indenture, without privilege, priority, or distinction as to the lien or otherwise of any of the Bonds over any of the others except as otherwise provided herein and second for the benefit of the Holders of the Subordinated Bonds, all as herein provided, and for the uses and purposes and upon the terms, agreements, and conditions set forth herein;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or provide fully for payment as herein provided of the principal of the Bonds and the interest due or to become due thereon (together with premium, if any), at the time and in the manner set forth in the Bonds according to the true intent and meaning thereof, and shall make the payments into the Bond Fund as required under Article 5 hereof or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee sums sufficient for payment of the entire amount due or to become due thereon as herein provided, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and of the Loan Documents, then this Indenture and the rights hereby granted shall cease, terminate, and be void except as otherwise provided herein.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, covenanted and agreed by and between the parties hereto, that all Bonds issued and secured hereunder are to be issued, authenticated (to the extent required), and delivered and that all the Trust Estate is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee for the benefit of the Holders, as follows:

ARTICLE 1

DEFINITIONS, EXHIBITS AND GENERAL PROVISIONS

Section 1.1. Definitions. In addition to the terms defined elsewhere herein, the following capitalized terms, as used in this Indenture, shall have the meanings specified below unless the context shall otherwise clearly require:

"**Accounts**" means, collectively, the accounts of the Bond Fund created by Section 5.4 hereof, whether one or more.

"**Act**" has the meaning provided in the Recitals.

"**Additional Charges**" means the payments required in connection with Section 4.3 of the Loan Agreement.

"**Administration Account**" means an Account of the Bond Fund established pursuant to Section 5.4 hereof.

"**Architecture Contract**" has the meaning assigned to that term in the Loan Agreement.

"**Authorized Denomination**" means $100,000 or any amount (including cents) in excess thereof.

"**Bank**" means Capital One, National Association, a national banking association organized and existing under the laws of the United States of America, or its successors and assigns.

"**Bankruptcy Code**" means the United States Bankruptcy Reform Act of 1978, as amended, or any similar or succeeding federal bankruptcy law.

"**Basic Payments**" means the payments so defined in Section 4.2(b) of the Loan Agreement.

"**Bond Closing**" means the date on which there is delivery by the Issuer of, and payment by the initial purchaser for, the Bonds.

"**Bond Closing Date**" shall have the meaning given to that term in the Loan Agreement.

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

"**Bond Documents**" means this Indenture, the Loan Agreement, the Regulatory Agreement and the Tax Certificate, as the same may be amended, modified or supplemented from time to time, and any and all other documents evidencing, securing or otherwise pertaining to the Bonds.

"**Bond Fund**" means the Fund created by Section 5.4 hereof.

"**Bondholder Representative**" means (i) the Bank or any affiliate of the Bank, so long as the Bank or such affiliate owns 100% of the Bonds; (ii) if neither the Bank nor any affiliate of Bank owns 100% of the Bonds, then (a) if and so long as one Holder holds a majority in principal amount of all Outstanding Bonds, such Holder or a Person appointed to be the Bondholder Representative by such Holder; and (b) if and so long as no one Holder owns a majority in principal amount of all Outstanding Bonds, the Holder at the time in question who holds the greatest principal amount of all Outstanding Bonds. As set forth in Section 5.1, in the event of any sale, transfer or other disposition any of the Bonds by the Bank or any Bank affiliate that owns the Bonds, the Bank shall transfer all Funds and Accounts to the custody of the Trustee. So long as the Bonds are not equally owned by different Holders, the Trustee shall determine the identity of each successor Bondholder Representative based on the criteria set forth in this definition and as reflected in the Bond Register, such determination to be conclusive absent manifest error. If the Outstanding Bonds are equally owned by different Holders, the Bondholder Representative shall be the Bondholder Representative designated by the Holders of a majority in principal amount of all Outstanding Bonds at the time in question and such designation shall be certified to the Trustee in writing by such Holders. The Trustee shall be provided written notice if there is a change to the initial Bondholder Representative.

"**Bond Register**" means the bond register maintained by the Bond Registrar pursuant to Section 2.9.

"**Bond Registrar**" means BOKF, NA, a national banking association organized and existing under the laws of the United States of America, and any successor thereto appointed, qualified, and then acting as such under the provisions of this Indenture, and their respective successors and assigns.

"**Bond Year**" means each one-year period ending December 31, provided that the first and last bond years may be short periods.

"**Bonds**" has the meaning provided in the Recitals.

"**Borrower**" has the meaning provided in the Recitals.

"**Business Day**" shall have the meaning given to that term in the Loan Agreement.

"**Code**" or "**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the regulations promulgated by the United States Department of the Treasury under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code, and (d) the regulations promulgated under the provisions described in (b) and (c).

"**Collateral Assignment**" means the Collateral Assignment of Rights to Tax Credits and Partnership Interests of even date herewith from Borrower and General Partner.

"**Completion Date**" means the date shown as the date required for substantial completion of construction of the Project in Schedule E to the Loan Agreement, or such later date as the Bondholder Representative approves.

"**Comptroller**" means the Comptroller of Public Accounts of the State.

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

"**Construction Contract**" has the meaning assigned to that term in the Loan Agreement.

"**Construction Term Maturity Date**" has the meaning assigned to that term in the Loan Agreement.

"**Costs of Issuance**" means costs to the extent incurred in connection with, and allocable to, the issuance of the Bonds within the meaning of Section 147(g) of the Code, including, for example, the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: underwriter's spread; counsel fees and expenses; financial advisory fees; fees paid

to an organization to evaluate the credit quality of the issue; trustee fees and expenses, paying agent fees; bond registrar, certification and authentication fees; printing costs for bonds and offering documents; accountant fees; public approval process costs, engineering and feasibility study costs, guarantee fees, other than for qualified guarantees (as defined in Section 1.148-4(f) of the Regulations) and similar costs.

"**Costs of Issuance Fund**" means the fund created by Section 5.9 hereof.

"**Dated Date**" means the date of this Indenture.

"**Default**" means any event or occurrence which with notice, lapse of time, or expiration of any applicable cure period, would be an Event of Default.

"**Default Rate**" means the interest rate equal to the lesser of (i) three percent (3%) in excess of the interest rate provided in the Bonds or (ii) the Maximum Lawful Rate.

"**Defeasance Collateral**" shall have the meaning set forth in Section 7.1(1)(B) hereof.

"**Determination of Taxability**" means a final judgment or order of a court of original jurisdiction, a final order of any other court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on any of the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person to such a 'substantial user,'" as such terms are used in Section 147(a) of the Code, and except as a result of any alternative minimum tax, preference tax, or other similar tax) is not excludable from the gross income of the recipients thereof for federal income tax purposes. With respect to the foregoing, a judgment or order of a court or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal or action has expired.

"**Event of Default**" means any of those events defined as Events of Default by Section 8.1 of this Indenture.

"**Extended Use Agreement**" has the meaning give to such term in Section 12.8 hereof.

"**Facility**" means the buildings and improvements located on the Land as they may now or from time to time exist.

"**Funds**" means, collectively, the Bond Fund, the Project Fund, the Rebate Fund, the Revenue Fund, the Mortgage Recovery Fund, and the Costs of Issuance Fund. Each of the Funds, except the Cost of Issuance Fund, shall be maintained by the Trustee at the Bondholder Representative pursuant to the terms of this Indenture.

"**General Partner**" has the meaning assigned to that term in the Loan Agreement.

"**Governmental Authority**" has the meaning assigned to that term in the Loan Agreement.

"**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.

"**Hazardous Substances**" has the meaning assigned to that term in the Mortgage.

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

"**Indenture**" means this Trust Indenture, as the same may from time to time be amended or supplemented as herein provided.

"**Independent Accountant**" means a certified public accountant or firm of certified public accountants selected by the Borrower registered and qualified to practice as such under the laws of the State, and not employed by the Issuer or the Borrower, except to perform independent audits of the books and records of either or both of them or other similar periodic reviews and to perform other independent services.

"**Independent Counsel**" means any attorney acceptable to the Trustee, duly admitted to practice law before the highest court of any state or of the District of Columbia, who may be counsel to the Issuer but who may not be an officer or an employee of the Issuer.

"**Initial Bond**" means the Initial Bond registered by the Comptroller and subsequently canceled and replaced by definitive Bonds for each maturity.

"**Interest Account**" means an Account of the Bond Fund established pursuant to Section 5.4 hereof.

"**Investor's Letter**" means a letter in the form of Exhibit C hereto and executed by the initial Holder and any subsequent transferees of the Bonds pursuant to Section 2.12 hereof.

"**Issuer Fees**" means an initial fee equal to 50 basis points of the bond principal amount, due and payable on the Closing Date, and the annual prorated amount payable January 1 of each year beginning January 1, 2017 to the Issuer for its ordinary monitoring fees and expenses under the Indenture in an amount equal to the greatest of (a) .0003 times the amount of Bonds Outstanding on January 1 of each year, (b) $12 times the number of units in the Project, and (c) $1,200 per year.

"**Land**" has the meaning assigned to that term in the Loan Agreement.

"**Loan**" has the meaning provided in the Recitals.

"**Loan Agreement**" means the Loan Agreement dated of even date herewith by and among the Issuer, the Bank, as Bondholder Representative, and the Borrower, as the same may from time to time be amended, modified, or supplemented as provided therein and in this Indenture.

"**Loan Documents**" means the Loan Agreement, the Note, the Mortgage, the Collateral Assignment, and assignments by Borrower to the Trustee of the Construction Contract, Architecture Contract, and Plans and Specifications and consents by the contracting parties to such

assignments, as the same may be amended modified, supplemented or assigned from time to time, and any and all other documents evidencing, securing or otherwise governing the Loan.

"**Maturity Date**" means November 1, 2019, provided that if the Construction Term Maturity Date is not extended as provided for in Section 4.2(e) of the Loan Agreement, in that event, the Bonds shall be subject to the put option set forth in Section 3.5.

"**Maximum Lawful Rate**" means the maximum non-usurious interest that at any time or from time to time may be contracted for, taken, reserved, charged, or received on the indebtedness under this Indenture under Chapter 1204, Texas Government Code, as amended, to the extent allowed by law, under such applicable laws that may hereafter be in effect and that allow a higher maximum non-usurious interest rate than applicable laws now allow.

"**Mortgage**" means the Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing of even date herewith from the Borrower as grantor to the trustee named therein for the benefit of the Issuer, and assigned to the Trustee, with respect to the Project, as the same may from time to time be amended, modified or supplemented as provided therein and in this Indenture.

"**Mortgaged Property**" has the meaning assigned to that term in the Mortgage.

"**Mortgage Recovery Fund**" means the Fund created by Section 5.7 hereof.

"**Net Foreclosure Proceeds**" shall have the meaning set forth in the Mortgage.

"**Note**" means the Promissory Note in the original principal amount of $11,500,000.00, made as of even date herewith, by the Borrower to the order of the Issuer and assigned by the Issuer to the Trustee for the benefit of the Holder.

"**Operations Office**" with respect to the Trustee means the designated office of the Trustee or any affiliate of the Trustee for the payment of interest and principal on the Bonds.

"**Ordinary Fees and Expenses**" means the fees and expenses charged or incurred by the Trustee in the fulfillment of its obligations hereunder, which are reimbursable to the Trustee from the Trust Estate, plus its indirect out-of-pocket expenses.

"**Outstanding Bonds**" or "**Bonds Outstanding**" means, as of the date of determination, all Bonds theretofore issued and delivered under this Indenture except:

(a) Bonds theretofore canceled by the Bond Registrar, the Paying Agent, or the Trustee or delivered to the Bond Registrar, the Paying Agent, or the Trustee for cancellation;

(b) Bonds for which payment or redemption moneys or securities (as provided in Section 2.10 hereof or Article 7 hereof) shall have been theretofore deposited with the Trustee or the Paying Agent in trust for the Holders of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to this Indenture or irrevocable action shall have been taken to call such Bonds for redemption at a stated redemption date; and

(c) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to Section 2.7 hereof or other provisions of this Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Bonds owned by the Borrower shall be disregarded and deemed not to be Outstanding Bonds (unless the Borrower owns all the Bonds otherwise outstanding, in which case they shall be deemed Outstanding), except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Trustee actually knows to be so owned shall be disregarded.

"**Paying Agent**" means the Trustee or any other entity designated pursuant to this Indenture as the agent of the Issuer and the Trustee to receive and disburse the principal of and premium, if any, and interest on the Bonds. The parties agree that the Trustee has designated Capital One, National Association as the Paying Agent so long as Capital One, National Association is the Holder of the Bonds.

"**Payment Date**" has the meaning assigned to that term in the Loan Agreement.

"**Permitted Investments**" means, to the extent not prohibited by State law, the following:

(a) certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest;

(b) investments in any of the following obligations, provided such obligations are backed by the full faith and credit of the United States: (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) mortgage-backed securities of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank, (f) project notes and local authority bonds of the United States Department of Housing and Urban Development, or (g) obligations of the Private Export Funding Corp.;

(c) investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of the unpaid principal) of the Federal National Mortgage Association or (d) senior debt obligations of the Student Loan Marketing Association;

(d) repurchase agreements with primary dealers and/or banks rated "A" or better by either of the Rating Agencies collateralized with the obligations described in (a) or (b) above held by a third-party custodian (including those of the Trustee or an affiliate thereof);

(e) money market mutual funds (including such funds of or managed by the Trustee or an affiliate of the Trustee) registered with the Securities Exchange Commission

"**Project Fund**" means the fund created under Section 5.2 hereof.

"**Qualified Project Costs**" means the Project costs that are incurred no earlier than 60 days prior to the Inducement Date (provided that such 60-day limitation does not apply to (a) any amount not in excess of $100,000 and (b) preliminary expenditures, as defined in Section 1.150-2(f)(2) of the Regulations, that are not in excess of 20% of the sale proceeds of the Bonds) and no earlier than three years prior to the date reimbursed with proceeds of the Bonds, but in no event may such costs be 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 of the Bonds; provided that such costs are chargeable to a capital account with respect to the Project, (or would be so chargeable either with a proper election by the Borrower or with the application of the definition of placed in service under Section 1.150-2(c) of the Regulations) for federal income tax purpose; provided, however, that, only such portion of the interest accrued on the Bonds during, and fees for a "qualified guarantee" (within the meaning of Section 1.154-4 of the Regulations) attributable to the period of, the construction of the Project will constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project costs; and provided, however, that, if any portion of the Project is being constructed by the Borrower or a Related Person to the Borrower (whether as a general contractor or a subcontractor), "Qualified Project Costs" include only (x) the actual out-of-pocket costs incurred by the Borrower or such Related Person in constructing the Project (or any portion thereof), (y) any reasonable fees for supervisory services actually rendered by the Borrower or such Related Person (but excluding any profit component) and (z) any overhead expenses incurred by the Borrower or such Related Person that are directly attributable to the work performed on the Project and do 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 Related Person due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance.

"**Rating Agencies**" means Standard & Poor's Investment Services, a Division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc.

"**Rebate Analyst**" means any accountant, law firm, or consultant experienced in the calculation of arbitrage rebate selected by the Borrower and acceptable to Issuer.

"**Rebate Fund**" means the fund so designated in Section 5.6 hereof into which the Trustee is to deposit with the Bondholder Representative rebatable arbitrage paid by the Borrower.

"**Rebate Requirement**" or "**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 defined and determined in accordance with Section 1.148 3 of the Regulations.

"**Record Date**" means with respect to any Payment Date, (a) the close of business on the 15th day of the month (whether or not a Business Day) prior to such Payment Date or (b) if there is a default in payment of interest and principal due on such Payment Date, a Special Record Date (as defined in the Bonds) and payment date for the payment of such defaulted interest established

by the Trustee by notice mailed by the Trustee; such notice shall be mailed not less than fifteen (15) days preceding the applicable special payment date, to the Holders as set forth in the Bond Register at the close of business on the Special Record Date.

"**Record Date Holders**" has the meaning provided in Section 2.2(7) of this Indenture.

"**Recovery Proceeds**" means the proceeds of any insurance recovery or Condemnation Award less amounts reimbursed to the Borrower, the Trustee, and the Issuer for expenses incurred in connection therewith.

"**Redemption or Purchase Account**" means an Account of the Bond Fund established pursuant to **Section 5.4** hereof.

"**Regulations**" means the applicable 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 temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"**Regulatory Agreement**" means the Regulatory and Land Use Restriction Agreement of even date herewith, among the Borrower, the Issuer, and the Trustee, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

"**Related Person**" means a "related person" within the meaning of section 144(a)(3) of the Code.

"**Representative**" means any officer of the Issuer or of the General Partner, or any other Person at any time designated to act on behalf of the Issuer or the Borrower, as the case may be, as evidenced by a written certificate furnished to such other party and the Trustee containing the specimen signature of such Person and signed for the Issuer by any officer or for the Borrower by any officer of the General Partner. The Trustee may conclusively presume that a Person designated in a written certificate filed with it as a Representative is a Representative until such time as the Issuer or the Borrower, as the case may be, files with it a written certificate satisfying the above requirements, identifying a different Person or Persons to act in such capacity.

"**Requirements**" shall have the meaning assigned to that term in the Loan Agreement.

"**Resolution**" means the resolution adopted by the board of the Issuer on _____, 2017.

"**Responsible Officer**" means any person duly authorized and designated by the Trustee, the Bond Registrar, or the Paying Agent to act on its behalf in carrying out the applicable duties and powers of such entity as set forth in this Indenture; any action required by the Trustee, the Bond Registrar, or the Paying Agent under this Indenture may be taken by a Responsible Officer.

"**Revenue Fund**" means the Fund designated in Section 5.3 hereof.

"**Securities Act**" has the meaning provided in Section 2.12 hereof.

"**Sponsor**" means the City of Austin, Texas.

"**State**" means the State of Texas.

"**Subordinated Bond Interest Account**" means an Account of the Bond Fund established pursuant to Section 5.4 hereof.

"**Subordinated Bond Principal Account**" means an Account of the Bond Fund established pursuant to Section 5.4 hereof.

"**Subordinated Bond Redemption or Purchase Account**" means an Account of the Bond Fund established pursuant to Section 5.4 hereof.

"**Subordinated Bonds**" means Bonds which are purchased by or at the written direction of Borrower with the consent of the Bondholder Representative pursuant to Section 2.9(9) hereof.

"**Tax Certificate**" means the Federal Tax Certificate dated the date of closing executed by the Issuer.

"**Tax Credits**" means the federal low income housing tax credits allocated to the Project pursuant to Section 42 of the Code (and which are referred to as the Low-Income Housing Tax Credit in the Loan Agreement).

"**Title Company**" means Heritage Title Company of Austin, Inc.

"**Title Policy**" has the meaning assigned to that term in the Loan Agreement.

"**Treasury**" means the United States Department of the Treasury, and any successor to its functions.

"**Trustee**" means BOKF, NA, a national banking association organized and existing under the laws of the United States of America and authorized to accept and execute trusts of the character set out herein, and any co-Trustee or successor Trustee appointed, qualified, and then acting as such under the provisions of this Indenture, together with their respective successors and assigns.

"**Trust Estate**" means the Trust Estate as described and set forth in the Granting Clauses hereof.

"**Unassigned Issuer's Rights**" means (a) all of the Issuer's right, title and interest in and to all reimbursement, costs, expenses and indemnification, (b) all rights of the Issuer to receive the Issuer's Fee and any Rebate Amount, (c) all rights of the Issuer to receive notices, reports and other statements and to make any determination and to grant any approval or consent to anything in this Indenture, the Loan Agreement, the Regulatory Agreement and the Loan Documents requiring the determination, consent or approval of the Issuer (but, as to the Loan Documents, only to the extent of the Issuer's Unassigned Issuer's Rights, as defined therein), (d) all rights of the Issuer of access to the Mortgaged Property and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Tax Certificate and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Issuer set forth in this Indenture, the Loan Agreement, the Regulatory Agreement

and the Loan Documents, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Loan Agreement, the Regulatory Agreement and the Loan Documents, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) no warranties of suitability or merchantability by the Issuer, (f) all rights of the Issuer in connection with any amendment to or modification of this Indenture, the Loan Agreement, the Regulatory Agreement and the Loan Documents (but, as to the Loan Documents, only to the extent of the Issuer's Unassigned Issuer's Rights, as defined therein), and (g) any and all limitations of the Issuer's liability and the Issuer's disclaimers of warranties set forth in this Indenture, the Regulatory Agreement or the Loan Agreement, and the Issuer's right to inspect and audit the books, records and permits of the Borrower and the Mortgaged Property.

"**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 1.2. Rules of Interpretation.

(1) This Indenture shall be governed by and construed in accordance with the laws and judicial decisions of the State, except as they may be preempted by Federal rules, regulations, and laws applicable to the Issuer. References in this Indenture and the other Bond Documents to particular sections of the Internal Revenue Code, the Uniform Commercial Code, or any other legislation, rule, or regulation shall be deemed to refer also to any successor sections thereto or other re-designation for codification purposes. The Issuer and the Trustee expressly acknowledge and agree that any judicial action to enforce any rights of the Issuer under this Indenture may be brought and maintained at the option of the acting party in any state district court in the State having jurisdiction over the matter or in the United States District Court for any district in the State having jurisdiction over the matter or in any United States Bankruptcy Court in any case involving or having jurisdiction over the Borrower or over the Project.

(2) References in this Indenture to any particular article, section, or subdivision hereof are to the designated article, section, or subdivision of this Indenture as originally executed.

(3) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and all computations provided for herein shall be made in accordance with generally accepted accounting principles consistently applied and applied on the same basis as in prior years.

(4) The Table of Contents and titles of articles and sections herein are for convenience of reference only and are not a part of this Indenture and shall not define or limit the provisions hereof.

(5) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine gender and neuter state and vice versa.

(6) Articles, sections, subsections, and clauses mentioned by number only are those so numbered which are contained in this Indenture.

(7) Any opinion of counsel called for herein shall be a written opinion of such counsel.

(8) Every "request," "order," "demand," "direction," "application," "appointment," "notice," "statement," "certificate," "consent," or similar action under this Indenture by any party shall, unless the form of such issuance is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature.

(9) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of adoption of this Indenture.

(10) Words of the masculine gender shall mean and include correlative words of the female gender and the neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.

(11) Words importing the redemption of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond.

(12) References in this Indenture to particular sections of the Code, the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other re-designation for codification purposes.

(13) The terms "receipt", "received", "recovery", "recovered" and any similar terms, when used in this Indenture with respect to moneys or payments due the Issuer, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Issuer, the Owners of the Bonds or the Trustee on its behalf.

(14) All references herein to time shall be to the prevailing Central time.

(15) All references in this Indenture to "counsel fees," "attorney fees," or the like shall mean and include fees and disbursements of in-house or outside counsel, whether or not suit is instituted, and including fees and disbursements preparatory to and during trial and appeal and in any bankruptcy or arbitration proceeding.

ARTICLE 2

THE BONDS

Section 2.1. Authorized Amount and Form of Bonds. Bonds secured by this Indenture shall be issued in fully registered form without coupons and in substantially the form set forth herein with such appropriate variations, omissions, and insertions as are permitted or required by this Indenture, and in accordance with the further provisions of this Article 2. The maximum

aggregate principal amount of Bonds that shall be issued hereunder shall be $11,500,000.00, unless duplicate Bonds are issued as provided in Section 2.7 hereof or 2.12 hereof. The Bonds, together with the Certificate of Authentication, the form of Assignment, and the registration information thereon, shall be in substantially the forms found at Exhibit B hereto.

Section 2.2. Issuance of Bonds. The Bonds shall:

(1) be dated as of the Dated Date;

(2) be initially issued and delivered as fully registered bonds without coupons, in the minimum denominations of $100,000 or any amount (including cents) in excess of $100,000; except that a Bond may be exchanged after redemption or purchase for a Bond in the Authorized Denomination of less than $100,000 to the extent necessary to represent the unredeemed portion of such Bond;

(3) be designated Series 2017 Bonds;

(4) except for the Initial Bond which shall be numbered TA-1, the Bonds shall be numbered from R-1 upwards in chronological order of delivery for each respective series of Bonds with such number being preceded by such designation as the Trustee shall determine;

(5) mature on the Maturity Date, and shall be subject to the put option pursuant to Section 3.5 of this Indenture;

(6) shall bear interest from the Bond Closing Date at the rates provided for in the Bonds; provided that the interest rate on the Bonds will be increased to a per annum rate equal to the Default Rate both prospectively and retroactively to the date on which a Determination of Taxability on the Bonds shall be applicable, and the Borrower shall pay to the Holders promptly upon demand any interest due retroactively;

(7) be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at the Operations Office of the Trustee or Paying Agent, except that interest on the Bonds will be payable either by instruction to the depositary or by check mailed on the Payment Date by the Trustee to the Holders of such Bonds on the applicable Record Date (the "**Record Date Holders**" as defined in the form of Bond set forth in Exhibit B hereto) at the last addresses thereof as shown in the Bond Register on the applicable Record Date; and, if the Bonds are not in book-entry form, the principal of and any premium on any Bonds shall be payable at the Operations Office of the Trustee without presentation and surrender of the Bonds except for the final principal payment; and

(8) be subject to redemption upon the terms and conditions and at the redemption prices specified in Article 3 hereof.

(9) Notwithstanding anything contained herein to the contrary, during any period of time that the Note bears interest at the Default Rate or late charges are due under Section 4.3(5) of the Loan Agreement, the Bonds shall also bear interest at the Default Rate

including any late charges under Section 4.3(5) of the Loan Agreement and during any period of time that the Note bears interest at the rate described in Section 7.14 of the Loan Agreement, the Bonds shall also bear interest at such rate; provided that in no event shall the interest rate on the Bonds including any late charges due under Section 4.3(5) of the Loan Agreement exceed the Maximum Lawful Rate. Late charges due under Section 4.3(5) of the Loan Agreement are in addition to the Default Rate. If the date for payment of the principal of, premium, if any, or interest on the Bonds shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment. Any Holder of at least $1,000,000 principal amount of any Bonds (or a lesser amount of such Bonds if such Bonds constitute all the Bonds at the time Outstanding), upon payment by the Holder of the costs of wire transfers, may file with the Trustee an instrument satisfactory to the Trustee not less than five (5) days prior to the applicable Record Date requesting the interest amounts payable by the Trustee to such Holder be paid either by instruction to the depositary or by transferring by wire transfer in immediately available funds, on the day such payment is due, the amount to be distributed to such Holder to a designated account maintained by such Holder at any bank in the United States. The designation so given will be effective unless and until rescinded in writing by the Holder at least five (5) days prior to the Record Date for the Payment Date to which such rescission is designated to apply. The Trustee shall pay all amounts payable by the Trustee hereunder to such Holder by transfer directly to said designated bank in accordance with the provisions of any such instrument. All payments so made shall be valid and effective to satisfy and discharge the liability upon such Bonds. Notwithstanding the foregoing, all payments of principal of and interest on and/or premium on the Bonds payable on the Maturity Date, or any date of redemption (other than pursuant Section 3.5 hereof) shall only be payable upon presentation of the Bonds maturing, being redeemed at the Operations Office.

Section 2.3. Execution. (1) Bonds shall be signed by, or executed with the facsimile or manual signature of, the President, Vice President or Treasurer of the Issuer and attested by the facsimile or manual signature of Secretary or Assistant Secretary. In case any officer of the Issuer whose signature or whose facsimile signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until such delivery, and also any Bond may be signed by such persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of delivery of such Bond such persons may not have been such officers.

(2) THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE PLEDGED RECEIPTS OR FROM ANY OTHER MONEYS MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE FROM THE TRUST ESTATE; PROVIDED, HOWEVER, THAT UNDER THIS INDENTURE, THE ISSUER HAS RESERVED TO ITSELF, AND HAS NOT PLEDGED OR ASSIGNED, THE UNASSIGNED ISSUER'S RIGHTS. THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE STATE, THE SPONSOR OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE BONDS DO NOT CREATE A MORAL OBLIGATION ON THE PART OF

THE STATE, THE SPONSOR OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE AND EACH OF SUCH ENTITIES IS PROHIBITED FROM MAKING ANY PAYMENTS WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER. THE BONDS ARE ISSUED UNDER CHAPTER 394, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED.

Section 2.4. Registration and Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless a certificate of authentication or registration on such Bond, substantially in the form set forth in Exhibit B hereto, shall have been duly executed manually by a Responsible Officer of the Bond Registrar or, with respect to the Initial Bond, the Comptroller, respectively. Certificates of authentication or registration on different Bonds need not be signed by the same person. The Bond Registrar shall authenticate the signatures of officers of the Issuer on each Bond (other than the Initial Bond) by execution of the certificate of authentication on the Bond; and the certificate of authentication so executed on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Indenture.

Section 2.5. Conditions Precedent to the Delivery of Bonds. Upon the execution and delivery of this Indenture and delivery of the purchase price of the Bonds, the Issuer shall execute and deliver the Bonds to the Bond Registrar, and the Bond Registrar shall authenticate the Bonds (other than the Initial Bond that bears the certificate of registration of the Comptroller) for delivery from time to time as required by this Indenture. The Bond Registrar shall deliver the Initial Bond to or upon the order of the purchaser of the Bonds at such time as may be directed by the Issuer. Concurrently with the delivery of the Bonds, the Trustee shall have received the following:

(1) original executed counterparts of the Loan Agreement, the Note (endorsed to the Trustee), the Tax Certificate, and this Indenture;

(2) copies of original executed counterparts of the Mortgage, the Regulatory Agreement, and UCC financing statements with evidence of recording and filing or evidence that they will be recorded and filed as appropriate;

(3) to the extent required by the Bondholder Representative and identified in writing to the Trustee (as it may direct the Title Company to provide to the Trustee), copies of original executed counterparts of all Loan Documents not specifically referred to in paragraphs (1) and (2) above;

(4) a copy, duly certified, of the Resolution passed by the governing body of the Issuer, approving the execution and delivery of this Indenture, the Loan Agreement and the Regulatory Agreement and the issuance of the Bonds;

(5) a request and authorization (which may be part of a certificate of the Issuer) to the Trustee on behalf of the Issuer, signed by the Representative of the Issuer, to deliver the Bonds to the purchaser identified upon payment to the Trustee for the account of the Issuer of a specified sum and payment of the Costs of Issuance;

(6) the opinion of counsel to the Borrower in the form required by Bond Counsel and counsel to the Bondholder Representative, addressed to the Issuer, the Trustee, the Borrower, and the Bondholder Representative;

(7) the opinion of Bond Counsel, addressed to the Issuer, the Trustee, and the Bondholder Representative, to the effect that (a) the Bonds have been duly and validly issued, and (b) the interest on the Bonds is excludable from gross income of the Holder thereof for federal income tax purposes, subject to the customary assumptions and qualifications;

(8) an original of an Investor's Letter executed by the Bondholder Representative and addressed to the Trustee and the Issuer, in the form of Exhibit C hereto;

(9) the approving opinion of the Attorney General of the State approving the Bonds; and

(10) any other documents or opinions which the Trustee, the Issuer, or Bond Counsel may reasonably require.

Section 2.6. No Additional Bonds. No additional Bonds may be issued hereunder.

By delivery of the opinion required under subparagraph (7) Bond Counsel shall be deemed to have approved the form and content of the opinion delivered to the Trustee with respect to subparagraph (6). By delivery of the executed Loan Agreement, the Bondholder Representative shall be deemed to have approved the form and content of the items delivered to the Trustee pursuant to subparagraphs (6), (7), (9) and (10).

Section 2.7. Mutilated, Lost, or Destroyed Bonds. In case any Bond issued hereunder shall become mutilated or be destroyed or lost, the Issuer shall, if not then prohibited by law, cause to be executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like amount, series, Maturity Date, and tenor, in exchange and substitution for and upon cancellation of any such mutilated Bond, or in lieu of and in substitution for any such Bond destroyed or lost, upon the Holder's paying the reasonable expenses and charges of the Bond Registrar and the Issuer and, in the case of a Bond destroyed or lost, the Holder's filing with the Bond Registrar of evidence satisfactory to the Bond Registrar and the Trustee that such Bond was destroyed or lost, and of the Holder's ownership thereof, and furnishing the Borrower, the Issuer, the Trustee, and the Bond Registrar with indemnity satisfactory to them. If the mutilated, destroyed, or lost Bond has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

Section 2.8. Ownership of Bonds. The Issuer, the Trustee, the Bond Registrar, and Paying Agent may deem and treat the Holder of any Bond, whether or not such Bond shall be overdue, as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes whatsoever, and the Issuer (or any agent thereof), the Trustee, the Bond Registrar, and the Paying Agent shall not be affected by any notice to the contrary.

Section 2.9. Registration, Transfer, and Exchange of Registered Bonds.

(1) The Bond Registrar shall, at the expense of the Borrower, prepare, execute, and authenticate fully registered Bonds (other than the Initial Bond), and shall cause to be

kept at the designated corporate trust office of the Bond Registrar (which will be the Operations Office for the Trustee if it is the Bond Registrar) a Bond Register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Trustee or the Bond Registrar shall provide for the registration of Bonds and the registration of transfers of Bonds. The Bond Registrar shall contain a record of every Bond, including bond number and principal amount at any time registered by the Bond Registrar (or, in the case of the Initial Bond, the Comptroller) or authenticated hereunder, together with the name and address of the Holder thereof, the date of registration or authentication, the date of transfer or payment, and such other matters as are appropriate for the Bond Register in the estimation of the Issuer, Bond Registrar and the Trustee.

(2) The transfer of each Bond is subject to registration by the Holder thereof only upon compliance with the conditions for registration of transfer imposed on the Holder under this Section 2.9 and Section 2.12 hereof. Upon surrender of any Bond at the operations office of the Bond Registrar, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate and deliver, in the name of the designated transferee or transferees (but not registered in blank or to "bearer" or a similar designation), one or more new Bonds of any Authorized Denominations of a like series and aggregate principal amount, having the same stated maturity and interest rate.

(3) At the option of the Holder, Bonds may be exchanged for other Bonds of any Authorized Denomination(s) of a like series and aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the operations office of the Bond Registrar, and upon payment of the taxes, if any, hereinafter referred to. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate and deliver, the Bonds which the Holder making the exchange is entitled to receive.

(4) All Bonds delivered in exchange for or upon transfer of Bonds shall be valid special and limited obligations of the Issuer evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bonds surrendered for such exchange or transfer.

(5) Registration of the transfer of a Bond may be made on the Bond Register by the Holder in person or by the Holder's attorney duly authorized in writing. Every Bond presented or surrendered for registration of transfer or exchange shall (i) be accompanied by evidence of compliance with the provisions of Section 2.12 hereof, and (ii) be duly endorsed or be accompanied by a written instrument or instruments of transfer, in the form printed on the Bond or in another form satisfactory to the Bond Registrar, duly executed and with guaranty of signature of the Holder thereof or his, her or its attorney duly authorized in writing, and (iii) include written instructions as to the details of the transfer of the Bond.

(6) No service charge shall be made to the Holder for any registration, transfer, or exchange, but the Bond Registrar and the Trustee shall require payment of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges expressly

provided in this Indenture to be made without expense or without charge to Holders, and any legal or unusual costs of transfers and lost bonds.

(7) Subject to the provisions of subsection (8) below, the Bond Registrar shall endeavor to comply with rules applicable to transfer agents registered with the Securities and Exchange Commission as to the 72-hour "turnaround" standard established for the transfer of registered corporate securities.

(8) The Bond Registrar shall not be required (a) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption or purchase of Bonds under this Indenture and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond so selected for redemption or purchase in whole or in part.

(9) Bonds purchased by the Borrower or any Related Person (to the extent that a Responsible Officer is given written notice by the Borrower that a Person is a Related Person) shall be cancelled, unless the Issuer and the Trustee receive the written consent of the Bondholder Representative and an opinion of Bond Counsel to the effect that such purchase will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; and the Bond Registrar shall register any Bonds purchased by any other Person at the written direction or request of the Borrower in the name of such Person with the written consent of the Bondholder Representative, and such Bonds shall be deemed to be "**Subordinated Bonds**". The Borrower shall provide written notice to the Trustee of any transfer of the Bonds pursuant to this Section 2.9(9) and the Trustee shall note on the Bond Register that such Bonds are Subordinated Bonds. In the absence of such written notice from the Borrower, the Trustee may presume that a purchase or transfer is not being made pursuant to this Section 2.9(9).

Section 2.10. Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal, premium, if any, or purchase price thereof becomes due, if funds sufficient to pay such Bond or the purchase price thereof shall have been paid to the Trustee (or the Paying Agent (if any)) for the benefit of the registered owner thereof, all liability of the Issuer to the registered owner thereof for the payment of such Bond or the purchase price thereof shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Trustee or other Paying Agent to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond. Any such moneys still held by the Trustee (or other Paying Agent, if any) after two years from the date on which such amount was paid to the Trustee or other Paying Agent, shall first, if and to the extent permitted by State law, be paid to the Trustee or other Paying Agent, to the extent of any amounts owed by the Borrower hereunder, and any remaining balance shall be paid to the Borrower and shall be discharged from the trust and all liability of the Paying Agent or the Trustee with respect to such funds shall cease; and the owner of such Bond shall thereafter be entitled to look only to the Borrower for payment, and the Borrower shall not be liable for any interest thereon. If any Bond purchased in accordance with Section 3.1 hereof is not presented for payment when the purchase price thereof becomes due, if funds sufficient to pay such purchase price shall have been paid to the Trustee (or the Paying Agent (if any)) for the benefit of the

registered owner thereof, the Trustee or the Bond Registrar shall authenticate and deliver a new Bond of like amount, series, Maturity Date, and tenor, but bearing a number not contemporaneously Outstanding, in substitution for such Bond or the principal amount thereof so subject to purchase.

Section 2.11. Disposition of Bonds. Whenever any Outstanding Bond shall be delivered to the Bond Registrar or the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.7 hereof or transfer pursuant to Section 2.9 hereof, such Bond shall be canceled and disposed of by the Bond Registrar or the Trustee, as the case may be, in accordance with its applicable policies, and counterparts of a certificate of cancellation evidencing such cancellation shall be furnished by the Bond Registrar, or the Trustee, as the case may be, to the Issuer and the Bond Registrar or the Trustee, as the case may be, from time to time, upon written request, and in accordance with the Bond Registrar's or the Trustee's policies.

Section 2.12. Restrictions on Transfer. Bonds or interests in Bonds may be transferred (i) to any subsidiary, affiliate or parent of the Bank; (ii) to any Person following receipt by the Trustee and the Issuer of evidence that each such Bond is rated "A" or better (or its equivalent) by one of the Rating Agencies, following delivery to the Trustee and the Issuer of an opinion of Bond Counsel to the effect that the exemption of the Bonds or any securities evidenced thereby from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and the exemption of this Indenture from qualification under the Trust Indenture Act of 1939, as amended, will not be impaired as a result of such transfer, and an opinion of Bond Counsel that such transfer will not adversely affect the exclusion of interest accrued on the Bonds from the calculation of gross income of the Holders thereof for federal income tax purposes; (iii) to an "accredited investor" (as defined in Rule 501(a)(1), (2), (3), (7), or (8) of Regulation D promulgated under the Securities Act); or (iv) to a Qualified Institutional Buyer (as defined in Rule 144A promulgated under the Securities Act).

The Bond Registrar shall not register any transfer or exchange of any Bonds or any interests therein pursuant to Section 2.12(i), (iii) or (iv) above unless a Holder's prospective transferee delivers to the Trustee and the Issuer an investor's letter substantially in the form set forth in Exhibit C hereto. The Issuer and the Trustee shall be entitled to rely, without any further inquiry, on any investor's letter delivered to them and shall be fully protected in registering any transfer or exchange of any Bonds in reliance on any such investor's letter. ANY SUCH HOLDER DESIRING TO EFFECT SUCH TRANSFER SHALL AGREE TO INDEMNIFY THE BORROWER, THE ISSUER, THE TRUSTEE, THE PAYING AGENT, AND THE BOND REGISTRAR FROM AND AGAINST ANY AND ALL LIABILITY, COST OR EXPENSE (INCLUDING ATTORNEYS' FEES) THAT MAY RESULT IF THE REPRESENTATIONS CONTAINED IN SUCH INVESTOR'S LETTER ARE FALSE IN ANY MATERIAL RESPECT. The Trustee or the Bond Registrar, as the case may be, are authorized and directed to put a stop order on the Bond Registry in regard to the foregoing restrictions on the transfer of the Bonds.

The Bond Registrar will have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any restrictions other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and, to do so, if and when expressly

Borrower, the Bondholder Representative, the Holders, or the Issuer may from time to time designate in writing to the Trustee.

Section 4.6. Access to Bond Register. At reasonable times and under reasonable regulations established by the Bond Registrar, the Bond Register or a copy thereof may be inspected and copied by the Borrower, the Issuer, the Trustee, or the Holders of ten percent (10%) or more in principal amount of the then Outstanding Bonds (or a designated representative thereof), such authority of any such designated representative to be evidenced to the reasonable satisfaction of the Bond Registrar. Except as otherwise may be provided by law, the Bond Register shall not be deemed a public record and shall not be made available for inspection by the public, unless and until notice to the contrary is given to the Bond Registrar by the Issuer and the Bondholder Representative.

Section 4.7. Rights Under Loan Agreement. The Loan Agreement sets forth covenants and obligations of the Issuer and the Borrower, and reference is hereby made to the same for a detailed statement of said covenants and obligations. The Issuer agrees to cooperate in the enforcement of all covenants and obligations of the Borrower under the Loan Agreement and agrees that the Trustee and the Bondholder Representative may enforce all rights of the Issuer (other than the Unassigned Issuer's Rights) and all obligations of the Borrower under and pursuant to the Loan Agreement in their respective names and on behalf of the Holders, whether or not the Issuer has undertaken to enforce such rights and obligations.

Section 4.8. Rights Under Mortgage. (1) The Issuer acknowledges that it has assigned its interest in and to the Mortgage, other than the Unassigned Issuer's Rights, to the Trustee under this Indenture and that such instrument further secures payment of the Loan, interest thereon, and amounts due under certain other Loan Documents, and reference is hereby made to the same for a detailed statement of the obligations of the parties thereto.

(2) Subject to the terms of the Mortgage, the Loan Agreement and the Regulatory Agreement, unless an Event of Default exists under the Loan Documents, the Borrower shall be permitted to possess, use, and enjoy the Mortgaged Property and to receive and use the issues and profits of the Mortgaged Property.

Section 4.9. Tax Covenants Relating to the Bonds.

(1) 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, 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

Section 4.10. Change in Law. To the extent that published rulings of the Internal Revenue Service, or amendments to the Code or the Regulations modify the covenants of the Issuer or the Trustee which are set forth in this Indenture or which are necessary for interest on any issue of the Bonds to be excludable from gross income for federal income tax purposes, at the Borrower's expense the Trustee and the Issuer will comply with such modifications to the extent advised in writing by Bond Counsel so to do and to the extent such required actions are within the scope of their respective duties and obligations.

Section 4.11. **INDEMNIFICATION. THE BORROWER SHALL INDEMNIFY THE TRUSTEE OR ANY PREDECESSOR TRUSTEE AND THEIR AGENTS FOR, AND TO HOLD THEM HARMLESS AGAINST, ANY AND ALL LOSS, DAMAGE, CLAIMS, LIABILITY OR EXPENSE, ARISING OUT OF OR IN CONNECTION WITH THE ACCEPTANCE OR ADMINISTRATION OF THE TRUST OR TRUSTS HEREUNDER, INCLUDING THE COSTS AND EXPENSES OF DEFENDING ITSELF AGAINST ANY CLAIM (WHETHER ASSERTED BY THE BORROWER, OR ANY HOLDER OR ANY OTHER PERSON) OR LIABILITY IN CONNECTION WITH ENFORCING THE PROVISIONS OF THIS SECTION, EXCEPT TO THE EXTENT THAT SUCH LOSS, DAMAGE, CLAIM LIABILITY OR EXPENSE HAS BEEN ADJUDICATED BY A COURT OF COMPETENT JURISDICTION IN A FINAL, NON-APPEALABLE JUDGMENT TO HAVE BEEN DUE TO THE TRUSTEE'S (OR ANY OF ITS AGENT'S) OWN NEGLIGENCE OR WILLFUL MISCONDUCT.**

Section 4.12. Program Investment

The proceeds of the Bonds are to be used to finance the Project. With respect to the Bonds:

(a) At least 95 percent of all obligations acquired with the proceeds of the Bonds, by amount of cost outstanding, will be evidences of loans to a substantial number of persons representing the general public, loans to exempt persons, or loans to provide housing and related facilities, or any combination of the foregoing.

(b) At least 95 percent of all amounts received by the Issuer with respect to the Bonds will be used for one or more of the following purposes: to make loans to provide housing, to pay the principal or interest or otherwise to service the debt on the Bonds; to reimburse the Issuer or to pay for administrative costs of issuing such obligations; or to redeem or retire such Bonds of the Issuer at the next earliest possible date of redemption.

(c) Any person or any related party, as defined in section 1.150-1 of the Treasury Regulations, as amended, from whom the Issuer may acquire obligations, shall not, pursuant to an arrangement, formal or informal, purchase the Issuer's bonds in an amount related to the amount of the obligations to be acquired from such person by the Issuer.

(d) The Issuer does not waive the right to treat the Loan Agreement as a program investment.

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ARTICLE 5

FUNDS AND ACCOUNTS

Section 5.1. Trust Funds Pledged and Assigned to the Trustee. All payments, revenues, and income receivable by the Issuer under the Loan Agreement and Note and pledged and assigned by this Indenture to the Trustee, together with the balance of the Trust Estate, (i) shall be paid directly to the Trustee, which shall, in accordance with the second paragraph of this Section 5.1, deposit such funds in the Funds and Accounts established at the Bondholder Representative and (ii) subject to the provisions of Section 8.6 hereof, shall be deposited by the Trustee in the Funds and the Accounts described in this Article 5. Such funds so deposited shall be held in trust for the purposes set forth herein, and, except as otherwise provided herein, shall not be subject to any lien, levy, garnishment, or attachment by any creditor of the Issuer or the Borrower nor shall they be subject to any assignment or hypothecation by the Borrower. Moneys deposited with the Trustee at the Bondholder Representative as described in this Article 5 shall be maintained at and administered by the Trustee in trust, and pending application in accordance with the provisions of this Article 5 shall be subject to a lien and charge in favor of the Holders until applied as hereinafter provided. Subject to receipt of the necessary information from the Paying Agent, if it is not the Trustee, or the Bondholder Representative, the Trustee shall at all times maintain accurate records of deposits into and withdrawals from and transfers among such Funds and the day of receipt of such deposits, withdrawals, and transfers. In addition, each Fund shall constitute a segregated trust account or accounts maintained by the Trustee, segregated from all other funds of the Trustee, and

shall be established at the Bondholder Representative in the name of the Trustee (or the Borrower, as may be applicable), bearing the designation provided below with a qualifier indicating such fund is held with respect to the Bonds. The Trustee shall not deposit into such Funds any moneys other than as provided in this Indenture or the Loan Agreement.

As long as the Bank (or any affiliate of the Bank) is the Holder of all the Bonds, all the Funds and Accounts established under this Article 5, and all moneys and investments held in such Funds and Accounts, except the Costs of Issuance Fund, shall be deposited in accounts established at the Bank in the name of the Trustee for the benefit of the Holders of the Bonds, and the Bank shall be the custodian of such Funds and Accounts for and on behalf of the Trustee (which shall control the Funds and Accounts in the manner provided in this Indenture). The Bank as custodian shall have no beneficial ownership in the Funds and Accounts. In its capacity as custodian, the Bank shall furnish to the Trustee and the Issuer such reports and statements and other information reasonably requested by the Trustee or the Issuer as shall allow the Trustee and the Issuer to perform their respective duties under the Indenture. In connection with the full and final payment of the Bonds, at the direction of the Trustee and the Borrower, the Bank shall transfer the Funds and Accounts (and all moneys and investments held therein) to the Trustee.

Prior to any sale, transfer or other disposition of any of the Bonds by the Bank (or any affiliate of the Bank who is the Holder of the Bonds), the Trustee shall maintain the Funds and Accounts at the Bondholder Representative.

Section 5.2. Project Fund; Disbursement of Project Funds.

(1) A special trust fund is hereby created and designated the Project Fund. The proceeds of the Bonds (less any amounts representing proceeds of the Bonds deposited in the Costs of Issuance Fund) and any other amounts deposited by the Borrower shall be deposited with the Trustee on the Bond Closing Date for deposit in the Project Fund.

(2) No moneys shall be disbursed from the Project Fund until the Trustee shall have received evidence of the recordation of the Mortgage and the Regulatory Agreement in the real property records of Travis County, Texas. The Trustee may conclusively rely upon any email notice from the Title Company responsible for recording the Mortgage and the Regulatory Agreement as evidence of such recordation.

(3) Upon satisfaction of the requirements of this Section 5.2 and receipt from the Borrower of (a) a written requisition in the form of **Exhibit A** hereto, which requisition shall include Borrower's certification that not less than 95% of the funds representing proceeds of Bonds, including investment earnings, requisitioned will be expended for Qualified Project Costs that have not previously been paid or reimbursed and (b) written consent to such disbursement by the Bondholder Representative which will be provided according to the provisions regarding disbursement of funds from the Project Fund to the Borrower contained in the Loan Agreement, the Trustee shall promptly disburse all amounts requested in such requisition from funds in the Project Fund to the Borrower; provided, however, that disbursements from the Project Fund that qualify as Qualified Project Costs to pay scheduled interest payments on the Bonds prior to the Completion Date will not require the consent of the Bondholder Representative, until (i) the aggregate

of the Disbursements (as defined in the Loan Agreement) from the Project Fund prior to the Construction Term Maturity Date (without giving effect to any extension thereof) for payment of scheduled interest payments payable prior to the Construction Term Maturity Date total the sum of $812,667 or (ii) the Bondholder Representative gives the Trustee written notice that the Bondholder Representative's consent to any further such Disbursement is required, whichever is first. Until the Trustee receives written notice from the Bondholder Representative to the contrary, the Trustee may assume that the consent of the Bondholder Representative is required for the disbursement of funds from the Project Fund.

(4) Neither the Trustee nor the Issuer shall be responsible for the application by the Borrower of moneys disbursed to the Borrower (if any money is disbursed thereto) in accordance with this Section 5.2.

(5) All requisitions in the form provided by this Indenture and all other statements, orders, certifications, and approvals received by the Trustee, as required by this Article as conditions of payment from the Project Fund, may be conclusively relied upon by the Trustee, and shall be retained by the Trustee, subject at all reasonable times to examination by the Borrower, the Issuer, the Bondholder Representative, and the agents and representatives thereof.

(6) Without duplication of the terms and requirements of the Loan Agreement, all costs incurred in connection with the requisition and disbursement of funds from the Project Fund, including but not limited to the cost of the Project Engineer and updates to the Title Policy, shall be paid by the Borrower.

(7) On or after the full and final payment of the Bonds, all amounts remaining on deposit in the Project Fund representing amounts deposited by the Borrower shall be paid to the Borrower upon written request of the Borrower.

Section 5.3. Revenue Fund. A special trust fund is hereby created and designated the Revenue Fund.

(1) Deposits to the Revenue Fund. All Basic Payments under the provisions of the Loan Agreement and the Note are assigned by the Issuer to the Trustee pursuant to this Indenture for monthly deposit to the Revenue Fund.

(2) Uses of Revenue Fund. Provided no Event of Default has occurred and is continuing, funds on deposit in the Revenue Fund shall be distributed at least monthly by the Trustee as follows:

FIRST: to the Principal Account of the Bond Fund in an amount equal to the principal due on the next Payment Date, if any, other than Subordinated Bonds, and to the Interest Account of the Bond Fund in an amount equal to the interest due on the next Payment Date, other than Subordinated Bonds;

SECOND: to the Rebate Fund, the amount calculated as due with respect to a particular Bond Year by the Rebate Analyst (to the extent written notice of such amount has been provided by the Borrower to the Trustee);

THIRD: to the Issuer, the amount of its Issuer Administration Fee then due, Trustee, the amount of its Ordinary Fees and Expenses then due, if any, and then to the Rebate Analyst, the reasonable fees and expenses as billed and due to it for services hereunder;

FOURTH: to the Administration Account of the Bond Fund, 1/12th of the Rebate Analyst's Fee and to the Trustee and the Issuer, the Additional Charges of the Trustee and the Issuer, as applicable, which have not been paid pursuant to Section 4.3 of the Loan Agreement;

FIFTH: to the Subordinated Bond Interest Account of the Bond Fund in an amount equal to the interest due on the next Payment Date, if any, and to the Subordinated Bond Principal Account of the Bond Fund in an amount equal to the principal due on the next Payment Date.

On December 15 of each year (or such other time as approved by the Bondholder Representative) and provided that sufficient amounts have been deposited in the Revenue Fund to enable the Trustee to make all deposits (or arrears in deposits) required above, amounts on deposit in the Revenue Fund shall be disbursed by the Trustee to the Borrower or at the Borrower's request may be used as a credit against its payment obligations under the Note.

Section 5.4. Bond Fund. A special trust fund is hereby created by the Trustee and designated the Bond Fund. The Bond Fund shall contain (i) the Interest Account, (ii) the Principal Account, (iii) the Redemption or Purchase Account, (iv) the Subordinated Bond Interest Account, (v) the Subordinated Bond Principal Account, (vi) the Subordinated Bond Redemption or Purchase Account, and (vii) the Administration Account.

(1) **Interest Account**. The Trustee shall deposit to the Interest Account moneys transferred from the Revenue Fund as provided in Section 5.3 hereof. Moneys in the Interest Account shall be used to pay interest on the Bonds other than Subordinated Bonds as due. The Trustee shall also deposit to the Interest Account the proceeds, if any, from the Bonds to be used for interest as provided in Section 5.2(3) hereof.

(2) **Principal Account**. The Trustee shall deposit to the Principal Account moneys transferred from the Revenue Fund as provided in Section 5.3 hereof. Moneys in the Principal Account shall be used to pay principal of and sinking fund installments on the Bonds other than Subordinated Bonds when due.

(3) **Redemption or Purchase Account**. The Trustee shall deposit to the Redemption or Purchase Account any amounts of funds transferred or deposited to effect redemption (other than funds used for mandatory sinking fund redemption) or purchase of Bonds other than Subordinated Bonds pursuant to Article 3 hereof. Moneys on deposit in

the Redemption or Purchase Account shall be used for redemption or purchase of Bonds other than Subordinated Bonds pursuant to the provisions of Article 3 hereof.

(4) **Subordinated Bond Interest Account**. The Trustee shall deposit to the Subordinated Bond Interest Account moneys transferred from the Revenue Fund or any other Fund as specified herein to the extent available for payment of interest on the Subordinated Bonds. Any moneys in the Subordinated Bond Interest Account shall be used to pay interest on the Subordinated Bonds when due.

(5) **Subordinated Bond Principal Account.** The Trustee shall deposit to the Subordinated Bond Principal Account moneys transferred from the Revenue Fund or any other Fund as specified herein to the extent available for payment of principal on the Subordinated Bonds. Any moneys in the Subordinated Bond Principal Account shall be used to pay principal on the Subordinated Bonds when due.

(6) **Subordinated Bond Redemption or Purchase Account**. The Trustee shall deposit to the Subordinated Bond Redemption or Purchase Account any amounts of funds transferred or deposited to effect redemption (other than funds used for the periodic payment of principal) or purchase of the Subordinated Bonds. Any moneys on deposit in the Subordinated Bond Redemption or Purchase Account shall be used for redemption or purchase of Subordinated Bonds.

(7) **Administration Account**. The Trustee shall deposit to the Administration Account amounts of funds transferred or deposited to effect the payment of the Rebate Analyst's Fee and to the Trustee and the Issuer, the Additional Charges of the Trustee and the Issuer, as applicable, which have not been paid pursuant to Section 4.3 of the Loan Agreement

Section 5.5. Deposit of Funds with Paying Agent.

(1) If the Trustee is not the Paying Agent, the Trustee shall transfer and remit sums from the Bond Fund to the Paying Agent, on or before the Business Day immediately prior to each Payment Date or Maturity Date, from the balance then on hand in the Bond Fund, sufficient to pay all principal, interest and redemption premiums then due on the Bonds. The Paying Agent shall hold in trust for the Holders of such Bonds all sums so transferred to it until paid to such Holders or otherwise disposed of as herein provided.

(2) The Trustee will cause any Paying Agent which is not the Trustee or the Bondholder Representative to execute and deliver to it an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 5.5, that such Paying Agent will:

(A) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Holders of such Bonds until such sums shall be paid to such Holders or otherwise disposed of as herein provided; and

(B) at any time during the continuance of any Event of Default in the making of any such payment of principal (and premium, if any) or interest, upon the written request of the Trustee forthwith pay to the Trustee all sums so held in trust by such Paying Agent. The Trustee, acting as Paying Agent, shall also be bound by the terms of the foregoing requirements.

Section 5.6. Rebate Fund.

(1) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder, designated as the Rebate Fund. 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 hereunder 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 excludability from gross income of interest on the Bonds under the Code.

(2) The Trustee shall deposit or transfer to the credit of the account of the Rebate Fund each amount paid to the Trustee or moneys from other funds or accounts that the Trustee is authorized to transfer to the Rebate Fund. 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.

(3) The Trustee, on behalf of the Issuer at the written direction of the Borrower, 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) in the amount, to the place and in the manner required by Section 148(f) of the Code, the Regulations, and rulings thereunder. All such payments shall be made by the Trustee for the account and in the name of the Issuer and shall be paid by check mailed by certified United States mail (return receipt requested), addressed to the appropriate Internal Revenue Service Center (and, if appropriate, accompanied by Internal Revenue Service Form 8038-T as prepared by the Borrower on behalf of the Issuer and executed by the Issuer and such other statements, explanations or forms required pursuant to the Regulations or other Internal Revenue Service promulgations provided to it by or on behalf of Borrower).

(4) The Trustee shall preserve all statements, forms and explanations received from the Borrower, the Rebate Analyst or the Issuer pursuant to this Section and all records of transactions in the Rebate Fund until six (6) years after the discharge of the Bonds.

(5) The Trustee may conclusively rely on the information provided and the instructions and forms prepared by or on behalf of the Borrower 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 and the Issuer shall have no responsibility or duty to perform any rebate calculation or to expend its own funds to make any rebate payments. The Borrower has assumed the obligation to calculate and pay rebate amounts.

(6) If at any time during the term of this Indenture the Borrower, the Issuer or the Trustee shall desire to take any action that 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 excludability of interest on the Bonds from gross income of the owners of any such Tax-Exempt Bond for federal income tax purposes and shall be in compliance with the laws of the State.

(7) Notwithstanding any other provision of this Indenture, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this Section shall survive the defeasance or payment in full of the Bonds until such obligation is fully discharged. Any amounts remaining after such obligation is fully discharged shall be released to the Borrower.

Section 5.7. Mortgage Recovery Fund.

(1) The Trustee shall establish and maintain a special trust fund separate from any other Fund established and maintained hereunder designated as the Mortgage Recovery Fund.

(2) In the event there is damage, destruction, or Condemnation of the Project, the Recovery Proceeds shall be deposited in the Mortgage Recovery Fund and shall be disbursed in the following order of priority: (a) to pay or reimburse the Borrower for the costs of repairing or replacing the Project subject to the requirements provided in paragraph (6) below; (b) to the extent required or permitted by Section 6.5 of the Loan Agreement, or if the Borrower fails to comply with the requirements of paragraph (6) below, to redeem or purchase Bonds, in whole or in part, or to pay the principal of and interest on the Bonds upon the acceleration of the maturity thereof; (c) to pay or reimburse the Trustee for any outstanding Ordinary Fees and Expenses or Additional Charges then due and owed; (d) to make payments of principal and interest on the Bonds; and (e) to pay Additional Charges. The Trustee's use of Recovery Proceeds is further subject to the provisions of paragraph (4) below. No such amounts (except proceeds of business interruption or rental loss insurance) shall be allocated to pay Subordinated Bonds until all Bonds other than Subordinated Bonds have been paid in full or are no longer Outstanding.

(3) In the event of a foreclosure of the Mortgage, the Net Foreclosure Proceeds realized from the foreclosure sale shall be deposited in the Mortgage Recovery Fund and shall be withdrawn and disbursed by the Trustee to: (a) redeem Bonds, in whole; (b) make payments of principal and interest on the Bonds or other amounts due under the Loan Documents; or (c) pay Additional Charges. The Trustee's use of Net Foreclosure Proceeds pursuant to clause (c) is subject to the provisions of paragraph (4) below. No such amounts shall be allocated to pay Subordinated Bonds until all Bonds other than Subordinated Bonds have been paid in full or are no longer Outstanding.

(4) Moneys in the Mortgage Recovery Fund shall be transferred by the Trustee to the Bond Fund to pay principal of, premium and interest on the Bonds when due to the extent funds are not otherwise available to make payment on the Bonds when due. No

such amounts shall be allocated to pay Subordinated Bonds until all Bonds other than Subordinated Bonds have been paid in full or are no longer Outstanding.

(5) In the event moneys (other than Recovery Proceeds) are deposited in the Mortgage Recovery Fund pursuant to the Mortgage, such moneys shall be disbursed in the manner set forth in paragraph (3) above.

(6) (A) Amounts in the Mortgage Recovery Fund shall be applied to pay or reimburse the Borrower for the costs of repairing or replacing the Project only if the following conditions are satisfied:

(i) The Trustee shall have been furnished a written confirmation from the Bondholder Representative that the conditions contained in Section 6.4 of the Loan Agreement have been satisfied or waived;

(ii) The Borrower shall have provided the Bondholder Representative a construction statement itemizing the full cost of the repair or restoration (the "**Construction Statement**");

(iii) The Recovery Proceeds to be deposited in the Mortgage Recovery Fund to pay for such repair or restoration must be sufficient, as certified by the Borrower, to complete such repair or restoration as stated in the Construction Statement, or the Borrower must deposit in the Mortgage Recovery Fund the net difference prior to commencing repair or restoration;

(iv) Disbursements from the Mortgage Recovery Fund to pay the cost of such repair or restoration shall be made not more frequently than twice a month for restoration work completed and in place pursuant to the construction lending procedures and conditions contained in Sections 6.4 and 6.5 of the Loan Agreement; and

(v) The Borrower submits a written requisition in the form of Exhibit A hereto and the Bondholder Representative gives its written approval of such requisition.

(B) All requisitions in the form attached as Exhibit A hereto and all other statements, orders, certifications, and approvals received by the Trustee, as required by this Article as conditions of payment from the Mortgage Recovery Fund, may be conclusively relied upon by the Trustee, and shall be retained by the Trustee, subject at all reasonable times to examination by the Borrower (so long as the Loan Agreement shall remain in force and effect), the Issuer, and the agents and representatives of each of them.

(C) In the event that the Borrower does not deliver a Completion Certificate within ninety (90) days of the deposit of funds into the Mortgage Recovery Fund in accordance with the terms and schedule set forth above, the Trustee shall, after thirty (30) days' written notice from the Bondholder Representative to the Borrower of such failure and continuance of such failure at

the end of such period, either disburse moneys in the Mortgage Recovery Fund, including retainage for the payment of costs of repairing or replacing the Project or disburse moneys in the Mortgage Recovery Fund in accordance with written instructions from Bondholder Representative.

(D) Upon the completion of the repair or replacement of the Project (as evidenced by a certificate of the Borrower), the accumulated retainage shall be disbursed to the Borrower and the balance in the Mortgage Recovery Fund, shall be disbursed to the Borrower.

Section 5.8. RESERVED.

Section 5.9. Costs of Issuance Fund. A special trust fund is hereby created by the Trustee and designated the Costs of Issuance Fund (the "**Cost of Issuance Fund**"). There shall be deposited to the credit of the Costs of Issuance Fund as part of the Bond Closing. The Trustee shall first disburse proceeds of the Bonds; including investment earnings, and second disburse Borrower's equity contribution in such Fund upon written direction of the Issuer and receipt of written approval by the Bondholder Representative to pay or reimburse the Borrower for Costs of Issuance. Any proceeds of the Bonds, including investment earnings, in the Costs of Issuance Fund on the ninetieth (90th) day following the Bond Closing Date shall be transferred to the Project Fund, and any balance of the Borrower's equity contribution shall be returned to the Borrower free and clear of any lien thereon or pledge thereof created by this Indenture upon receipt by the Trustee of a written certification from the Bondholder Representative that all amounts then owing under and with respect to the Bond have been paid.

Section 5.10. Interest Earned on Funds. The interest earned from the investment of money held by the Trustee in each of the Funds and the Accounts created under this Article 5 (other than the Rebate Fund) shall inure to the benefit of the Borrower and shall be retained in such separate Fund or Account and applied as a credit against the payment next due into such separate Fund or Account.

Section 5.11. Final Balances. Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds, and upon satisfaction of all claims against the Issuer hereunder and under the Loan Documents, including any rebate obligation, and all fees, charges, and expenses of the Trustee, the Bond Registrar, the Issuer, and any Paying Agent which are properly due and payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all Funds, except: (1) moneys necessary to pay principal of, premium, if any, and interest on the Bonds, or the purchase price of Bonds due in accordance with Section 3.1(3) which moneys shall be held by the Trustee to be paid to the Holders; and (2) moneys, if any, set aside pursuant to Section 5.6 hereof, shall be remitted to the Borrower.

ARTICLE 6

INVESTMENTS

Section 6.1. Investments by the Trustee.

(1) Moneys held hereunder by the Trustee at the Bondholder Representative in the Funds shall, as nearly as may be practicable, be invested by the Trustee, unless an Event of Default known to the Trustee has occurred and is continuing under the Loan Agreement or other Loan Documents, (a) upon the written direction of the Borrower and approved in writing by the Bondholder Representative if required by (j) of the definition of Permitted Investments (which direction shall specify the amount thereof to be so invested), in Permitted Investments maturing on or before the Business Day immediately prior to the day such amounts are required and in the amounts required, to enable the Trustee to make payments due hereunder on the Bonds or otherwise, but in no event longer than 180 days (unless approved in writing by the Bondholder Representative) or (b) if no direction is provided to the Trustee pursuant to (1)(a) above, the Trustee will invest such moneys in the Goldman Sachs Financial Square Government Fund (CUSIP No. 381456836). If the foregoing fund ceases to be available or is not a Permitted Investment hereunder, the Trustee shall invest such funds in money market funds that qualify as Permitted Investments based upon written direction from the Borrower when there is no Default which is continuing known to the Trustee, or, in the event Borrower does give written instructions or is prohibited to do so, in a Permitted Investment as defined in (e) of the definition of the term Permitted Investments or in any other investment which is approved in writing delivered to the Trustee by the Bondholder Representative, as provided in (j) in the definition of Permitted Investments. The Trustee is authorized to implement its automated cash investment system to assure that cash on hand is invested, and to charge its normal cash management fees, which may be deducted from income earned on investments. The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities herein authorized. The Trustee shall not be responsible for any funds held by the Bank pursuant to Section 5.1.

(2) The Trustee shall sell and reduce to cash a sufficient portion of investments under the provisions of this Section whenever the cash balance in the Fund for which the investment was made is insufficient for its current requirements. Securities so purchased as an investment of money shall be held by the Trustee or its custodian, shall be registered in the name of the Trustee or the custodian or the nominee of either if registration is required, and shall be deemed at all times a part of the applicable Fund, and the interest accruing thereon and any profit realized from such investments shall be credited to the Fund from which the investment was made, subject to any transfer to another Fund as herein provided. Any loss resulting from such investment shall be charged to the Fund from which the investment was made, and in the event such loss reduces the amount held in such Fund below the amount required to be deposited in such Fund, the Trustee shall request the Borrower to transfer to the Trustee for deposit into such Fund at the Bondholder Representative the amount required to restore amounts in such Fund to the required amount. The Trustee shall not be liable for any loss incurred from the purchase or sale of any investment in accordance with directions given by the Borrower or the Bondholder Representative under this Section 6.1 or in accordance with subparagraph (1) above, except for any loss which has been adjudicated by court of competent jurisdiction in a final non-appealable judgment to have resulted from the Trustee's (or its employees) negligence or willful misconduct in not following the investment instructions provided herein. The Trustee shall not be held accountable for the Bonds being deemed "arbitrage bonds" if it makes investments pursuant to the instructions given to it in this Section 6.1.

(3) The Trustee may purchase from or sell to itself, or through any affiliated company, as principal or agent, securities herein authorized.

(4) Although the Issuer and the Borrower each recognizes that it may obtain a broker confirmation with respect to the investment of monies in any fund or account (or a written statement containing comparable information) at no additional cost, the Issuer and the Borrower hereby agree that confirmations of Permitted Investments are not required to be issued by the Trustee for any month in which a monthly statement is rendered. No statement need be rendered for any fund or account for any month if no activity occurred in such fund or account during such month.

(5) The Trustee may rely on the directions of the Borrower given as provided above as to the suitability, the legality and the compliance with the terms of this Indenture of the investments so directed.

Section 6.2. Computation of Balances in Funds. In computing the assets of any Fund established hereunder and investments, such assets and investments shall be valued at market value or at the redemption price thereof, if then redeemable at the option of the obligor, whichever is lower.

Section 6.3. Downgrade of Investments. Upon written notice to the Trustee that any rating of a Permitted Investment actually controlled by the Trustee during the term of this Indenture falls below such rating that is required pursuant to the definition of "Permitted Investments" then the Trustee shall within five Business Days after a Responsible Officer receives such notice of the downgrade of the rating of an investment shall give written notice to the Borrower and the Bondholder Representative of such downgrade. The Borrower shall within five (5) Business Days of the receipt of the downgrade notice from the Trustee, direct (with the written consent of the Bondholder Representative) the Trustee in writing to reinvest such downgraded investment in other Permitted Investments or the Trustee shall reinvest such downgraded investment in accordance with Section 6.1(1)(b). The Trustee shall not have a duty or obligation to monitor the investment grade of any Permitted Investment.

ARTICLE 7

DISCHARGE OF INDENTURE

Section 7.1. Payment of Bonds; Satisfaction, Defeasance, and Discharge of Bonds, and Obligation to Holders. Whenever the conditions specified in either clause (A) or clause (B) of the following subsection (1) and the conditions specified in the following subsections (2), (3), (4), and (5) to the extent applicable, shall exist, namely:

(1) either:

(A) all Bonds have become due and payable and all principal or premium, if any, and interest on the Bonds shall have been paid in full, or all Bonds have been canceled by the Trustee or delivered to the Trustee for cancellation, except for:

(i) Bonds for which funds have theretofore been deposited in trust or segregated and held in trust by the Paying Agent or the Trustee (even if thereafter repaid to the Issuer or discharged from such trust, as provided in Section 2.10 hereof); and

(ii) Bonds alleged to have been destroyed or lost which have been replaced or paid as provided in Section 2.7 hereof, and (1) which, prior to the satisfaction and discharge of this Indenture as hereinafter provided, have not been presented to the Paying Agent or the Trustee with a claim of ownership and enforceability by the Holder hereof, or (2) whose enforceability by the Holder thereof has been determined adversely to the Holder by a court of competent jurisdiction or other competent tribunal; or

(B) Borrower has deposited or caused to be deposited, as trust funds, with the Trustee for deposit at the Bondholder Representative cash and/or Permitted Investments of the type described in clause (i) of the definition of that term which do not permit the redemption thereof at the option of the issuer thereof, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the holder), will, without reinvestment, provide cash, which together with the cash, if any, deposited at the Bondholder Representative at the same time, shall be sufficient, to pay and discharge the entire indebtedness on Bonds (excluding Bonds described in clauses (i) and (ii) of paragraph (A) above) not theretofore canceled by the Trustee or Bond Registrar or delivered to the Trustee or Bond Registrar for cancellation at their stated maturity or redemption date, as the case may be (the "**Defeasance Collateral**"), and has made arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, by the Trustee at the expense of the Borrower in the same manner as is provided by Section 3.2 hereof;

(2) the Borrower has paid, caused to be paid or made arrangements satisfactory to the Trustee and the Issuer for the payment of all other sums due and payable by or on behalf of Borrower hereunder and under the Loan Documents, including any rebate obligation, and any Issuer Fees and any fees and expenses of the Trustee;

(3) if discharge is to be effected under paragraph (B) of subsection (1), the Borrower has delivered to the Trustee and the Issuer a report of an Independent Accountant stating that the payments to be made on any securities, together with the cash, if any, deposited pursuant to paragraph (B) of subsection (1) of this Section 7.1 will be sufficient to pay when due the principal of, premium, if any, and interest on the Bonds to be defeased;

(4) if discharge is to be effected under paragraph (B) of subsection (1) of this Section 7.1, an opinion of Bond Counsel is delivered to the Trustee and the Issuer stating in effect that such discharge will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes and that all conditions to such discharge contained in this Indenture have been satisfied; and

(5) if discharge is to be effected under paragraph (B) of subsection (1) of this Section 7.1, the Borrower has delivered to the Trustee and the Issuer an opinion of Independent Counsel which opinion may contain, and be subject to, conditions, exceptions or qualifications as are then customarily included in such opinions, to the effect that (i) the Defeasance Collateral has been duly and validly assigned and delivered to the Trustee, (ii) the security interest of the Trustee for the ratable benefit of the Holders, with respect to Defeasance Collateral, is a first priority perfected security interest as security for payment of the Bonds, (iii) making the payment which accompanies such opinion would not constitute an avoidable preference under Section 547 of the Bankruptcy Code or under applicable state law in the event of a filing of a petition for relief under the Bankruptcy Code or such applicable state law by or against the Borrower, and (iv) the Defeasance Collateral would not be part of the bankruptcy estate under Section 541 of the Bankruptcy Code or be subject to the automatic stay under Section 362 of the Bankruptcy Code in the event of a filing of a petition for relief under the Bankruptcy Code by or against the Borrower; then, except as otherwise provided in Section 7.5 hereof, the rights of the Holders shall be limited to the cash or cash and securities deposited as provided in subsection (1)(A)or (1)(B) of this Section 7.1, the rights and interest hereby granted or granted by the Loan Documents to or for the benefit of the Trustee or the Holders shall cease and terminate, and the Issuer and the Trustee shall, at the expense of the Borrower and upon the Borrower's request, execute and deliver such instruments of satisfaction and transfer as may be necessary, and forthwith the estate, right, title and interest of the Trustee and all rights under this Indenture and the Loan Documents (except the moneys or securities or both deposited as required above and rebatable arbitrage and except as may otherwise be provided in Section 7.5 hereof) shall thereupon be discharged and satisfied; except that in any event the obligations of the Borrower under Sections 4.3, 7.3, 11.3, 12.16, and 12.17 of the Loan Agreement shall survive.

Section 7.2. Cancellation of Surrendered Bonds. The Issuer or the Borrower may at any time surrender to the Trustee or Bond Registrar for cancellation by the Trustee any Bonds previously authenticated and delivered hereunder which the Issuer or Borrower acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 7.3. Payment of Bonds. Any Bonds shall be deemed paid if the conditions set forth in Section 7.1 hereof have been satisfied with respect thereto, even though other Bonds may remain Outstanding.

Section 7.4. Application of Deposited Money. All money, securities, and income thereon deposited at the Bondholder Representative pursuant to Section 7.1 hereof for the purpose of paying the principal, premium, if any, and interest on Bonds shall be applied by the Trustee solely for such purpose.

Section 7.5. Survival of Certain Provisions. Notwithstanding satisfaction of the conditions set forth in Section 7.1(1)(B) hereof, the provisions contained in Sections 4.7, 4.8, and 5.6 hereof shall survive the discharge of this Indenture pursuant to Section 7.1(1)(B) hereof.

ARTICLE 8

DEFAULT PROVISIONS AND REMEDIES

Section 8.1. Events of Default. Subject to the provisions of Section 8.10 hereof and the cure periods set forth below, each of the following events is hereby defined as and declared to be and to constitute an Event of Default (whatever the reason for such an Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule, or regulation of any administrative or governmental body):

(1) Failure to make payment of any interest on any Outstanding Bond other than a Subordinated Bond on the due date thereof; or

(2) Failure to make payment of the principal or purchase price of any Outstanding Bond other than a Subordinated Bond, on the stated maturity thereof, on the date fixed for redemption or purchase thereof or upon acceleration, or failure to timely pay any redemption premium, if any, on the Bonds other than Subordinated Bonds; or

(3) Failure to pay any other moneys required to be paid to the Trustee due on the Bonds otherwise under the provisions of this Indenture and such default shall have continued for a period of five (5) days after written notice thereof, specifying such default, shall have been given by the Trustee to the Issuer and the Borrower, or to the Issuer, the Borrower and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding; or

(4) Failure by Issuer to perform or observe any other of the covenants, agreements, or conditions on the part of the Issuer contained in this Indenture or in the Bonds, and such default shall have continued for a period of thirty (30) days after written notice thereof given in the manner provided in clause (3) above; or

(5) The occurrence of any Event of Default under the Loan Agreement.

The Trustee shall provide the Bondholder Representative, the Holders, the Borrower, and the Issuer notice of any Event of Default as provided in Section 9.3 hereof.

If no Bonds other than Subordinated Bonds are Outstanding, the Events of Default stated in clauses (1) and (2) above shall be construed as applicable to any Subordinated Bonds then Outstanding.

Notwithstanding anything to the contrary contained herein or in the Bond Documents, the Trustee and the Issuer hereby agree that any cure of any default made or tendered by the Investor Limited Partner or Guarantor shall be deemed a cure by the Borrower and accepted or rejected on the same basis as if made or tendered by the Borrower. The Investor Limited Partner and Guarantor shall have a period of thirty (30) days after receipt of notice or such longer period of time as is set forth herein or in the Bond Documents to cure a default prior to exercise of remedies by the Trustee or the Issuer hereunder or under any of the Bond Documents.

Section 8.2. Acceleration. If an Event of Default is then continuing, the Trustee shall upon written direction of the Bondholder Representative (which direction shall be provided at the option of the Bondholder Representative), by notice in writing delivered to the Issuer and the Borrower, declare the principal of all of the Bonds Outstanding and the unpaid interest accrued thereon immediately due and payable. The Trustee shall give notice of acceleration to Holders in the same manner as notice of redemption is given under Section 3.2 hereof (except as to the timing thereof) stating the accelerated date upon which the Bonds are due and payable.

Section 8.3. Remedies.

(1) During the continuance of an Event of Default, the Trustee shall only take such actions as the Bondholder Representative shall direct (subject to receipt of indemnity acceptable to it pursuant to Section 9.1 hereof) to enforce any and all rights available to the Issuer (other than the Unassigned Issuer's Rights) or Holders under this Indenture, the Loan Agreement, the Regulatory Agreement, and the Mortgage or otherwise, and, in this regard, is specifically authorized to transfer funds from any Fund created pursuant to Article 5 hereof (except rebatable arbitrage whether or not deposited in the Rebate Fund), and moneys held in trust for the payment of principal, premium, redemption price, or interest with respect to the Bonds which has matured or otherwise become payable prior to such Event of Default to the Bond Fund for its use in paying principal and interest on the Bonds. The Bondholder Representative may take any such action for and on behalf of the Trustee.

(2) No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or the Holders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy (i) given to the Trustee or to the Holders hereunder or (ii) now or hereafter existing at law or in equity or by statute.

(3) No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(4) No waiver of any Event of Default hereunder, whether by the Trustee or the Holders, shall extend to or shall affect any subsequent Event of Default or impair any rights or remedies consequent thereon (and in any event no waiver of an Event of Default shall be effective unless joined in or consented to by the Bondholder Representative).

Section 8.4. Direction of Proceedings by Bondholder Representative. Anything in this Indenture to the contrary notwithstanding, but subject to the Unassigned Issuer's Rights, the Bondholder Representative shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee and subject to receipt by the Trustee of indemnity acceptable to it pursuant to Section 9.1 hereof, to direct the method, time, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, the Loan Agreement, the Regulatory Agreement, and the Mortgage or for the appointment of a receiver or any other proceedings hereunder, provided that such direction shall

not be otherwise than in accordance with the provisions of law and of this Indenture, the Loan Agreement, the Regulatory Agreement, and the Mortgage.

Section 8.5. Waiver of Stay or Extension Laws. Upon the occurrence of an Event of Default, to the extent that such rights may then lawfully be waived, neither the Issuer nor anyone claiming through it or under it shall or will set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension, or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture, but the Issuer, for itself and all who may claim through or under it, hereby waives to the extent that it lawfully may do so the benefit of all such laws and all right of appraisement and redemption to which it may be entitled under the laws of the State.

Section 8.6. Priority of Payment and Application of Moneys. All Bonds issued hereunder and secured hereby shall be equally and ratably secured by and payable from the Bond Fund, without priority of one Bond over any other, except payment of any Subordinated Bond shall be subordinate to payment of the Bonds other than Subordinated Bonds and as otherwise expressly provided herein. During the continuation of an Event of Default, all moneys collected pursuant to action taken under the Loan Agreement, the Regulatory Agreement, or the Mortgage (other than sums payable directly to the Issuer in connection with Unassigned Issuer's Rights or deposited in the Rebate Fund), after payment of the costs and expenses (including court costs and reasonable attorneys' fees) of the proceedings resulting in the collection of such moneys (including any such costs and expenses incurred by the Issuer) and of the costs, expenses, liabilities, and advances (provided that the Trustee shall not be required to make any advances, as set forth in this Agreement) incurred or made by the Trustee, and any amounts needed to be deposited into the Rebate Fund, and after any other prior application of such moneys has been made as is required by law, or required or permitted by the Loan Documents, shall be deposited in such Fund or Funds described in Article 5 hereof by the Trustee as directed by the Bondholder Representative in such manner as the Bondholder Representative deems appropriate; and all moneys in the Bond Fund and, as directed by the Bondholder Representative, except when otherwise required hereunder, any other Fund described in Article 5 hereof (except rebatable arbitrage, whether or not deposited in the Rebate Fund, Issuer Fees, and moneys held in trust for the payment of principal, premium, redemption price or interest with respect to Bonds which have matured or otherwise become payable prior to such Event of Default) shall be applied as follows:

(1) Subject to the written direction by the Bondholder Representative pursuant to the Agreement, unless the principal of all the Bonds other than Subordinated Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: To reimburse and/or pay to the Trustee in full for costs, expenses, and fees (including, without limitation, all amounts payable as Additional Charges pursuant to the Loan Agreement). Notwithstanding any right of the Bondholder Representative to change the payment priority, the Trustee shall still be paid in full for costs, expenses and fees referred to above, if any, and such costs, expenses and fees not described in the first unnumbered paragraph of this Section 8.6; and

SECOND: To the payment to the Persons entitled thereto of first all installments of interest and late payment charges, if any, then due on the Bonds and other than

Subordinated Bonds and other than interest which has become payable prior to such Event of Default and moneys for the payment of which are held in trust pursuant to the provisions of this Indenture, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege, and second unpaid principal on the Bonds other than Subordinated Bonds which shall have become due (other than Bonds which have matured or have otherwise become payable prior to such Event of Default and moneys for the payment of which are held in trust pursuant to the provisions of this Indenture) in the order of their due dates and, if the amount available shall not be sufficient to pay in full the unpaid principal on such Bonds due on any particular due date, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto; and

THIRD: To reimburse and/or pay to the Issuer in full for the Issuer Fees and all other costs, expenses or fees (including, without limitation, the Issuer's Administrative Fee and all amounts payable as the Additional Charges pursuant to the Loan Agreement) not described in the first unnumbered paragraph of this Section 8.6; and

FOURTH: To pay, first, interest and late payment charges, if any, on Subordinated Bonds then due, other than interest which has become payable prior to such Event of Default and moneys for the payment of which are held in trust pursuant to the provisions of this Indenture, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege and, second, unpaid principal on Subordinated Bonds which shall have become due (other than Subordinated Bonds which have matured or have otherwise become payable prior to such Event of Default and moneys for the payment of which are held in trust pursuant to the provisions of this Indenture) in the order of their due dates and, if the amount available shall not be sufficient to pay in full the unpaid principal on such Subordinated Bonds due on any particular due date, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto; and

(2) If the principal of all Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied first, to reimburse and/or pay to the Trustee in full for costs, expenses, or fees (including, without limitation, all amounts payable as Additional Charges pursuant to the Loan Agreement) not described in the first unnumbered paragraph of this Section 8.6; second, to the payment of the principal, interest, and late payment charges, if any, on the Bonds (other than Subordinated Bonds), other than principal and interest which has become payable prior to such Event of Default and moneys for the payment of which are held in trust pursuant to the provisions of this Indenture, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond (other than Subordinated Bonds) of the same series, ratably according to the amounts due respectively for principal and interest to the Persons entitled thereto, without any discrimination or privilege; third to reimburse and/or pay the Issuer for any Issuer Fees and all other costs, expenses, or fees (including, without limitation, all amounts payable as Additional Charges not described in the first unnumbered paragraph of this Section 8.6);

and fourth to pay interest and principal of the Subordinated Bonds other than principal, interest, and late payment charges, if any, which has become payable prior to such Event of Default and moneys for the payment of which are held in trust pursuant to the provisions of this Indenture, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinated Bond over any other Subordinated Bond of the same series, ratable, according to the amounts due respectively for principal and interest to the Persons entitled thereto, without any discrimination or privilege.

(3) If the principal of any Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled for all Bonds under the provisions of this Article 8, then, subject to the provisions of paragraph (2) of this Section 8.6 in the event that the principal of any Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (1) of this Section 8.6.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section 8.6, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall (i) fix the date (which shall be a Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue and (ii) on or before such date set aside the moneys necessary to effect such application. The Trustee, at the expense of the Borrower, shall give to the Holders mailed notice of the deposit with it of any such moneys and of the fixing of any such date. Neither the Trustee nor any Paying Agent shall be required to make payment of principal or redemption premium to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and premium and interest and late payment charges, if any, thereon have been paid or provided for under the provisions of this Section 8.6, all expenses and charges of the Trustee and the Issuer have been paid and rebatable arbitrage has been paid or provided for, any balance remaining shall be paid to the Person entitled to receive the same pursuant to Section 5.11 hereof.

Section 8.7. Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders, and any recovery or judgment shall be first for the equal benefit of the Holders of the Outstanding Bonds and second for the equal benefit of the Holders of the Outstanding Subordinated Bonds, to the extent and in the manner provided herein. The Issuer and Trustee hereby agree, without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Trustee of all rights included within the Trust Estate shall constitute an agency appointment coupled with an interest on the part of the Trustee which, for all purposes

of this Indenture, shall be irrevocable and shall survive and continue in full force an effect notwithstanding the bankruptcy or insolvency of the Issuer or its default hereunder or on the Bonds, subject to the provisions of Article 9 hereof (including without limitation the requirement that the Trustee be furnished with satisfactory indemnity), to follow the written directions of the Bondholder Representative in connection with all matters related to a Default or Event of Default. The Trustee may, but is not required to, delegate its rights to take action hereunder on a Default or Event of Default to the Bondholder Representative (solely as the Bondholder Representative is the Holder of the Outstanding Bonds) and the Trustee shall not be responsible for the acts or omissions of the Bondholder Representative in connection with any action so delegated.

Section 8.8. Rights and Remedies of Holders. No Holder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or any Loan Document or for the execution of any trust hereof or any remedy hereunder or thereunder or for the appointment of a receiver, unless: (i) a default thereunder shall have become an Event of Default and the Bondholder Representative shall have made written request to the Trustee; (ii) the Bondholder Representative shall have furnished indemnity to the Trustee as provided in Section 9.1 hereof; and (iii) the Trustee shall thereafter fail or refuse to exercise within sixty (60) days the remedies hereunder granted, or to institute such action, suit or proceeding in its own name. Such notification, request, and furnishing of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture or any Loan Document, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Holders shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Indenture or any Loan Document, by its, his, her, or their action or to enforce any right thereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner herein provided and for the equal benefit of the Holders of all Bonds then Outstanding (subject to the provisions hereof as to subordination of Subordinated Bonds); provided, however, that nothing herein shall be construed to preclude any Holder from enforcing, or impair the right of any Holder to enforce, the payment by the Trustee of principal of, and interest and premium, if any, on any Bond of such Holder at or after its date of maturity, if and to the extent that such payment is required to be made to such Holder by the Trustee from available funds in accordance with the terms hereof.

Section 8.9. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture or any Loan Document by the appointment of a receiver, by entry and possession, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer and the Trustee shall be restored to their former positions and rights hereunder with respect to the property herein conveyed, and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.10. Waiver of an Event of Default. The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of maturity or principal, upon written direction of the Bondholder Representative.

ARTICLE 9

THE TRUSTEE

Section 9.1. Acceptance of the Trustee. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture; and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee agrees to follow the instructions of the Bondholder Representative as provided herein, subject to the following express terms and conditions, and shall be accountable only for the negligent failure to follow such instructions. In the absence of such instructions during the continuance of an Event of Default, the Trustee agrees to exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs, but in any event, only upon and subject to the following express terms and conditions:

(1) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, accountants, agents, receivers, depositaries, and shall not be liable for any misconduct or negligence on the part of any such attorneys, accountants, agents, receivers, or depositaries appointed with due care, and may in all cases pay such reasonable compensation to any attorney, accountant, agent, or receiver retained or employed by it in connection herewith and shall be entitled to reimbursement from the Borrower for such payment (provided, however, the Trustee shall not be responsible or liable for the negligence or misconduct of Capital One, National Association in its capacity of Paying Agent or custodian of funds as provided in this Indenture). The Trustee may consult with counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon; provided, however, that the only legal advice or opinion that the Trustee may rely upon for purposes of securing advice or an opinion relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds is advice or an opinion given by Bond Counsel. The Trustee shall not be responsible for any loss or damage resulting from any action in good faith in reliance upon such opinion or advice.

(2) The Trustee shall not be responsible for any recital herein, or in the Bonds or for the investment of moneys as herein provided (except as provided in Section 6.1 or Section 6.3 hereof), or for collecting any property insurance proceeds, or for the validity of the execution by the Issuer of this Indenture, or of any supplemental indentures or instruments of further assurance, or for the sufficiency of any security for the Bonds, or for the value of title of the property herein conveyed, if any, or otherwise as to the maintenance of the security hereof; except as otherwise provided in Section 4.4 hereof and except that in the event the Trustee enters into possession of a part or all of the property conveyed pursuant to any provisions of this Indenture or the Mortgage, it shall use due diligence in preserving such property. The Trustee may, but shall be under no duty to, require of the Borrower full information and advice as to the performance of the covenants, conditions, and agreements in the Loan Agreement, the Regulatory Agreement, and the Mortgage as

to the condition of any Mortgaged Property and the performance of all other obligations thereunder.

(3) The Trustee shall not be accountable for the use or application of any of the Bonds or the proceeds thereof (except as herein expressly provided), including, but not limited to, the requirements for the use of proceeds of the Bonds, contained in Section 4.12 of this Indenture, 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. The Trustee has no duty or obligation to monitor compliance with the restriction on the purchase of the Issuer's bonds contained in 4.12(c) of this Indenture. The Trustee may become the owner of Bonds secured hereby with the same rights it would have if it were not the Trustee.

(4) The Trustee shall be protected in acting in good faith, absent gross negligence or willful misconduct, upon any written notice, order, requisition, request, consent, certificate, advice, opinion (including an opinion of Independent Counsel or Bond Counsel), affidavit, letter, telegram, or other paper or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper Person or Persons, and the Trustee shall be under no duty to make an investigation or inquiry into any statement contained therein. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Holder of any Bond, shall be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor, upon transfer thereof, or in place thereof.

(5) As to the existence or non-existence of any fact or as to the sufficiency or authenticity of any instrument, paper, or proceeding, the Trustee shall be entitled to rely upon a certificate of the Issuer signed by its Representative as sufficient evidence of the facts stated therein as the same appear from the books and records under the Secretary/Treasurer's (or other duly authorized officer of the Issuer for the purposes of holding custody and control of the Issuer's books and records) custody or control or are otherwise known to such officer. The Trustee may accept a certificate of the Secretary/Treasurer (or other duly authorized officer of the Issuer for the purposes of holding custody and control of the Issuer's books and records) of the Issuer to the effect that a motion, resolution, or ordinance in the form therein set forth has been adopted by the governing body of the Issuer as conclusive evidence that such motion or resolution has been duly adopted, and is in full force and effect, and may accept such motion, resolution, or ordinance as sufficient evidence of the facts stated therein and the necessity or expediency of any particular dealing, transaction or action authorized or approved thereby, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(6) Whenever in the administration of this Indenture, the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any discretionary action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in good faith, absent gross negligence or willful misconduct, rely upon a

certificate by a duly authorized representative or officer of the Borrower or the Bondholder Representative.

(7) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts during any period in which it may be in possession of or managing the real and tangible personal property as in this Indenture provided.

(8) Upon the occurrence and continuance of an Event of Default at any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives, shall have the right fully to inspect any and all of the property comprising the Mortgaged Property, and all books, papers, and records of the Issuer pertaining to the Mortgaged Property and the Bonds, and to photocopy such memoranda from and with regard thereto as may be desired.

(9) The Trustee shall not be required to give any bond or surety with respect to the execution of said trusts and powers or otherwise with respect to the premises.

(10) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right, but shall not be required, to demand, with respect to the authentication of any Bonds, the withdrawal of any cash, other than as required expressly by the terms hereof, the release of any property or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions (including opinions of Independent Counsel), appraisals, environmental reports, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee.

(11) The Issuer shall not be liable for the payment of sums due hereunder or for providing for the indemnification of the Trustee.

(12) Notwithstanding any provision of this Indenture to the contrary, before taking any action hereunder, the Trustee may require that it be furnished indemnity satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability (except liability which is adjudicated by court of competent jurisdiction in a final non-appealable judgment to have resulted from the negligence or willful misconduct of the Trustee or any of its duly authorized and designated agents).

(13) No provision of this Indenture or any Loan Document shall require the Trustee to expend or risk its own funds, make advances, or otherwise incur any financial liability in the performance of any of its duties, or the exercise of its rights and powers hereunder.

(14) Notwithstanding anything to the contrary contained in this Indenture, in the event the Trustee is entitled or required to commence an action or otherwise exercise remedies to acquire control or possession of any or all of the Project under, but not limited to, the provisions of the Mortgage, the Trustee shall not be required to commence any such

action or exercise any such remedy if the Trustee has determined in good faith that it may incur liability under an Environmental Law (as defined below) as the result of the presence at, or release on or from the Project of any Hazardous Substances unless the Trustee has received security or indemnity, from a Person, in an amount and in a form all satisfactory to the Trustee in its sole discretion, protecting the Trustee from all such liability. To determine if it may incur liability under an Environmental Law, the Trustee, with the consent of the Bondholder Representative (which consent shall not be unreasonably withheld) may (but shall not be required to) obtain (at Borrower's expense) an appropriate environmental study with respect to the Project. The costs of such environmental study shall be considered an Additional Charge under the Loan Agreement. The term "**Environmental Laws**" shall mean all federal, state, and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances, and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production, or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders, and directives of federal, state, and local governmental agencies and authorities with respect thereto.

(15) The Trustee is under no obligation to monitor the receipt of rents by the Borrower or otherwise monitor the compliance by the Borrower of any of its covenants contained herein, the Loan Agreement, or the Regulatory Agreement, except as may be expressly provided herein and therein.

(16) The Trustee shall not be deemed to have notice of any Event of Default under subsections (3), (4), and (5) of Section 8.1 hereof unless a Responsible Officer has actual knowledge or shall be specifically notified in writing of such Event of Default by the Issuer, the Bondholder Representative, the Borrower, or the Holders of at least fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding, delivered to the Trustee at the Principal Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no such Event of Default.

(17) The Trustee will not be liable for any error in judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was grossly negligent in ascertaining the pertinent facts.

(18) Unless expressly provided in this Indenture, the Regulatory Agreement, or in the Mortgage, the Trustee does not have a duty or obligation to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the Issuer or on the part of the Borrower in such agreements.

(19) The permissive rights of the Trustee under this Indenture shall not be construed as duties of the Trustee.

(20) The Trustee shall not be liable for any action taken or omitted to be taken in good faith in accordance with the direction of the Bondholder Representative.

(21) The Trustee's right to immunities and protection from liability hereunder will survive its resignation or removal and the final payment or defeasance of the Bonds.

Section 9.2. The Trustee's Fees, Charges, and Expenses.

(1) The Trustee and any Paying Agent shall be entitled to payment and/or reimbursement for Ordinary Fees and Expenses and all advances, counsel fees, and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts created by this Indenture in connection with any Event of Default or Default and in and about the exercise and performance of the powers and duties of the Trustee hereunder in connection with any Event of Default or Default and for the reasonable and necessary costs and expenses incurred in defending any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee or Paying Agent) in connection with such Event of Default or Default. In this regard, provisions have been made in Section 4.3 of the Loan Agreement for the payment of said fees, advances, counsel fees, costs, and expenses, and reference is hereby made to the Loan Agreement for the provisions so made; and the Issuer shall not otherwise be liable for the payment of such sums.

(2) As security for the performance of the Borrower's obligations under this Section 9.2 and under the Loan Agreement to pay the Trustee its fees and expenses as provided herein and therein, during the occurrence and continuance of an Event of Default, the Trustee shall have a lien, prior to the lien securing the Bonds, which it may exercise through a right of set off, upon all property or funds held or collected by the Trustee pursuant to this Indenture (other than the Rebate Fund); provided, however, nothing contained in this sentence shall in any way affect the right of the Bondholder Representative to give written directions to the Trustee as provided herein (or the application of any amounts set off which shall be as provided in Section 8.6). The obligations of the Borrower to make the payments described in this Section 9.2 shall survive discharge of this Indenture, the resignation or removal of the Trustee, and payment in full of the Bonds.

(3) The compensation of the Trustee shall not be limited by any provision of law which limits the compensation of a Trustee of an express trust.

(4) When the Trustee incurs expenses or renders services in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

Section 9.3. Notice to Holders of Default. The Trustee (at the written direction of the Bondholder Representative) or, in the alternative, the Bondholder Representative shall give to the Borrower, the Holders, and the Issuer written notice of an Event of Default which the Bondholder Representative has determined to provide notice of as required by this Indenture and the Loan Agreement in order to enforce any rights and remedies. The failure of the foregoing Persons to receive such notice or failure of the Trustee to give such notice shall not affect any of the proceedings under Article 8 hereof.

Section 9.4. Intervention by the Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Holders, the Trustee may intervene on behalf of Holders and shall, subject to being indemnified as provided herein, so do if requested in writing by the Bondholder Representative. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction in the premises.

Section 9.5. Successor Trustee. Any corporation, association, or agency 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 municipal corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto, shall be and become successor Trustee and paying agent under this Indenture and vested with all of the title to the Trust Estate, and all the trusts, powers, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 9.6. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty (30) days written notice to the Issuer, the Bondholder Representative, and the Borrower and by first-class mail to each Holder as shown on the Bond Register, and such resignation shall take effect upon the appointment of a successor Trustee as provided in Section 9.8 hereof. Such notice to the Issuer, the Bondholder Representative, or the Borrower may be served personally or sent by registered or certified mail, or overnight courier. In the event no successor Trustee is appointed, the Trustee may petition a court of competent jurisdiction to appoint a successor Trustee.

Section 9.7. Removal of the Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Borrower, and the Issuer, and signed by (i) the Issuer so long as no Event of Default has occurred and is continuing, and (ii) the Issuer and the Bondholder Representative during such time as an Event of Default has occurred and is continuing.

Section 9.8. Appointment of Successor Trustee. In case the Trustee hereunder 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 in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Issuer with the consent of the Bondholder Representative, by an instrument or concurrent instruments in writing signed by the Issuer. Nevertheless, in case of such vacancy the Issuer may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be approved by the Bondholder Representative in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the successor Trustee so approved by the Bondholder Representative. Every such Trustee appointed pursuant to the provisions of this Section 9.8 must be a trust company or bank having trust powers and having a reported capital and surplus not less than $50,000,000. In the event that 60 days following the resignation or removal of the Trustee, no successor Trustee has been appointed and accepted its obligations under this Indenture, the Trustee shall have the right to petition a court of competent jurisdiction for the appointment of a successor (any costs incurred

by Trustee shall be reimbursed in the same manner as other expenses of the Trustee are to be paid under this Indenture).

Section 9.9. Acceptance by Successor Trustees. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor, and to the Issuer, with a copy to the Borrower, an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed, or conveyance shall become fully vested with all the estates, properties, rights, powers, trusts, duties, and obligations of its predecessors as the Trustee and Paying Agent; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, and trusts of such predecessor hereunder, and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Issuer be reasonably required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers, and duties hereby vested or intended to be vested in the predecessor Trustee, 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 forthwith filed or recorded or both by the successor Trustee in each recording office where this Indenture or the Mortgage shall have been filed or recorded or both.

Section 9.10. Right of the Trustee To Pay Taxes and Other Charges. In case any tax, assessment, or governmental or other charge upon any part of the Project is not paid, to the extent, if any, that the same is legally payable, the Trustee may, but shall be under no duty to, pay such tax, assessment, or governmental or other charge, without prejudice, however, to any rights of the Trustee or Holders hereunder arising as a consequence of such failure; and any amount at any time so paid under this Section 9.10, Section 4.3 of the Loan Agreement, or under the Mortgage, with interest thereon as provided in Section 4.3 of the Loan Agreement at the Default Rate, shall be repaid to the Trustee upon demand out of Additional Charges under the Loan Agreement, and shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, except with respect to the payment of any principal, interest, or premium on the Bonds which is then due but not paid, but the Trustee shall be under no obligation to make such payment of taxes, assessments, or governmental charges unless it shall have been requested to do so by the Bondholder Representative and shall have been provided with adequate indemnity or other security satisfactory to it for the purpose of such payment. Any such payment shall be made upon five days' prior written notice to the Borrower unless the delay occasioned by any such written notice could result in the forfeiture or termination of any right.

Section 9.11. The Trustee Protected in Relying Upon Resolutions. The resolutions, orders, requisitions, opinions, certificates, and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection, and authority to the Trustee.

Section 9.12. Successor Trustee as Custodian of Funds and Paying Agent. In the event of a change in the office of the Trustee, the predecessor Trustee which has resigned or been removed shall cease to be custodian of the Funds described in Article 5 hereof and shall cease to

act as a Paying Agent for principal and interest on the Bonds, and the successor Trustee shall be and become such custodian and a Paying Agent.

Section 9.13. Co-Trustee

(1) At any time or times upon the consent of the Bondholder Representative, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trustee shall have the power to appoint, and, upon the request of the Trustee, the Issuer shall for such purpose join with the Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint one or more Persons either to act as co-Trustee or co-Trustees, jointly with the Trustee, of all or any part of the Trust Estate, or to act as separate Trustee or separate Trustees of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity, such right to the Trust Estate or any part thereof, and such rights, powers, duties, trusts or obligations as the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section 9.13. Every such co-Trustee or separate Trustee appointed pursuant to the provisions of this Section 9.13 must be a trust company or bank having trust powers and having a reported capital and surplus not less than $50,000,000, if there be such an institution willing, qualified, and able to accept the trust upon reasonable or customary terms.

(2) The Issuer shall execute, acknowledge, and deliver all such instruments as may be required by any such co-Trustee or separate Trustee for more fully confirming such title, rights, powers, trusts, duties, and obligations to such co-Trustee or separate Trustee.

(3) 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:

(a) All rights, powers, trusts, duties, and obligations conferred by this Indenture upon the Trustee with respect to the custody, control or management of moneys, papers, securities, and other personal property shall be exercised solely by the Trustee.

(b) All rights, powers, trusts, duties, and obligations conferred or imposed upon the Trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-Trustee or co-Trustees or separate Trustee or separate Trustees jointly, as shall be provided in the instrument appointing such co-Trustee or co-Trustees or separate Trustee or separate Trustees; provided, however, the Trustee shall remain responsible for exercising all rights and powers, maintaining all trusts and performing all duties and obligations conferred or imposed upon the Trustees, 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 co-Trustees or separate Trustee or separate Trustees.

(c) 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.

(d) Any co-Trustee or separate Trustee may delegate to the Trustee the exercise of any right, power, trust, duty, or obligation, discretionary or otherwise.

(e) The Trustee at any time, by an instrument in writing, may accept the resignation of or remove any co-Trustee or separate Trustee appointed under this Section 9.13. 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 9.13.

(f) No Trustee hereunder shall be personally liable by reason of any act or omission of any other Trustee hereunder.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver, or other action in writing delivered to the Trustee shall be deemed to have been delivered to each co-Trustee or separate Trustee.

(h) Any moneys, 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 promptly.

(4) Upon the acceptance in writing of such appointment by any such co-Trustee or separate Trustee, such co-Trustee or separate Trustee shall be vested with such interest in and to the Trust Estate or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such co-Trustee or separate Trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee. Any co-Trustee or separate Trustee may, at any time by an instrument in writing, constitute the Trustee its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name.

(5) In case any co-Trustee or separate Trustee shall become incapable of acting, resign or be removed, the title to the Trust Estate and all rights, powers, trusts, duties, and obligations of said co-Trustee or separate Trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-Trustee or separate Trustee shall be appointed in the manner herein provided.

Section 9.14. Obligations as to Reporting. The Trustee shall provide to the Issuer, the Bondholder Representative, and the Borrower monthly reports of the balances in the Funds and the Accounts held by the Trustee under Article 5 hereof, including summaries of the deposits to and withdrawals from and transfers among such Funds and Accounts.

Section 9.15. Appointment of Bond Registrar and Paying Agent. The Issuer at the direction of the Borrower hereby appoints the Trustee as Bond Registrar and Paying Agent under this Indenture, the parties agreeing the Trustee hereby designates Capital One, National Association as Paying Agent so long as Capital One, National Association is the Holder of the Bonds.

Section 9.16. Successor Paying Agent or Bond Registrar. The provisions of Sections 9.5 through 9.9 hereof with respect to removal, resignation, and appointment of a successor Trustee shall be equally applicable to the removal, resignation, and appointment of a successor to the Paying Agent and the Bond Registrar. If permissible under applicable law, the Trustee shall be eligible for appointment as successor to the Paying Agent and Bond Registrar if the Trustee is not then already serving in such capacity.

Section 9.17. Confirmation of the Trustee.

(1) At any time while Bonds remain Outstanding under this Indenture, if the Trustee reasonably questions whether it has proper authority to take certain actions hereunder, the Trustee may proceed in accordance with an opinion of counsel which may be Bond Counsel.

(2) In construing and interpreting this Indenture and any other Loan Document, the objective shall always be to ascertain and effectuate the intention of the parties.

(3) The Trustee or successor Trustee shall not be answerable for actions taken in compliance with any final order of the court. The Trustee or successor Trustee shall not be entitled to require an indemnity bond pursuant to Section 9.1 hereof, prior to taking any action directed by final order of the court.

Section 9.18. Certain Representations of the Trustee. The Trustee represents that:

(1) The Trustee will take possession of the Note in accordance with the terms of this Indenture in the ordinary course of its business.

(2) The Trustee or a nominee within the control of the Trustee is and will at all relevant times be a "Member Bank" (as such term is used in 31 C.F.R. section 115(g)) of the Federal Reserve Bank of New York and maintains a book-entry securities account with the Federal Reserve Bank of New York and is a participant in each clearing corporation (as defined in § 8-102(5) of the Uniform Commercial Code) in which securities are held or will be held hereunder and any book-entry securities and physical securities in the custody of a clearing corporation credited to the accounts hereunder will be represented in accounts at the book-entry system maintained at the Federal Reserve Bank of New York and the appropriate clearing corporation in the name of the Trustee or its nominee which include only assets held by the Trustee for customers, including, but not limited to, accounts in which the Trustee acts in a fiduciary or agency capacity.

(3) The Trustee is a bank which in the ordinary course of its business maintains security accounts for its customers and is acting in that capacity pursuant to the terms of this Indenture and it will maintain the accounts hereunder at the Bondholder Representative

as trust accounts and shall administer such accounts in the same manner it administers similar accounts established for the same purpose.

(4) In no event shall the Trustee be responsible or liable for special, indirect, punitive, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of any such loss or damage and regardless of the form of action.

(5) The Trustee shall not be liable or responsible for the failure of the Borrower to maintain insurance on the Project as provided in the Loan Agreement, nor shall it be responsible for any loss due to the insufficiency of such insurance or by reason of the failure of any insurer to pay the full amount of any loss against which it may have insured to the Issuer, the Borrower, the Trustee, or any other Person.

ARTICLE 10

SUPPLEMENTAL INDENTURES

Section 10.1. Supplemental Indentures Not Requiring Consent of Holders. The Issuer and the Trustee may, from time to time and at any time with the prior written consent of the Bondholder Representative and the Borrower, but without the consent of, or notice to, any of the other Holders, and when so required by this Indenture shall, enter into an indenture or indentures supplemental to this Indenture (which supplemental indenture or indentures shall thereafter form a part hereof), so as to thereby (1) cure any ambiguity or formal defect or omission in this Indenture or in any supplemental indenture, (2) grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority, or security that may lawfully be granted to or conferred upon the Holders or the Trustee, (3) more precisely identify the Trust Estate, or any other property which may become a part of the Trust Estate, (4) subject to the lien and pledge of this Indenture additional revenues, properties, or collateral, (5) evidence the appointment of a separate Trustee or a co-Trustee or the succession of a new Trustee, Bond Registrar, or Paying Agent or both hereunder, (6) modify, eliminate, and/or add to the provisions of this Indenture to such extent as shall be necessary to prevent any interest on the Bonds from becoming includable in gross income for federal income tax purposes or to effect the qualification of this Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, as then amended, excluding however the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939, as then amended, (7) make any other change which is required by any provision of this Indenture to reconcile this Indenture with the Loan Documents, or any amendments thereto, or (8) make any other change which in the judgment of the Trustee, based upon an opinion of Bond Counsel, is necessary or desirable and will not materially prejudice any Holder or the Borrower.

Section 10.2. Supplemental Indentures Requiring Consent of Holders. Exclusive of supplemental indentures covered by Section 10.1 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Trustee, upon receipt of an instrument evidencing the consent to the below-mentioned supplemental indenture by the Bondholder Representative or the Holders of not less than 51% of the aggregate principal amount of Bonds Outstanding and the

Borrower, shall join with the Issuer in the execution of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing herein contained shall permit or be construed as permitting without the consent of the Holders of 100% of the principal amount of all Bonds adversely affected thereby: (1) an extension of the date when the principal or the interest on or any premium on any Bond is due; (2) a reduction in the principal amount of any Bond or the rate of interest thereon, or any premium; (3) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as may be otherwise expressly provided herein; (4) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture; or (5) the modification of any of the provisions of this Section.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses (including but not limited to attorney's fees, expenses, and publication costs), cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail, postage prepaid, to the Borrower and the Holders at the addresses shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall include copies thereof. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail such notice to any particular Holder if notice was generally mailed to Holders, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided in this Section. If the Borrower and the Bondholder Representative or the Holders of not less than the applicable percentage (as referenced above) in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Holder shall have any right to object to any of the terms and provisions contained herein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and is deemed to be modified and amended in accordance herewith.

Section 10.3. Opinion of Bond Counsel. Any supplemental indenture governed by this Article shall be accompanied by an opinion of Bond Counsel delivered to the Borrower, the Issuer and the Trustee, that such supplemental indenture is valid and enforceable and does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 10.4. Rights of the Trustee and Issuer. Neither the Issuer nor the Trustee shall be obligated to enter into any supplemental indenture which may adversely affect its own rights, duties, or immunities under this Indenture. Neither the Borrower, the Issuer nor the Trustee shall be required to consent to any supplemental indenture referred to in this Article 10 unless it has first received an opinion of Independent Counsel addressed to the Borrower, the Issuer and Trustee that such amendment is authorized or permitted by this Indenture. In executing or accepting the additional trusts created by any supplemental Indenture permitted by this Article 10 or the modifications thereby created of the trusts under this Indenture, the Trustee shall be entitled to receive, and (subject to Section 9.1) shall be fully protected in relying upon an opinion of counsel

stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and the Loan Documents and that all conditions precedent applicable to such execution under this Indenture and the Loan Documents have been satisfied.

ARTICLE 11

AMENDMENTS TO LOAN DOCUMENTS

Section 11.1. Amendments Not Requiring Holder Consent. The Issuer or the Trustee or both may, with the prior written consent of the Bondholder Representative, but without the consent of or notice to the Holders, consent to any amendment, change, or modification of any of the Loan Documents:

(1) which may be required or permitted with the consent of the Bondholder Representative, but without Holder consent, by the provisions of the Loan Documents or this Indenture;

(2) for the purpose of curing any ambiguity or formal defect or omission;

(3) in connection with additional land, equipment, or improvements which may be acquired and which constitute a part of the Mortgaged Property, so as to (A) more precisely identify the same, (B) substitute or add additional land or additional equipment, or (C) sell or remove such land or equipment, all as provided in the Mortgage; provided, however, that any such amendment, change, or modification of any of the Loan Documents as provided in this Section 11.1(3) shall not be effective until notice of such action is given to the Holders of the Bonds;

(4) to reconcile any Loan Documents with any amendment or supplement to this Indenture; or

(5) to effect any other change in a Loan Document which will not materially prejudice, in the opinion of Bond Counsel, any Holder.

Section 11.2. Amendments Requiring Holder Consent. Except for (1) amendments, changes, or modifications as provided in Section 11.1 hereof and (2) amendments, changes, or modifications permitted by any Loan Document, neither the Issuer nor the Trustee shall consent to any other amendment, change, or modification of any Loan Document without the giving of notice and the written approval or consent of the Bondholder Representative or the Holders of not less than fifty-one percent (51%) of the principal amount of the Bonds then Outstanding given and procured as provided in this Section 11.2; provided that in no event shall such amendment, change, or modification relieve the Borrower of the obligation under any Loan Documents to make when and as due any payments required for the payment of principal, interest, and any premium due or to become due on the Bonds unless the consent of the Holders of one hundred percent (100%) of the principal amount of all Bonds adversely affected thereby is first secured. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change, or modification of any Loan Documents to which the Issuer is a party or the Borrower shall request consent of the Trustee to any such proposed amendment, change, or modification of any other Loan Document to which the Issuer is not a party, the Trustee shall, upon being

satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change, or modification to be given in the same manner as provided in Section 10.2 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Holders. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail such notice to any particular Holder if notice was generally mailed to Holders, and any such failure shall not affect the validity of such amendment, change or modification when consented as provided in this Section 11.2. If the Bondholder Representative or the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such amendment shall consent to the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment, the applicable Loan Document thereby amended shall be deemed to be modified and amended in accordance therewith.

Section 11.3. Opinion of Bond Counsel. Any amendment governed by this Article shall be accompanied by an opinion of Bond Counsel addressed to the Borrower, the Issuer and the Trustee, provided at the expense of the Borrower, that such amendment does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 11.4. Rights of the Trustee and Issuer. Neither the Issuer nor the Trustee shall be required to consent to any amendment referred to in this Article 11 unless it has first received an opinion of Independent Counsel that such amendment is authorized or permitted by this Indenture, and the applicable Loan Document and that all conditions precedent applicable such execution under this Indenture and the Loan Documents have been satisfied. Neither the Issuer nor the Trustee shall be obligated to enter into an amendment to a Loan Document which may affect its own rights, duties or immunities thereunder or, in the case of the Issuer, the Unassigned Issuer Rights.

ARTICLE 12

MISCELLANEOUS PROVISIONS

Section 12.1. Consent of Holders. Any consent, request, direction, approval, objection, or other instrument required by this Indenture to be signed and executed by the Holders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection, or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(1) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing

acknowledged before him the execution thereof, or by an affidavit of any witness to such execution; and

(2) The fact of the ownership by any Person of Bonds and the amounts and numbers of such Bonds, and the date of the holding of the same, may be proved only by reference to the Bond Register.

Section 12.2. Rights Under Indenture. Nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give any Person other than the parties hereto, the Borrower, and the Holders, any legal or equitable right, remedy, or claim under or with respect to this Indenture or any covenants, conditions, and provisions herein contained; this Indenture and all of the covenants, conditions, and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Borrower, and the Holders of the Bonds hereby secured as herein provided.

Section 12.3. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

Section 12.4. Notices. All notices, certificates, or other communications hereunder shall be given to all parties identified below, shall be in writing (except as otherwise expressly provided herein) and shall be sufficiently given and shall be deemed given (i) when delivered by hand delivery or facsimile or (ii) five days after such notice is served by depositing the same with the United States Postal Service, or any official successor thereto, designated as Registered or Certified Mail, Return Receipt Requested, bearing adequate postage, or (iii) upon delivery by reputable private courier such as Federal Express, Airborne, DHL, or similar overnight delivery service, and addressed as hereinafter provided. Notices, except to the Trustee, shall be deemed given when mailed as provided herein. Notices to the Trustee shall be deemed given only when received by a Responsible Officer of the Trustee. All parties identified below may, by written notice given by each to the others, designate any address or addresses to which notices, certificates, or other communications to them shall be sent when required as contemplated by this Indenture. Any notice, certificate, report, financial statement, or other communication properly provided by legal counsel on behalf of any party hereunder shall be deemed properly provided by the party represented by such counsel. Until otherwise provided by the respective parties, all notices, certificates, and communications to each of them shall be addressed as follows:

To the Issuer:	Austin Housing Finance Corporation 1000 East 11th St, 2nd Floor Austin, Texas 78702 Attn: David Potter Telephone: (512) 974-3192
With a copy to:	McCall , Parkhurst & Horton L.L.P.

717 N. Harwood Street
Ninth Floor
Dallas, Texas 75201
Attn: Mark A. Malveaux
Phone: (214) 754-9224

And to: Ballard Spahr, LLP
300 East Lombard Street
18th Floor
Baltimore, Maryland 21202
Attn: Teri Guarnaccia
Telephone: (410) 528-5526

To the Borrower: Housing First Oak Springs, LP
1430 Collier Street
Austin, Texas 78704
Attn: David Weden
Telephone: (512) 440-4001

With a copy to: Locke Lord LLP
600 Congress Avenue
Suite 2200
Austin, Texas 78701
Attn: Cynthia Bast, Esq.
Telephone: (512) 305-4707

And to: National Assignment Corporation, as nominee
c/o National Equity Fund, Inc.
10 S. Riverside Plaza, Suite 1700
Chicago, IL 60606
Attn: General Counsel

And to: Barnes & Thornburg LLP
41 S. High Street, Suite 3300
Columbus, OH 43215-6104
Attn: Jordan R. Carr
Telephone: (614) 628-1434
Attn: Holly H. Heer

To the Trustee: BOKF, NA
Corporate Trust Department
5956 Sherry Lane, Suite 1201
Dallas, Texas 75225
Attn: Kathy McQuiston
Phone: (214) 932-3061

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With a copy to: Haynes & Boone
301 Commerce St., Ste. 2600
Ft. Worth, Texas 76102
Attn: Bill Greenhill
Phone: (817) 347-6602

To the initial Bondholder Representative:

Thomas T. Houlihan
Capital One, National Association
5444 Westheimer Road, 6th Floor
Houston, TX 77056
Telephone: (267) 514-5654

Capital One Community Development Finance
299 Park Avenue, 14th Floor
New York, N.Y. 22957
Attention: Edward J. Santos

with a copy to:

Wayne A. Yaffee
Greenberg Traurig LLP
1000 Louisiana, 17th Floor
Houston, Texas 77002
Telephone: (713) 374-3655

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The Trustee is authorized to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Issuer, the Borrower, and the Bondholder Representative shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. 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 Borrower 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 or interception and misuse of third parties.

Section 12.5. Required Approvals. Consents and approvals required by this Indenture to be obtained from the Borrower, the Issuer, the Bondholder Representative, or the Trustee shall be in writing and shall not be unreasonably withheld or delayed.

Section 12.6. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this instrument as to the parties hereto and may be used in lieu of the original instrument for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 12.7. Limitation of Liability of Issuer and Its Officers, Employees, and Agents.

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

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

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

as a condition of, and consideration for, the execution of this Indenture and the issuance of such Bonds.

(4) Anything in this Indenture to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that (a) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Trustee or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer; (b) the Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services; and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless it shall first have been adequately indemnified to its satisfaction against the cost, expenses, and liability which may be incurred thereby.

(5) Neither the members of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds are issued pursuant to the Act, and the Bonds shall so state on their face, and shall state that the Bonds shall not be a debt of the Issuer, or the State, or any political subdivision thereof; and neither the Issuer, nor the State nor any political subdivision thereof, shall be liable thereon; nor in any event shall such Bonds or obligations be payable out of any funds or properties other than those of the Issuer identified herein.

Section 12.8. Subordination to Extended Use Loan Agreement. The Borrower has informed the Trustee that the Borrower intends that the Project qualify for an allocation of low-income housing tax credits under Section 42 of the Internal Revenue Code ("**Tax Credits**"). In order to receive an allocation of Tax Credits, the Borrower will be required to record in the real property records of Travis County, Texas, an "extended low-income housing commitment" (as defined in section 42(h)(6)(B) of the Code) (the "**Extended Use Agreement**"). If requested by the Borrower, the Trustee shall execute, or cause to be executed by the appropriate parties a subordination agreement, in form and substance satisfactory to the Trustee and the Bondholder Representative, wherein the lien of the Mortgage is subordinated to the Extended Use Agreement in such manner as is required for Tax Credit purposes.

Section 12.9. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of Texas, excluding its conflict and choice of law principles.

Section 12.10. Complete Agreement. The Issuer and the Trustee understand that oral agreements or commitments to loan money, extend credit, or forbear from enforcing repayment of a debt, including promises to extend or renew such debt, are not enforceable. To protect the Issuer and the Trustee from misunderstanding, any agreements the Issuer and the Trustee reach covering such matters are contained in this Indenture, which is the complete and exclusive statement of the agreement between the Issuer and the Trustee, except as the Issuer and the Trustee may later agree in writing to modify this Indenture as more particularly provided herein.

Section 12.11. USA Patriot Act. The Trustee hereby notifies the Issuer, Bank, and Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56

(signed into law October 26, 2001)) (the "**Patriot Act**"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow Trustee to identify the Borrower in accordance with the Patriot Act.

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[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer has caused this Indenture to be signed in its name and behalf by its duly authorized officer, and to evidence its acceptance of the trusts hereby created, the Trustee has caused this Indenture to be signed in its name and behalf by its duly authorized officer, all as of the date first above written.

AUSTIN HOUSING FINANCE CORPORATION

By:_____
Name: Rosie Truelove
Title: Treasurer

BOKF, NA

By:_____
Kathy McQuiston,
Vice President

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EXHIBIT A

(FORM OF REQUISITION CERTIFICATE)

_____ Fund

Re: Austin Housing Finance Corporation $11,500,000 Multifamily Housing Revenue Bonds (Housing First Oak Springs Project) Series 2017

Ladies and Gentlemen:

You are requested to withdraw and disburse funds from the _____ Fund pursuant to Section ____ of the Indenture and Section ___ of the Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth in this requisition (the "**Requisition**"). The terms used in this Requisition shall have the meanings given to those terms in the Trust Indenture (the "Indenture"), dated as of December 1, 2017, by and between Austin Housing Finance Corporation, as Issuer, and BOKF, NA, a national banking association, as Trustee, securing the above-referenced Bonds or in the Regulatory Agreement (as defined in the Indenture).

1. REQUISITION NO.: _____

2. PAYMENT DUE TO: See **Schedule I** attached hereto

3. AMOUNT OF DRAW REQUESTED (before retainage withheld): $

LESS RETAINAGE: $

AMOUNT TO BE DISBURSED: $

4. The amount requested to be disbursed pursuant to this Requisition will be used to pay or reimburse the Borrower for those Qualified Project Costs detailed in **Schedule I** attached to this Requisition.

5. The undersigned Borrower certifies that:

(i) the amounts included in 3 above were made or incurred or financed and were necessary for the Project and were made or incurred in accordance with the construction contracts, plans, and specifications heretofore in effect;

(ii) the amount paid or to be paid, as set forth in this Requisition, represents a part of the funds due and payable for Qualified Project Costs, such funds were not paid in advance of the time, if any, fixed for payment and such funds are due in accordance with the terms of any contracts applicable to the Project and in accordance with usual and customary practice under existing conditions;

(iii) the expenditures for which amounts are requisitioned represent proper charges against the _____ Fund, have not been included in any previous requisition,

have been properly recorded on the Borrower's books and are set forth in **Schedule I** attached hereto;

(iv) the moneys requisitioned are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for its funds actually advanced for Qualified Project Costs and do not represent a reimbursement to the Borrower for working capital;

(v) the amount remaining in the Project Fund, together with expected investment income on the Project Fund, in addition to other funds available to the Borrower for the payment of Qualified Project Costs, will, after payment of the amount requested by this Requisition, be sufficient to pay the costs of completing the Project substantially in accordance with the construction contracts, plans, and specifications and building permits therefor, if any, currently in effect;

(vi) all of the funds being requisitioned are being used in compliance with all tax covenants set forth in the Indenture, the Loan Agreement, and the Regulatory Agreement;

(vii) not less than ninety-five percent (95%) of the sum of:

(A) the amounts requisitioned by this Requisition allocable to Bonds; plus

(B) all amounts previously requisitioned and disbursed from the Project Fund allocable to Bonds, including investment earnings;

have been or will be applied by the Borrower to pay Qualified Project Costs;

(viii) no event of default exists under the Loan Agreement, the Regulatory Agreement, or the Mortgage and nothing has occurred to the knowledge of the Borrower that would prevent the performance of its obligations under the Loan Agreement, the Regulatory Agreement, or the Mortgage;

(ix) no amounts being requisitioned by this Requisition are to pay or reimburse Costs of Issuance;

(x) to the best of the undersigned's knowledge, there has not been filed with or served upon the Issuer or the Borrower notice of any lien, right, or attachment upon, or claim affecting the right of any such persons, firms, or corporations to receive payment of, the respective amounts stated in this Requisition which has not been released or will not be released simultaneously with the payment of such obligation;

(xi) (A) obligations as stated on this requisition have been properly incurred, (B) such work was actually performed or such materials or supplies were actually furnished or installed in or about or delivered to the Project, and (C) either such materials or supplies are not subject to any lien or security interest other than the lien evidenced by the Mortgage or any such lien or security interest will be released or discharged upon payment of this

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Requisition or is being contested by Borrower in accordance with the Loan Documents; and

(xii) all rights, title, and interest to any and all personal property acquired with the proceeds of this Requisition is vested or upon payment therefor will become vested in the Borrower.

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HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By:_____
_____,
___

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Approved this _____ day of _____, 201_.

The Bondholder Representative is not making any certification as to the matters certified to by the Borrower in this Requisition.

"Bondholder Representative"

CAPITAL ONE, NATIONAL ASSOCIATION

By: _____
Thomas T. Houlihan, Senior Vice President

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EXHIBIT B

FORM OF BOND

No. [TA-1] [R-__]

UNITED STATES OF AMERICA
STATE OF TEXAS

AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS
$11,500,000
Housing First Oak Springs Project
SERIES 2017

THIS BOND IS ISSUED UNDER THE PROVISIONS OF THE HOUSING FINANCE CORPORATIONS ACT, CHAPTER 394, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED. THE BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE EXCLUSIVELY FROM REVENUES AND RECEIPTS PAYABLE UNDER THE LOAN AGREEMENT AND PLEDGED UNDER THE TRUST INDENTURE. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE ISSUER AND DO NOT CONSTITUTE A DEBT OF THE CITY OF AUSTIN, TEXAS, OR OF 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, THE CITY OF AUSTIN, TEXAS, OR OF THE STATE OF TEXAS. THE BONDS SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, THE CITY OF AUSTIN, TEXAS, BUT SHALL BE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES AND SPECIAL FUNDS PLEDGED FOR THEIR BENEFIT PURSUANT TO THE INDENTURE, BUT NOT OTHERWISE. THE ISSUER HAS NO TAXING POWER. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE ISSUER, THE CITY OF AUSTIN, TEXAS, OR ANOTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

THIS BOND IS A RESTRICTED SECURITY AND MAY BE TRANSFERRED ONLY AS PROVIDED HEREIN AND IN THE HEREIN DESCRIBED INDENTURE.

DATED DATE:	December 1, 2017
MATURITY DATE:	November 1, 2019
REGISTERED OWNER:	CAPITAL ONE, NATIONAL ASSOCIATION

INTEREST RATE:	The Construction Interest Rate (as hereafter provided).
PRINCIPAL AMOUNT:	$11,500,000
PAYMENT DATE:	The first (1st) day of each month commencing January 1, 2018

Austin Housing Finance Corporation (the "**Issuer**"), a housing finance corporation organized and existing pursuant to the provisions of the Constitution of the State of Texas and Chapter 394, Local Government Code, as amended (the "**Act**"), and empowered to issue revenue bonds pursuant to the provisions of the Act, for value received, promises to pay to the Registered Holder specified above, or registered assigns, but only from the Bond Fund established under the Indenture described below (the "**Bond Fund**") the Principal Amount specified above, on the Maturity Date specified above, or, if this Bond is redeemable as stated below, on a prior date on which it shall have been duly called for redemption, and to pay interest as specified above (and hereafter further provided) on said Principal Amount to the Record Date Holder hereof, as defined below, solely from the Bond Fund, until the Principal Amount is paid or discharged.

Notwithstanding the foregoing, (a) during any period of time that the Note bears interest at the Default Rate, the Bonds shall also bear interest at the Default Rate; and (b) during any period of time that the Note bears interest at the rate described in Section 7.14 of the Loan Agreement, the Bonds shall also bear interest at such after-tax equivalent rate (or the Maximum Lawful Rate if less). Interest hereon shall accrue from the Bond Closing Date and shall be calculated on the basis of a 360-day year of twelve 30-day months. Interest shall be payable on the first day of each month commencing January 1, 2018, through and including November 1, 2019 (each a "**Payment Date**"). The "**Record Date Holder**" is the person in whose name this Bond is registered (the "**Holder**" hereof) in the Bond Register maintained by BOKF, NA, doing business as Bank of Texas, as Bond Registrar, or its successor either (i) on the close of business on the first day of the month (whether or not a Business Day) of each Payment Date (the "**Record Date**"), irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such Payment Date, or (ii) if there shall be a default in payment of principal and/or interest due on such Payment Date, at the close of business on a date (the "**Special Record Date**") for the payment of such defaulted principal and/or interest established by notice mailed by the Trustee. Notice of the Special Record Date shall be mailed not less than 15 days before the Special Record Date, to the Holder at the close of business on the fifth Business Day next preceding the date of mailing. Interest shall be payable by check mailed on the Payment Date to the Holder at his, her, or its address as it last appears on the Bond Register on the Record Date or the Special Record Date, as the case may be, except as otherwise provided in the Indenture. Notwithstanding the foregoing, any Holder of at least $1,000,000 principal amount of any Bonds (or a lesser amount of such Bonds if such Bonds constitute all the Bonds at the time Outstanding), upon payment to the Trustee by the Holder of the costs of such wire transfers, may file with the Trustee an instrument satisfactory to the Trustee not less than five days prior to the applicable Payment Date requesting the amounts payable by the Trustee to such Holder be paid by transferring by wire transfer in immediately available funds, on the day such payment is due, the amount to be distributed to such Holder to a designated account maintained by such Holder at any bank in the United States. Notwithstanding the foregoing, all payments of principal of and interest and/or premium on the Bonds payable on

the Maturity Date or a redemption date shall only be payable upon presentation of the Bonds being purchased or redeemed, at the Operations Office of the Trustee. The principal of and interest and premium, if any, on this Bond are payable in lawful money of the United States of America.

The Bonds are issued under the provisions of and in full compliance with the Act, and a Resolution duly adopted by the Issuer pursuant to which this Bond is issued and which authorizes the execution and delivery of the Loan Agreement (as herein defined) and the Indenture. This Bond and the issue of which it is a part are special limited obligations of the Issuer, and the principal and premium, if any, and interest thereon are payable solely and only from revenues, and other amounts derived by the Issuer from the Loan Agreement pledged and assigned by the Issuer to the Trustee under the Indenture to secure payment of the principal of, premium, if any, and interest on this Bond.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES, INCOME AND RECEIPTS OF THE ISSUER PLEDGED TO THE PAYMENT THEREOF. THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE STATE, THE SPONSOR, OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE BONDS DO NOT CREATE A MORAL OBLIGATION ON THE PART OF THE STATE, THE SPONSOR OR ANY OTHER MUNICIPALITY, COUNTY OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE AND EACH OF SUCH ENTITIES IS PROHIBITED BY THE ACT FROM MAKING ANY PAYMENTS WITH RESPECT TO THE BONDS. THE ISSUER HAS NO TAXING POWER.

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 shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Bond Registrar on the certificate of authentication endorsed hereon or registered by the execution by the Comptroller of Public Accounts of the State of Texas of the Registration Certificate endorsed hereon.

All capitalized terms used in this Bond and not defined herein shall have the meaning ascribed thereto in the Indenture and the Loan Agreement (as hereafter defined).

This Bond is one of a duly authorized issue of bonds of the Issuer, issued in the initial aggregate principal amount of $11,500,000, known as the Multifamily Housing Mortgage Revenue Bonds (Housing First Oak Springs Apartments) Series 2017 (the "**Bonds**"), issued in accordance with a Trust Indenture dated as of December 1, 2017 (the "**Indenture**"), by and between the Issuer and BOKF, NA, a national banking association, as the Trustee (the "**Trustee**"), setting forth the terms upon which such Bonds are issued. The Bonds are issued by the Issuer for the purpose of making a loan of the proceeds thereof (the "**Loan**") to Housing First Oak Springs, LP, a Texas limited partnership (the "**Borrower**"), under the provisions of a Loan Agreement dated as of December 1, 2017 (the "**Loan Agreement**"), by and among the Issuer, the Borrower, and the initial Bondholder Representative to finance the acquisition, construction, and equipping of an affordable multifamily residential rental housing development to be located in the City of Austin, Texas (the "**Project**"). The loan made pursuant to the Loan Agreement (the "**Loan**") is evidenced by a promissory note from the Borrower to the Issuer and endorsed without recourse by the Issuer to the Trustee. The Borrower has agreed under the Loan Agreement to repay the Loan, together with interest thereon, in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable. Under certain circumstances described in the Indenture certain Bonds may become subordinated (the "**Subordinated Bonds**") in priority and in right and time of payment to all amounts due on the Bonds other than the Subordinated Bonds. Interest on Subordinated Bonds shall be payable on each Payment Date. Payment of the Subordinated Bonds shall be made by the Trustee only from funds, if any, not required to be used for payment on the Bonds other than Subordinated Bonds, and the Holders of the Subordinated Bonds, by acceptance of the Subordinated Bonds, expressly agree and acknowledge that (A) no payment shall be due and payable or made on the Subordinated Bonds if the Trustee does not hold sufficient funds in the Subordinated Bond Interest Account, Subordinated Bond Principal Account or the Subordinated Bond Redemption or Purchase Account of the Bond Fund to make such payment and (B) no remedy shall be had for any default in payment on the Subordinated Bonds so long as any Bonds other than Subordinated Bonds remain Outstanding.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee, for the equal and ratable benefit of the Holders, all revenues and receipts derived by the Borrower from the operation of the Project. Pursuant to a Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing filed with respect to the Project (the "**Mortgage**") of even date herewith and executed by the Borrower for the benefit of the Issuer, the Borrower has granted to the trustee identified in the Mortgage, for the equal and ratable benefit of the Holders of the Bonds, a first priority mortgage lien on and a security interest in the Project and the rents and leases thereof. The Mortgage may be released or modified in any respect upon compliance with certain conditions in the Mortgage and the Indenture.

Reference is hereby also made to the Loan Agreement, the Indenture, and the Mortgage, including all supplements thereto, for a description of the property encumbered and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights of the Issuer, and the rights, duties, and obligations of the Borrower, the Trustee, and the Holders of the Bonds, and the terms upon which the Bonds are issued and secured, redeemed and any Prepayment Fee assessed.

(A) **CONSTRUCTION INTEREST RATE PROVISIONS**. In addition to the terms defined elsewhere in this Bond or in the Indenture, the following terms have the following meanings:

"**Construction Interest Rate**" means the applicable LIBOR Rate plus 2.00% per annum.

"LIBOR Rate" means the London Interbank Offered Rate for interest periods of one month, the rate per annum ("**LIBOR**"), as then calculated by the ICE Benchmark Association (or any successor thereto if the ICE Benchmark Administration is no longer making a London Interbank Offered Rate available), published by a recognized commercially available source providing quotations of the LIBOR Rate as selected by Lender from time to time at approximately 11:00 a.m. London time, two (2) London Banking Days before the commencement of each calendar month, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term equivalent to one month. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Lender. A "**London Banking Day**" is a day on which banks in London are open for business and dealing in offshore dollars. The LIBOR Rate shall be set and reset as of the first London Business Day of each calendar month (the LIBOR Rate will be initially set as of December 1, 2017) (or if not a London Banking Day, the next London Banking Day thereafter).

(B) **CONSTRUCTION TERM INTEREST ACCRUALS.** Interest will accrue on the outstanding balance of the Bond at the Construction Interest Rate. The Trustee shall not be responsible for calculating the Construction Interest Rate.

(C) **PAST DUE RATE.** Notwithstanding the foregoing, if any principal of or interest on the Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to five percent (5.0%), plus the interest rate otherwise then applicable to this Bond.

(D) **GENERAL INTEREST PROVISIONS.** (a) Notwithstanding anything in this Bond, the Indenture, or the Loan Agreement to the contrary, accrued interest shall be payable in arrears on each Payment Date for all unpaid and accrued interest on that Payment Date and upon maturity of the Loan for all unpaid accrued interest then due; provided that default interest which has accrued shall be payable on demand.

(b) Notwithstanding anything herein to the contrary, all interest hereunder shall be computed on the basis of three hundred sixty (360) days, and in each case shall be payable for the actual number of days elapsed (including the first day, but excluding the last day). The applicable LIBOR Rate shall be determined by the Bondholder Representative and such determination shall be conclusive absent manifest error.

(E) **PAST DUE PAYMENT.**

If any payment required under this Bond is not paid within ten (10) days after such payment is due, then, at the option of the Bondholder Representative, the Borrower shall pay a late charge equal to three percent (3.0%) of the amount of such payment or $25.00, whichever is greater, up to the maximum amount of $1,500.00 per late charge to compensate the Bondholder

Representative for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to the Bondholder Representative.

(F) **REDEMPTION AND PURCHASE PROVISIONS**

This Bond is subject to redemption or purchase prior to maturity as provided for in the Indenture.

(G) **MISCELLANEOUS PROVISIONS**

1. Business Day Payments. If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment.

2. Enforcement; Modification of Indenture and Loan Documents. The Holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. Modifications or alterations of the Indenture, of any indenture supplemental thereto or of Loan Documents, may be made only to the extent and in the circumstances permitted by the Indenture and may be made in certain cases without the consent of the Holders of the Bonds.

3. Consent to Modifications. With the consent of the Issuer, Borrower, Bondholder Representative, and the Trustee, as appropriate, and to the extent permitted by and as provided in the Indenture, the terms and provisions of the Indenture and the Loan Documents or any instrument supplemental thereto may be modified or altered by the consent of the Holders of the requisite percentage of Bonds Outstanding required by the Indenture. Supplemental indentures may also be executed and delivered, without consent of or notice to any Holders, for the purpose of curing any ambiguity or formal defect or omission in the Indenture or in any supplemental indenture, granting for the benefit of the Holders additional rights, remedies, powers, authority, or security, more precisely identifying the Trust Estate, subjecting to the lien and pledge of the Indenture additional rights, preventing the interest on the Bonds from becoming includable in gross income for federal income tax purposes, qualifying the Indenture under the Trust Indenture Act of 1939, evidencing appointment of a co- Trustee or successor Trustee, bond registrar, or successor paying agent, reconciling the Indenture with Loan Documents, or making any other change which in the judgment of the Trustee based upon an opinion of Bond Counsel is necessary or desirable and will not materially prejudice any non-consenting Holders. Every Holder hereof is deemed by the Holder's purchase and retention of this Bond to consent to be bound by every supplemental indenture and every modification and amendment adopted in accordance with the provisions of the Indenture, whether or not noted or endorsed hereon or incorporated herein.

4. Waiver or Consent Conclusive. The Indenture also contains provisions permitting the Trustee, on behalf of all the Holders, to waive any Event of Default as defined under the Indenture and rescind any acceleration of the Bonds.

5. Denomination; Exchange; Treatment of Registered Holder. The Bonds are issued as fully registered bonds without coupons in the minimum denominations of $100,000 or any integral multiple of $1,000 (including cents) in excess of $100,000 minimum per Holder thereof of a single maturity or series; except that a Bond may be exchanged after redemption or purchase for a Bond in the denomination of less than $100,000 to the extent necessary to represent the unredeemed portion of any Bond. The Bonds may be exchanged by the Holder for other Bonds of any Authorized Denominations and of a like aggregate principal amount, series, and stated maturity, upon surrender thereof by the Holder at the Operations Office of the Bond Registrar or, in the case in which the Trustee is the Bond Registrar, at the Operations Office of the Trustee, in the manner and subject to the limitations provided in the Indenture. The Issuer, the Trustee, the Bond Registrar, and the Paying Agent may deem and treat the Holder of this Bond as the absolute owner of this Bond (whether or not this Bond shall be overdue) for the purpose of receiving payment on this Bond (except as otherwise herein above provided with respect to the Record Date and Special Record Date) and for all other purposes, and the Issuer (or any agent thereof), the Trustee, the Bond Registrar, and the Paying Agent shall not be affected by any notice to the contrary.

6. Registration of Transfer. The transfer of this Bond is subject to certain restrictions as provided in the Indenture and described below and to registration by the Holder or by the Holder's attorney hereof upon surrender of this Bond at the designated corporate trust office of the Bond Registrar or, in the case in which the Trustee is the Bond Registrar, at the Operations Office of the Trustee, duly endorsed or accompanied by a written instrument or instruments of transfer in the form printed on this Bond or in another form satisfactory to the Bond Registrar and duly executed and with guaranty of signature of the Holder hereof or his, her, or its attorney duly authorized in writing, containing written instructions as to the details of the registration of the transfer of the Bond. Thereupon the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver in the name of the designated transferee or transferees (but not registered in blank or to "bearer" or a similar designation), one or more new Bonds of any Authorized Denomination(s), of a like series and aggregate principal amounts having the same stated maturity and interest rate.

THE TRUSTEE SHALL NOT REGISTER ANY TRANSFER OR EXCHANGE OF ANY BONDS UNLESS ALL REQUIREMENTS OF SECTION 2.12 OF THE INDENTURE ARE MET AND, IF REQUIRED BY THE INDENTURE, SUCH HOLDER'S PROSPECTIVE TRANSFEREE DELIVERS TO THE TRUSTEE AN INVESTOR'S LETTER SUBSTANTIALLY IN THE FORM SET FORTH IN **EXHIBIT C** TO THE INDENTURE.

The Bond Registrar shall not be required (a) to transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption or purchase of Bonds under the Indenture and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond so selected for redemption or purchase in whole or in part.

7. Service Charges, Taxes. No service charge shall be made to the Holder for any registration, transfer, or exchange herein before referred to, but the Bond Registrar and the Trustee shall require payment of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges

expressly provided in the Indenture to be made without expense or without charge to Holders, and any legal or unusual costs of transfers and lost Bonds.

8. Acceleration. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds then Outstanding under the Indenture may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

9. Governing Law. This Bond shall be governed by and construed in accordance with the laws of the State of Texas, excluding its conflict and choice of law principles.

10. Indenture Controlling. The terms of this Bond are subject in all respects to the terms of the Indenture. If there is a conflict between the provisions of this Bond and the Indenture, the Indenture shall control.

11. Defined Terms. Any capitalized term not defined herein shall, as applicable, have the meaning assigned in the Indenture, the Loan Agreement, or the Note.

12. Authentication. This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Bond Registrar on the certificate of authentication endorsed hereon.

This Bond shall be subject to mandatory and optional redemption (and the related put option), subject to and as provided in Article 3 of the Indenture.

DRAFT

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

[Executed on the following pages]

DRAFT

IN WITNESS WHEREOF, Austin Housing Finance Corporation has caused this Bond to be executed with the facsimile or manual signature of its President, Vice President or Treasurer and attested by facsimile or manual signature of its Secretary or Assistant Secretary.

AUSTIN HOUSING FINANCE CORPORATION

By:_____
Name: Rosie Truelove
Title: Treasurer

By:_____
Name: Jannette S. Goodall
Title: Secretary

DRAFT

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

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

Date of Authentication: _____, _____

BOKF, NA, as Bond Registrar

By: _____
Authorized Signature

DRAFT

[Form of Comptroller's Registration to be included on initial Bonds only]

COMPTROLLER'S REGISTRATION CERTIFICATE: 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

(SEAL)

DRAFT

[Form of Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____ (Please Print or Typewrite Name and Address) (Please Insert Social Security or Other Identifying Number of Assignee: _____) the within Bond and all rights and title therein, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____
(Registered Owner)

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

Signature guaranteed

_____

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company that is a medallion guarantor.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	as tenants in common
TEN ENT	as tenants by the entirety
JT TEN	as joint tenants with rights of survivorship and not as tenants in common
UNIF GIFT MIN ACT _____ (Minor)	Custodian _____ (Cust)

Under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

DRAFT

EXHIBIT C

INVESTOR'S LETTER

Austin Housing Finance Corporation
Austin, Texas

BOKF, NA
Dallas, Texas

RE: $11,500,000 Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (Housing First Oak Springs Project) Series 2017

Ladies and Gentlemen:

The undersigned representative of Capital One National Association (the "**Purchaser**"), being the purchaser of $11,500,000.00 of the aggregate principal amount of the Austin Housing Finance Corporation Multifamily Housing Revenue Bonds (Housing First Oak Springs Apartments) Series 2017 (the "**Bonds**") does hereby certify, represent and warrant for the benefit of Austin Housing Finance Corporation (the "**Issuer**") and BOKF, NA, a national banking association, as the Trustee (the "**Trustee**"), and Housing Fist Oak Springs, LP (the "**Borrower**") that the Purchaser is an Accredited Investor (as defined in Rule 501(a)(1), (2), (3), (7) or (8) of Regulation D promulgated under the Securities Act of 1933, as amended) or a Qualified Institutional Buyer (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Trust Indenture dated as of December 1, 2017 (the "Indenture"), between the Issuer and the Trustee.

The Purchaser hereby acknowledges, represents, and warrants to, and agrees with, the Issuer and the Trustee, as follows:

(1) The Purchaser is purchasing such Bonds with its own funds (or with funds from accounts over which it has sole investment authority) and not the funds of any other Person, and for its own account (or for accounts over which it has sole investment authority) and not as nominee or agent for the account of any other Person and not with a view to any distribution thereof.

(2) The Purchaser has such knowledge and experience in business and financial matters and with respect to the purchase and ownership of multifamily housing revenue bonds, tax exempt securities, and other investment vehicles similar in character to the Bonds so as to enable it to understand and evaluate the risks of such investments and form an investment decision with respect thereto, the Purchaser has no need for liquidity in such investment and the Purchaser is (or any account for which it is purchasing is) able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof.

(3) The Purchaser understands that no offering document has been prepared in connection with the sale of the Bonds and acknowledges that it has been provided with, and has had the opportunity to review, all documents relating to the issuance of the Bonds

by the Issuer. The Purchaser either has been supplied with or has had access to information, including financial statements and other financial information (including information available with any "NRMSIR" and "SID" (as defined by SEC Rule 15c2-12 and the Municipal Securities Rulemaking Board), and has had the opportunity to ask questions and receive answers from individuals concerning said information, the Project, the guarantor(s), the Issuer, the Borrower, the credit standing of the Borrower and the guarantor(s), the Loan Agreement, dated as of December 1, 2017, among the Issuer, the Borrower, and the Bondholder Representative (the "**Loan Agreement**"), the Trust Indenture, dated as of December 1, 2017, by and between the Trustee and the Issuer (the "**Indenture**"), and the Bonds so that, as a sophisticated investor, the Purchaser has been able to make its decision to purchase the Bonds.

(4) The Purchaser has had the opportunity to ask questions of the Issuer and the Borrower or other Person and receive answers concerning the terms and conditions of the offering and to obtain any additional information it may request.

(5) THE PURCHASER UNDERSTANDS THAT:

(i) NEITHER THE STATE OF TEXAS, THE HOUSING AUTHORITY OF THE CITY OF AUSTIN, TEXAS, THE CITY OF AUSTIN, TEXAS, NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, SHALL BE LIABLE OR OBLIGATED (GENERALLY, SPECIALLY, MORALLY, OR OTHERWISE) TO PAY THE PRINCIPAL OF THE BONDS OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE HOUSING AUTHORITY OF THE CITY OF AUSTIN, TEXAS, THE CITY OF AUSTIN, TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; AND

(ii) THE ISSUER HAS NO TAXING POWER AND PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY OUT OF THE MONEYS TO BE RECEIVED BY THE TRUSTEE ON BEHALF OF THE ISSUER UNDER THE LOAN AGREEMENT AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED AND PLEDGED UNDER THE INDENTURE.

(6) The Purchaser understands that in connection with any proposed transfer or exchange of Bonds, there must be delivered to the Trustee a letter of the transferee to substantially the same effect as this letter.

(7) The Purchaser understands that, in connection with any proposed transfer of the Bonds, such transfer must be limited to an Eligible Purchaser. "**Eligible Purchaser**" means a prospective transferee that the Purchaser has clear grounds to believe and does believe can make representations with respect to itself to substantially the same effect as the representations set forth herein.

(8) The Purchaser also understands that it shall indemnify the Issuer and the Trustee as set forth in the Indenture which states: "Any such holder, desiring to effect such transfer shall agree to indemnify the Issuer and the Trustee from and against any and all liability, cost, or expense (including attorneys' fees) that may result if the representations contained in the Investor's Letter are false in any material respect."

The Purchaser has conducted its own investigation to the extent it deemed necessary. The Purchaser has been offered an opportunity to have made available to it any and all such information it might request from the Issuer, the Borrower, and the guarantor(s). On this basis, it is agreed by the Purchaser that the Purchaser is not relying on any other party or person to undertake the furnishing or verification of information related to the referenced transaction.

This letter and the representations and agreements contained herein are made for your benefit.

[Executed on the following page]

DRAFT

IN WITNESS WHEREOF, I have hereunto set my hand the _____ day of _____.

PURCHASER

Name: _____
Title: _____
MUST BE SIGNED BY ACTUAL PURCHASER. MAY NOT BE SIGNED BY NOMINEE OR AGENT.

DRAFT

EXHIBIT D

[RESERVED]

DRAFT

Exhibit B

Loan Agreement

AUSTIN HOUSING FINANCE CORPORATION

as

ISSUER

and

CAPITAL ONE, NATIONAL ASSOCIATION

as

BONDHOLDER REPRESENTATIVE

and

HOUSING FIRST OAK SPRINGS, LP

as

BORROWER

DRAFT

LOAN AGREEMENT

Dated as of December 1, 2017

Relating to

$11,500,000
Austin Housing Finance Corporation
Multifamily Housing Mortgage Revenue Bonds
(Housing First Oak Springs Apartments Project) Series 2017

The interests of the Issuer in this Agreement, excluding any unassigned rights specifically retained by Issuer, have been assigned to BOKF, NA, a national banking association, as Trustee (the "Trustee") pursuant to a Trust Indenture dated as of December 1, 2017, between the Issuer and the Trustee.

TABLE OF CONTENTS

		Page
ARTICLE 1	DEFINITIONS, EXHIBITS AND RULES OF INTERPRETATION	2
Section 1.1	Definitions	2
Section 1.2	Additional Definitions	2
Section 1.3	Schedules and Exhibits	18
Section 1.4	Rules of Interpretation	18
ARTICLE 2	REPRESENTATIONS OF ISSUER AND BORROWER	20
Section 2.1	Representations of the Issuer	20
Section 2.2	Representations and Covenants of the Borrower	21
Section 2.3	General Representations, Warranties, and Covenants of the Borrower	27
Section 2.4	Additional Tax-Related Representations, Certifications, Expectations and Warranties of Borrower	30
Section 2.5	Tax Exemption; Regulatory and Restrictive Use Agreements, City Restrictions	31
Section 2.6	Representations and Covenants of the Borrower as Single Purpose Entity	34
ARTICLE 3	ISSUANCE OF BONDS; PAYMENT OF COSTS	40
Section 3.1	Issuance of Bonds	40
Section 3.2	No Warranty by Issuer	41
Section 3.3	Disbursements From the Project Fund and the Costs of Issuance Fund	41
Section 3.4	Payment of Costs of Issuance by the Borrower	42
Section 3.5	Title Insurance	42
ARTICLE 4	THE LOAN, LOAN REPAYMENT AND ADDITIONAL CHARGES	43
Section 4.1	The Loan	43
Section 4.2	Loan Repayment	43
Section 4.3	Additional Charges	47
Section 4.4	The Borrower's Obligations Unconditional	48
Section 4.5	Assignment of Issuer's Rights	48
Section 4.6	Loan in Balance; the Borrower's Sources	48
Section 4.7	Disbursement Procedures	50
Section 4.8	Additional Disbursement Conditions	53
Section 4.9	No Waiver of Conditions	53
Section 4.10	Subordinate Loan and Grant	54
ARTICLE 5	PROJECT COVENANTS	55
Section 5.1	Project	55
Section 5.2	Change in Composition of Borrower	57
Section 5.3	Advances	57
Section 5.4	Alterations to the Project and Removal of Equipment	57
Section 5.5	Insurance	58
Section 5.6	Commencement and Substantial Completion of the Project	58

Section 5.7 Construction 59
Section 5.8 Preservation of Rights 60
Section 5.9 Maintenance and Repair 60
Section 5.10 Changes 60
Section 5.11 Construction Information and Verification 61
Section 5.12 Permits, Licenses, and Approval 62
Section 5.13 Purchase of Materials; Conditional Sales Contracts 62
Section 5.14 Site Visits; Right to Stop Work 63
Section 5.15 Protection Against Lien Claims 64
Section 5.16 Cooperation 64
Section 5.17 Income from Project 64
Section 5.18 Payment of Expenses 64
Section 5.19 Performance of Acts 65
Section 5.20 Management Agreement 65
Section 5.21 Continued Perfection 62
Section 5.22 Appraisals 62
Section 5.23 Reserve Accounts 66
Section 5.24 RAP Compliance 63
Section 5.25 Subordinate Loans and Grants 63
Section 5.26 USA Patriot Act 66
Section 5.27 (Reserved) 64
Section 5.28 Stored Materials 66
Section 5.29 Environmental Reports 67
Section 5.30 Equity Funding 67
Section 5.31 Developer Fee/Contractor Profit 67

ARTICLE 6 DAMAGE, DESTRUCTION, AND CONDEMNATION 67

Section 6.1 Damage and Destruction 67
Section 6.2 Condemnation 65
Section 6.3 Parties To Give Notice 68
Section 6.4 Conditions to Restoration 68
Section 6.5 Conditions to Disbursement of Proceeds 69

ARTICLE 7 COVENANTS OF ISSUER AND BORROWER 69

Section 7.1 Covenant for the Benefit of the Bondholder Representative 69
Section 7.2 Inspection and Access 70
Section 7.3 Indemnity 70
Section 7.4 Keeping the Issuer Informed 74
Section 7.5 Status of the Borrower 74
Section 7.6 Execution of Financing Statements 74
Section 7.7 Proceedings Relating to a Determination of Taxability 74
Section 7.8 Financial Information 75
Section 7.9 Notices 78
Section 7.10 Notice of Change 79
Section 7.11 Negative Covenants 79
Section 7.12 Tax Status of the Bonds 81
Section 7.13 Incorporation of Tax Certificate 82

DRAFT

Section 7.14 Loss of Tax Exclusion 82
Section 7.15 Low Income Housing Tax Credits 83
Section 7.16 Payment of Rebate Amounts 80
Section 7.17 Qualifications Under the Texas Local Government Code 81
Section 7.18 Rental Project 82
Section 7.19 Certification as to Qualified Project Period 83
Section 7.20 Sales and Use Taxes 87

ARTICLE 8 LEASES 87

Section 8.1 Use of the Project and Lease Approval 87
Section 8.2 Purpose and Effect of Lease Approval 88
Section 8.3 Landlord's Obligations 88

ARTICLE 9 RESERVED 88

ARTICLE 10 BORROWER'S OPTIONS 88

Section 10.1 Principal Prepayments 88
Section 10.2 Direction of Investments 88
Section 10.3 Termination of Loan Agreement: Required Prepayment 89

ARTICLE 11 EVENTS OF DEFAULT AND REMEDIES 90

Section 11.1 Events of Default 90
Section 11.2 Remedies 93
Section 11.3 Attorneys Fees and Expenses 95
Section 11.4 Effect of Waiver 96
Section 11.5 The Issuer and the Trustee May File Proofs of Claim 96
Section 11.6 Restoration of Positions 96
Section 11.7 Suits To Protect the Project 96
Section 11.8 Performance of Third Parties 97
Section 11.9 Exercise of the Issuer Remedies by Bondholder Representative 97
Section 11.10 Recourse/Non-Recourse Provisions 97

ARTICLE 12 GENERAL PROVISIONS 97

Section 12.1 Amounts Remaining in Funds 97
Section 12.2 Notices 97
Section 12.3 Binding Effect 99
Section 12.4 NO ORAL AGREEMENT 100
Section 12.5 Severability 100
Section 12.6 Amendments, Changes and Modifications 100
Section 12.7 Execution in Counterparts 100
Section 12.8 Required Approvals 100
Section 12.9 Limitation on Issuer's Liability 100
Section 12.10 No Waiver; Consents 101
Section 12.11 Purpose and Effect of Bondholder Representative Approval 103
Section 12.12 No Commitment to Increase Loan 103
Section 12.13 No Third Parties Benefited 103
Section 12.14 Authority to File Notices 103

DRAFT

Section 12.15 Affirmative Action....103
Section 12.16 Actions....103
Section 12.17 Attorneys' Fees....104
Section 12.18 Assignment of Issuer's Rights....104
Section 12.19 Applicable Law....104
Section 12.20 Heirs, Successors, and Assigns Participation....104
Section 12.21 Relationships With Other Bondholder Representative Customers....105
Section 12.22 Disclosure to Title Company....105
Section 12.23 Improvement District....105
Section 12.24 Restriction on Disposition of Personal Property....105
Section 12.25 Interpretation....105
Section 12.26 Miscellaneous....103
Section 12.27 Publicity....104
Section 12.28 Participations....106
Section 12.29 Loan Commission....106
Section 12.30 Compliance with Usury Laws....106
Section 12.31 Right To Contest Liens, Taxes, Etc....107
Section 12.32 Americans with Disabilities Act....107
Section 12.33 Integration and Relation to Commitment....107
Section 12.34 Venue....108
Section 12.35 JURY WAIVER....108
Section 12.36 Increased Costs....108
Section 12.37 USA Patriot Act Notification....109
Section 12.38 WAIVER OF SPECIAL DAMAGES....109
Section 12.39 (Reserved)....108
Section 12.40 No Offset....109

SCHEDULE A – Legal Description of Project
SCHEDULE A-1 – Permitted Encumbrances
SCHEDULE B – Promissory Note
SCHEDULE C – Project Expenses
SCHEDULE C-1 – Budget
SCHEDULE D – Disbursement Schedule
SCHEDULE D-1 – Authorized Signers
SCHEDULE E – Pro forma Schedule
SCHEDULE F – [RESERVED]
SCHEDULE G – List of Plans and Specifications
SCHEDULE H – Insurance Requirements
SCHEDULE I – [RESERVED]
SCHEDULE J – Investor Capital Contribution Schedule
SCHEDULE K – Title Insurance Requirements
SCHEDULE L – Survey Requirements
SCHEDULE M – Tax Credit Allocation
SCHEDULE N – Affidavit of Commencement
SCHEDULE O – Affidavit and Certificate of Completion

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "**Agreement**") is made as of December 1, 2017, by and among AUSTIN HOUSING FINANCE CORPORATION, a housing finance corporation organized and under the laws of the State of Texas (the "**Issuer**"), CAPITAL ONE, NATIONAL ASSOCIATION, a national banking association (the initial "**Bondholder Representative**"), and HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership (the "**Borrower**").

WITNESSETH:

WHEREAS, the Issuer was created and organized and is validly existing under the Constitution and laws of the State of Texas (the "**State**"), particularly Chapter 394, Texas Local Government Code, as amended (the "**Texas Local Government Code**"); and

WHEREAS, pursuant to the Texas Local Government Code, the Issuer is authorized and empowered to issue revenue bonds and use the proceeds from the sale of such bonds to make loans with respect to one or more projects authorized under the Act upon such term and conditions as the Issuer may deem advisable in accordance with the provisions of the Act; and

WHEREAS, pursuant to a Trust Indenture (the "**Indenture**") executed as of even date herewith, by and between the Issuer and BOKF, NA, a national banking association, as trustee ("**Trustee**"), the Issuer has, among other things, issued its Multifamily Housing Mortgage Revenue Bonds (Housing First Oak Springs Apartments Project) Series 2017, in the original principal amount of $11,500,000 (the "**Bonds**") for the purpose of making a loan (the "**Loan**") to finance the development and construction of the Housing First Oak Springs, a 50-unit single resident occupancy residential rental apartment complex, which will additionally include items not financed with the Bonds such as Retail Space and the Clinic Space (hereafter collectively, defined as the "**Project,**" although Bond proceeds will only be applied for purposes allowed under the Texas Local Government Code and the Internal Revenue Code) to be located on the property located at 3000 Oak Springs Drive, in Austin, Texas 78702 (hereafter defined as the "**Land**") which tract of land is to be leased by the Borrower from the Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), as ground lessor ("**Ground Lessor**") pursuant to a long-term ground lease; and

WHEREAS, the Issuer deems it desirable and in keeping with its purpose to issue the Bonds and loan the proceeds thereof to the Borrower for the purposes described above under the terms and conditions contained in this Agreement; and

WHEREAS, to evidence the Loan, the Borrower is making to the order of Issuer a Promissory Note in the principal sum of $11,500,000 (the "**Note**") substantially in the form attached hereto as **Schedule B**, which Note provides for the repayment of the Loan in payments sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds, and to secure, among other things, the payments due under the Note and the other obligations of Borrower under this Agreement, and the Borrower is executing a Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "**Mortgage**") naming

the Issuer as beneficiary (the beneficial interest in which is being assigned by the Issuer to the Trustee) with respect to the Project;

WHEREAS, Housing First Oak Springs, GP, LLC, a Texas limited liability company (the "**General Partner**") and NEF Assignment Corporation, an Illinois not for profit corporation, as nominee ("**Investor Limited Partner**") entered into that certain Amended and Restated Agreement of Limited Partnership dated on or about December 1, 2017 (the "**Partnership Agreement**"), pursuant to which the Investor Limited Partner has been admitted as limited partner and has agreed to make capital contributions to the Borrower upon the satisfaction of certain conditions set forth therein; and

WHEREAS, the execution and delivery of this Agreement and the issuance of the Bonds have been in all respects duly and validly authorized by the Issuer.

NOW, THEREFORE, the Bondholder Representative, the Issuer, and the Borrower, each in consideration of the representations, covenants, and agreements of the other as set forth herein, mutually represent, covenant, and agree as follows:

ARTICLE 1
DEFINITIONS, EXHIBITS AND RULES OF INTERPRETATION

Section 1.1 **Definitions**. In this Agreement, all capitalized terms used herein and not defined shall have the meaning ascribed thereto in **Section 1.1** of the Indenture (whether or not specific reference is made to that term in **Section 1.2** below).

Section 1.2 **Additional Definitions**. In addition to the other terms defined elsewhere in this Agreement, the following terms shall have the meanings assigned to them:

"**Act of Bankruptcy**" means any of the following events:

(a) the Borrower, a Guarantor, or the Investor Limited Partner shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of the Borrower, a Guarantor, or the Investor Limited Partner or of all or a substantial part of the property of the Borrower, a Guarantor, or the Investor Limited Partner, (ii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), or (iii) file a petition with respect to itself seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or

(b) a proceeding or case shall be commenced without the application or consent of the Borrower, a Guarantor, or the Investor Limited Partner, as the case may be, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts of the Borrower, a Guarantor, or the Investor Limited Partner, (ii) the appointment of a trustee, receiver, custodian, or liquidator of the Borrower, a Guarantor, or the Investor Limited Partner or of all or any substantial part of the assets of the Borrower, a Guarantor, or the Investor Limited Partner, or (iii) similar relief in respect of the Borrower, a Guarantor, or the Investor Limited Partner under any law relating to bankruptcy, insolvency, reorganization, winding-up, or

composition or adjustment of debts and such proceeding or case shall not be dismissed within 60 days of such filing.

For purposes of this Agreement, an Act of Bankruptcy shall be deemed dismissed only if (i) the petition is dismissed by order of a court of competent jurisdiction and no further rights exist from such order and (ii) the Borrower or the Issuer notifies the Trustee that such a dismissal has occurred.

"**ADA**" has the meaning assigned to that term in **Section 12.33**.

"**Additional Charges**" has the meaning assigned to that term in **Section 4.3**.

"**Affiliate**" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with the Person specified.

"**AHAP Contracts**" means, collectively, (a) the Project-Based Section 8 HUD Agreement to Enter Into Housing Assistance Payments Voucher Program entered into between Borrower and the Authority pursuant to Resolution 2488 duly adopted on March 9, 2017, by the Authority's Board of Commissioners, which shall in any event cover 25 of the planned single occupancy residential units in the Project and all renewals and extensions thereof (the "**Housing Choice Voucher Program AHAP**"), and (b) the Project-Based Section 8 HUD Agreement to Enter Into Housing Assistance Payments Voucher Program entered into between Borrower and the Authority pursuant to Resolution 2482 duly adopted on February 16, 2017, by the Authority's Board of Commissioners, which shall in any event cover 25 of the planned single occupancy residential units in the Project and all renewals and extensions thereof (the "**HUD VASH Program AHAP**"). Each AHAP Contract is to be entered into on or before the Bond Closing.

"**AHFC Second Loan**" means a subordinate loan in the amount of $3,888,112.00 made to the Borrower by ATCIC (which will be made with a loan of the proceeds of general obligation bonds made to ATCIC by the Issuer in accordance with the terms of the Rental Housing Development Assistance Program Loan Agreement, [the "**RHDA Agreement**"]), bearing interest at zero percent (0%), maturing on the later to occur of 40-years after the issuance of certificates of occupancy or November 30, 2059, and payable as provided for in the AHFC Second Loan Documents. The AHFC Second Loan will fund on or before the Construction Term Maturity Date as and when provided for in the Budget to pay a portion of the costs associated with the construction of the Project.

"**AHFC Second Loan Documents**" means all notes, agreements, instruments, and documents evidencing, governing, and/or securing the AFHC Second Loan (which, in any event, shall include the RHDA Agreement and the collateral assignment of the documents evidencing, securing, and pertaining to the loan by Issuer to ATCIC of proceeds for the AHFC Second Loan pursuant to the RHDA Agreement).

"**AHFC Regulatory Agreement**" means the Restrictive Covenant Running with the Land executed by ATCIC and Borrower for the benefit of AHFC.

"**Anti-Corruption Laws**" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower and its affiliated companies from time to time concerning or relating to bribery or corruption.

"**Appraisal**" or "**appraisal**" means a written statement setting forth an opinion of the Appraisal Value of the Project that (i) has been independently and impartially prepared by a qualified appraiser directly engaged by the Bondholder Representative or its agent, (ii) complies with all applicable federal and state laws and regulations dealing with appraisals or valuations of real property, and (iii) has been reviewed as to form and content and approved by the Bondholder Representative, in its reasonable judgment. Once an Appraisal has been reviewed and accepted by the Bondholder Representative, the Borrower shall be entitled to receive a copy of that Appraisal if that Appraisal was paid for by the Borrower.

"**Appraisal Value**" means, as reflected in the most current Appraisal obtained by the Bondholder Representative, the as-stabilized, as-completed value of the Project valued with rent restrictions (including current HUD utility allowances) and tax abatements (as applicable), plus the value of the Low Income Housing Tax Credit (at the lesser of the appraisal value or the actual aggregate purchase price as reflected in the Partnership Agreement).

"**Architect**" has the meaning assigned to that term in **Section 5.6(b)**.

"**Architecture Contract**" has the meaning assigned to that term in **Section 5.10(c)**.

"**Assignment of Management Agreement**" means the Assignment of Management Agreement of even date herewith from Borrower to Bondholder Representative.

"**ATCIC**" means Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Section 534 of the Texas Health and Safety Code.

"**ATCIC Sponsor Fourth Loan**" means the $4,640,995.00 loan to be made to Borrower by ATCIC bearing interest at zero percent (0%) per annum, having a 40-year term, and payable as provided for in the ATCIC Sponsor Fourth Loan Documents. The ATCIC Sponsor Fourth Loan will fully fund on or before the Bond Closing for deposit into the Collateral Account.

"**ATCIC Sponsor Fourth Loan Documents**" means all notes, agreements, instruments, and documents evidencing, governing, and/or securing the ATCIC Sponsor Fourth Loan.

"**Authority**" means the Housing Authority of the City of Austin.

"**Bad Costs**" means budgeted project items which are not Good Costs.

"**Basic Payments**" has the meaning assigned to that term in **Section 4.2**.

"**Bond Closing**" means the date on which there is delivery by the Issuer of, and payment by the initial purchaser for, the Bonds.

"**Bond Closing Date**" means the date of this Agreement.

"**Bond Counsel**" has the meaning assigned to that term in the Indenture.

"**Bond Documents**" shall have the meaning given to that term in the Indenture.

"**Bonded**" means a lien or claim that is bonded against in a manner acceptable to the Bondholder Representative as to preclude the claimant thereof from having recourse to the Project or Borrower for the payment of a debtor otherwise with respect to a claim.

"**Bondholder Representative**" has the meaning assigned to that term in the introductory paragraph of this Agreement.

"**Bondholder Representative's Required Completion Date**" means the earlier to occur of (a) fifteen (15) calendar months from the date of this Agreement (as may be extended for up to an aggregate combined amount of 60 days as a result of Excusable Delays), (b) the date the Investor Limited Partner shall require that the Improvements are placed in service as provided in the Partnership Agreement, (c) the date required by the Credit Agency for placing the Project in service in order to maintain its Low-Income Housing Tax Credit, as such placed in service date may be extended by the Credit Agency, or (d) the date required for completion of the Improvements under the Subordinate Loan Documents.

"**Bond Maturity Date**" means twenty-three (23) calendar months from Bond Closing.

"**Bond Regulatory Agreement**" shall mean that certain Regulatory and Land Use Restriction Agreement dated of even date herewith, by and among Borrower, Issuer and Trustee (and referred to as the Regulatory Agreement in the Indenture).

"**Bond Year**" has the meaning assigned to that term in the Indenture.

"**Bonds**" has the meaning provided in the Recitals of this Agreement.

"**Borrower's Funds Account**" has the meaning assigned to that term in **Section 4.6**.

"**Borrower's Organizational Documents**" means the Partnership Agreement, its certificate of formation and any amendments and supplements thereto.

"**Borrower's Sources**" has the meaning assigned to that term in **Section 4.6(1)**.

"**Budget**" means the budget and related flow of funds prepared by Borrower, and approved by Bondholder Representative, setting forth in detail all direct and indirect costs for the acquisition and construction of the Improvements, as provided for in **Schedule C-1** attached hereto. The Budget shall have a hard cost contingency of at least 5% and a soft cost contingency of at least 5%. The Budget shall reflect a break down satisfactory to the Bondholder Representative showing the costs and sources for developing the residential units in the Improvements and the two commercial spaces (being the Retail Space and the Clinic Space).

"**Business Day**" means any day other than (i) a Saturday or a Sunday, or (ii) a day on which federally insured depository institutions in New York, New York or the jurisdiction in which the Bondholder Representative's designated offices are located, are authorized or obligated by law,

regulation, governmental decree or executive order to be closed, or (iii) any other day which is not a Business Day under and for purposes of the Indenture.

"**Capital Contribution Account**" means that certain interest bearing account of Borrower, located at Bondholder Representative to be used for disbursements by Bondholder Representative of certain of the Capital Contributions.

"**Capital Contributions**" means the Capital Contributions to be made by the Investor Limited Partner in accordance with and subject to the terms and provisions of the Partnership Agreement, a schedule of such payments is set forth in **Schedule J**, with respect to the purchase of a limited partnership interest in the Borrower. References to specific Capital Contributions shall be to the associated installment of the Capital Contribution in **Schedule J**.

"**Cash Collateral**" has the meaning assigned to that term in **Section 4.6**.

"**City**" means the City of Austin, Texas.

"**Clinic Space**" means the 5,360 square feet (more or less) of commercial space in the Improvements on the second floor of the Improvements as provided for in the Plans and Specifications, which will be sub-leased to ATCIC pursuant to a Commercial Lease for primary care and mental health services; provided, however, that the Bond proceeds will not be used to finance such commercial space.

"**Code**" means the Internal Revenue Code of 1986, as amended; all references to a particular section of the Code include (a) rulings of the Internal Revenue Service applicable to such sections and (b) final and temporary regulations issued under the Code with respect to such sections that are available to the general public.

"**Collateral Account**" means the blocked collateral account of Borrower located at the Bondholder Representative having an opening balance from the full funding of the ATCIC Sponsor Fourth Loan. Borrower shall have no access to the Collateral Account, except as specifically provided for in this Agreement.

"**Collateral Assignment**" means the Collateral Assignment of Rights to Tax Credits and Partnership Interests dated as of even date herewith executed by Borrower and the General Partner.

"**Collateral Assignment of HAP Contracts**" means a Collateral Assignment of HAP Contracts dated of even date herewith executed by Borrower and relating to the Borrower's rights under and with respect to each HAP Contract.

"**Collateral Pledge**" means the Collateral Assignment of Account of even date herewith from Borrower to the Bondholder Representative and covering the Collateral Account.

"**Commercial Lease**" means, collectively, (a) a sub-lease of the Retail Space pursuant to a Lease Agreement between ATCIC, as tenant and Borrower, as landlord, which space will be delivered unfinished (not built out) and then ATCIC intends to further sub-lease the Retail Space to an end user of the Retail Space, and (b) a sub-lease of the Clinic Space pursuant to a Lease

Agreement between ATCIC, as tenant and Borrower, as landlord, which space will be delivered built out as provided for in that Commercial Lease.

"**Commitment**" means any written or oral commitment, offer, or statement made by Bondholder Representative to Borrower before the Bond Closing with respect to the terms and manner upon which Bondholder Representative will purchase the Bonds (including the letter dated December 8, 2016, from the Bondholder Representative to Borrower).

"**Computation Date**" has the meaning set forth in Section 1.148-1(b) of the Regulations and includes each Installment Computation Date and the Final Computation Date

"**Condemnation**" shall have the meaning assigned to that term in the Indenture.

"**Construction**" has the meaning assigned to that term in **Section 5.6(a)** of the Loan Agreement.

"**Construction Capital Contribution**" has the meaning assigned to that term in **Section 4.7**.

"**Construction Contract**" has the meaning assigned to that term in **Section 5.10(c)**.

"**Construction Inspection Fee**" has the meaning assigned to that term in **Section 5.18**.

"**Construction of the Project**" has the meaning assigned to that term in **Section 5.6(b)**.

"**Construction Term**" means the period beginning on the Bond Closing and ending on the date the Note is fully and finally paid.

"**Construction Term Maturity Date**" means twenty (20) calendar months from the Bond Closing Date, as the same may be extended pursuant to **Section 4.2(e)** hereof.

"**Contractor**" means ATCIC, and each other general contractor, whether one or more, engaged by Borrower, and approved in writing by the Bondholder Representative, to construct the Improvements (it being agreed that Bailey Elliott Construction, Inc. will be the primary subcontractor for the construction of the Improvements and in such role, will treated as Contractor for purposes of this Agreement (if Bailey Elliott Construction, Inc. is not the primary subcontractor, Bondholder Representative shall approve any other primary subcontractor).

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" shall have meanings correlative thereto.

"**Costs of Issuance**" has the meaning assigned to that term in the Indenture.

"**Credit Agency**" means the Texas Department of Housing and Community Affairs, together with its successors and assigns in such capacity.

"**Credit Agency Regulatory Agreement**" means that certain Tax Credit Regulatory Agreement to be executed by and between Borrower and Credit Agency following Borrower's filing of Form 8609 with respect to the Project.

"**Default**" means any event which, with the giving of notice or the passage of time, or both, would be an Event of Default.

"**Default Rate**" has the meaning assigned to that term in the Indenture.

"**Determination of Taxability**" has the meaning assigned to that term in the Indenture.

"**Developer**" means ATCIC, acting in that capacity.

"**Developer Fee**" means that fee for development services payable to the Developer in the amount and upon such terms and conditions provided for in that certain Development Agreement, executed on or before even date herewith by and between Borrower and Developer (the "**Development Agreement**").

"**Disbursement Checking Account**" has the meaning assigned to that term in **Section 4.7**.

"**Disbursement Schedule**" has the meaning assigned to that term in **Section 3.3(4)**.

"**Draw Request**" has the meaning assigned to that term in **Section 4.7(2)**.

"**DSHS**" means the Department of State Health Services of the State.

"**DSHS Appropriation**" means the 2014-2015 General Appropriations Act, 5.B.1, 83rd Legislature 2013 (Article II, DSHS, Rider 90), whereby $25,000,000 was appropriated to award a maximum of five grants to establish or expand community collaboratives that provide services to individuals experiencing issues related to mental health and homelessness.

"**DSHS Third Loan**" means a subordinate loan or grant to Borrower from ATCIC in the amount of $4,442,438.00, having a 40-year maturity and 40-year amortization, bearing interest of zero percent (0%) per annum, and otherwise on terms acceptable to Bondholder Representative. The DSHS Third Loan will be made by ATCIC with proceeds of a healthy community collaborative grant from DSHS to ATCIC from the proceeds of the DSHS Appropriation. The DSHS Third Loan will be made available to Borrower during the Construction Term for the payment of budgeted items as and when provided for in the Budget.

"**DSHS Third Loan Documents**" means all agreements, instruments and documents relating to, governing, evidencing, or securing the DSHS Third Loan.

"**Eligible Costs**" has the meaning assigned to that term in **Section 4.9**.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"**ERISA Affiliate**" means any corporation or trade or business that is a member of any group of organizations (a) described in Section 414(b) or (c) of the Code, of which the Borrower

is a member; and (b) solely for purposes of potential liability or any lien arising under Section 302 of ERISA and Section 412 of the Code, described in Section 414(m) or (o) of the Code, of which the Borrower is a member.

"**Event of Default**" has the meaning given to that term in **Section 11.1**.

"**Excusable Delays**" means unusually adverse weather conditions which have not been taken into account in the construction schedule, fire, hurricane, tropical storm, tornado, flooding, wind damage, earthquake or other acts of God, State or Federal ordered evacuation of the Land, shortages of materials, strike, lockout, acts of public enemy, riot, or insurrection or any unforeseen circumstances or events (except financial circumstances or events or matter which may be resolved by the payment of money on commercially reasonable terms) beyond the control of Borrower, provided the Borrower shall notify the Bondholder Representative in writing within five (5) days after such occurrence, but no Excusable Delay shall suspend or abate any obligation of the Borrower or any other Person to pay any money under this Agreement and the other Loan Documents.

"**Extraordinary Revenues**" means Recovery Proceeds, but such term shall not include use and business interruption insurance proceeds and rental loss insurance proceeds.

"**Favorable Opinion of Bond Counsel**" means, with respect to any action the taking of which requires such an opinion, an unqualified opinion of counsel, which will be from Bond Counsel, delivered to and in form and substance satisfactory to the Issuer to the effect that such action does not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

"**Federal Laws**" has the meaning assigned to that term in **Section 7.15(f)**.

"**Fifty Percent Test**" shall mean the 50% aggregate basis test under Section 42(h)(4)(B) of the Code.

"**Final Computation Date**" means the date on which the final payment in full of all outstanding Bonds is made.

"**Financial Institution**" means (a) any national bank, banking corporation, national banking association or other banking institution, whether acting in its individual or fiduciary capacity, organized under the laws of the United States, any state, any territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the Comptroller of the Currency or a comparable state or territorial official or agency; (b) an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state, a territory or the District of Columbia; (c) an investment company registered under the Investment Company Act of 1940 or a business development company as described in Section 2(a)(48) of that Act; (d) an employee benefit plan, including an individual retirement account, which is subject to the provisions of the

Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company or registered investment company; or (e) institutional investors or other entities who customarily purchase commercial paper or tax-exempt securities in large denominations.

"**GAAP**" means the generally accepted accounting principles established by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants and in effect in the United States from time to time, applied on a basis consistent with that of the preceding fiscal year of Borrower, reflecting only such changes in accounting principles or practice with which the independent public accountants of Borrower concur.

"**General Partner Contribution**" means an equity contribution to be made by the General Partner in Borrower in the amount of $740,000.00 on terms and from a source acceptable to the Bondholder Representative.

"**Good Costs**" means the Qualified Project Costs which may be paid with proceeds of the Bonds on deposit in the Project Fund.

"**Governmental Authority**" has the meaning assigned to that term in the Indenture.

"**Ground Lease**" means that certain Ground Lease, dated on or about even date herewith, by and between the Ground Lessor, as lessor, and the Borrower, as lessee (and is the same as the long-term ground lease referred to in the Recitals).

"**Guarantors**" means the General Partner and ATCIC (each as to payment and completion).

"**Guarantys**" shall mean the Payment and Performance Guaranty (whether one or more) executed by each Guarantor (in favor of the Bondholder Representative).

"**HAP Contracts**" means, collectively, (a) the Project Based Section 8 Housing Assistance Payments Contract to be entered into by the Authority and the Borrower pursuant to the Housing Choice Voucher Program AHAP, which shall in any event cover 25 of the planned residential units in the Project and all renewals and extensions thereof, and (b) the Project Based Section 8 Housing Assistance Payments Contract to be entered into by the Authority and the Borrower pursuant to the HUD VASH Program AHAP, which shall in any event cover 25 of the planned residential units in the Project and all renewals and extensions thereof.

"**Hazardous Substances**" shall have the meaning assigned to that term in the Mortgage.

"**Holder**" has the meaning assigned to that term in the Indenture (including the Bondholder Representative and each other owner of the Bonds).

"**Housing Act**" means the United States Housing Act of 1937 (42 U.S.C. §1437 et seq.), as amended from time to time, and any successor legislation.

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

"**HUD VASH**" means the HUD-Veterans Affairs Supportive Housing.

"**HUD VASH Program**" means the program which combines rental assistance from HUD for homeless veterans and their families and case management and clinical services for these veterans provided by the VA. The VA will refer those individuals eligible for vouchers under the HUD VASH Program.

"**Improvements**" means the housing project, consisting of one building, which will serve tenants with chronic mental health and substance abuse issues with 50 fully furnished single occupancy efficiency apartments, the Clinic Space, the Retail Space, a community room and parking garage, which will be known as Housing First Oak Springs, and which will be located on the Land, and which will be developed with the proceeds of the Loan, the Capital Contributions, the General Partner Contribution, and the Subordinate Loans and Grants substantially in accordance with the Plans and Specifications. All of the residential units will be eligible for project based housing choice vouchers as provided for in an AHAP Contract. Nothing herein shall limit the requirements of the Texas Office of Mental Health and the requirements of each Regulatory and Restrictive Use Agreement with respect to the occupancy of the residential units.

"**Indemnified Parties**" has the meaning assigned to that term in **Section 7.3**.

"**Indenture**" has the meaning provided in the Recitals of this Agreement.

"**Installment Computation Date**" means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

"**Intercreditor Agreement**" means, collectively, (a) an Intercreditor and Subordination Agreement among Borrower, Bondholder Representative, ATCIC and joined in by the Trustee, where the holder of the AHFC Second Loan subordinates the payment of the AHFC Second Loan and all liens securing the AHFC Second Loan to the Mortgage and subordinates the payment of the AHFC Second Loan to payment of the Loan, (b) an Intercreditor and Subordination Agreement among Borrower, Bondholder Representative, ATCIC and joined in by the Trustee, where the holder of the ATCIC Sponsor Fourth Loan subordinates the payment of the ATCIC Sponsor Fourth Loan and all liens securing the ATCIC Sponsor Fourth Loan to the Mortgage and subordinates the payment of the ATCIC Sponsor Fourth Loan to payment of the Loan, and (c) an Intercreditor and Subordination Agreement among Borrower, Bondholder Representative, ATCIC and joined in by the Trustee, where the holder of the DSHS Third Loan subordinates the payment of the DSHS Third Loan and all liens securing the DSHS Third Loan to the Mortgage and subordinates the payment of the DSHS Third Loan to payment of the Loan,

"**Interest**" has the meaning assigned to that term in **Section 12.31**.

"**Investment Proceeds**" is defined in Section 1.148 1(b) of the Regulations and generally consists of an amounts actually or constructively received from investing Proceeds.

"**Investor Limited Partner**" has the meaning given to that term in the Recitals hereof

"**Issuer Fees**" has the meaning assigned to that term in the Indenture.

"**Land**" has the meaning assigned to that term in the Recitals.

"**Liabilities**" has the meaning assigned to that term in **Section 7.3**.

"**Lien**" or "**lien**" means any interest in all or any of the Project securing an obligation owed to, or a claim by, a Person other than an owner of the Project, whether such interest is based on common law, statute, or contract, and including, but not limited to, the security interest, security title or lien arising from a security agreement, deed of trust, deed to secure debt, encumbrance, pledge, conditional sale, trust receipt, lease, or a consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting the Project.

"**Loan**" has the meaning provided in the Recitals of this Agreement.

"**Loan Documents**" shall have the meaning given to that term in the Indenture (which in any event shall include, without limitation, this Agreement, the Note, the Mortgage, each Guaranty, the Collateral Pledge, the Collateral Assignment of HAP Contracts, and the Assignment of Management Agreement).

"**Loan to Value Ratio**" means the ratio expressed as a percentage, of (a) the principal amount of the Bonds Outstanding (as then committed and outstanding), to (b) the Appraisal Value.

"**Low Income Housing Tax Credit**" means the 2016 4 % Low-Income Housing Credit as that term is used in Section 42 of the Code available to the Project in the anticipated amount of $832,349.00, annually for ten (10) years.

"**Material Adverse Change or Effect**" means any act, circumstance, or event (including, without limitation, any announcement of action) which (i) causes an Event of Default, (ii) otherwise could reasonably be expected to be material and adverse to the financial condition or operations of Borrower or the Project, or (iii) in any manner could reasonably be expected to materially and adversely affect the validity or enforceability of any Loan Document.

"**Mortgage**" has the meaning provided in the Recitals of this Agreement.

"**Net Proceeds**" means the Sale Proceeds.

"**NOI**" means the following difference:

(1) the lesser of (a) Project Revenues actually received from or in connection with the Project during the period in question, but excluding tenant security and other deposits (except to the extent the tenant has forfeited its rights to return thereof), and other penalties and income of a nonrecurring nature, and adjusted for rental concessions and vacancy (vacancy shall be the greater of 5.0%, or actual vacancy as determined by Bank in its reasonable discretion, or pro forma vacancy), or (b) the Project Revenues based on the maximum rents permitted for the Low Income Housing Tax Credit Units; minus

(2) the sum of the greater of (a) pro forma operating expenses with respect to the Project approved prior to Bond Closing by the Bondholder Representative or (b) operating expenses actually incurred by the Borrower with respect to the Project during the period in question (provided that management fees for the Project will be deemed to be equal to the greater of the management fee actually paid or five percent (5%) of the Project Revenues) with an appropriate adjustment to include in such period an allocable share of property taxes, Issuer Fees, Ordinary Fees and Expenses, utility costs, insurance premiums, and recurring maintenance expenses which cover a period of time greater than the period in question.

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

"**Note**" has the meaning provided in the Recitals of this Agreement.

"**Ordinary Fees and Expenses**" has the meaning assigned to that term in the Indenture.

"**Outstanding Bonds**" and **Bonds Outstanding**" have the meanings assigned to those terms in the Indenture.

"**Partnership Agreement**" has the meaning assigned to that term in the Recitals.

"**Payment and Performance Bond**" means a payment and performance bond providing that the primary subcontractor is bonded for payment and performance, in an aggregate amount of at least equal to the Construction Contract, by a surety, having an AM Best rating of at least A/VIII or where an AM Best rating is unavailable, an S&P rating of at least AA (this bond shall contain a dual obligee clause in favor of the Contractor and the Bondholder Representative).

"**Payment Date**" has the meaning assigned to that term in **Section 4.2** hereof.

"**Permitted Encumbrances**" means the items listed in **Schedule A-1**, which for purposes of this Agreement shall include the Credit Agency Regulatory Agreement and the AHFC Regulatory Agreement.

"**Person**" means any natural person, firm, partnership, association, limited liability company, corporation, company, governmental or public body.

"**Placed in Service or placed in service**" means with respect to the Project, the date that (a) the Project has received all temporary certificates of occupancy and use permits required for legal occupancy of all of its dwelling units and is ready and available for occupancy by tenants under Approved Leases (if such certificates or permits are of a temporary nature, the Project shall not be deemed to have been Placed in Service unless: (i) any work remaining to be done is of a nature that would not impair the permanent occupancy of any of the residential units on a full paying basis; and (ii) the Borrower has made adequate provision for the payment and completion of all outstanding punch list items and any other work that needs to be completed); (b) the Project is free of any mechanics or other Liens, except for the mortgages securing the Loan, the subordinate Liens securing the Subordinate Loans and Grants and Liens which are Bonded, or

obligations secured thereby or affirmatively insured against by the Trustee's loan title policy (in such manner as precludes recourse to the Borrower for any loss incurred by the insurer) or by another policy of title insurance issued to the Borrower by a reputable title insurance company, in an amount complying with the requirements of this Agreement (or by an endorsement of either such policy); (c) the Architect has issued an Architect's Certificate in the form of AIA document G704 stipulating that construction or rehabilitation is substantially complete; (d) the General Partner has issued a certification that the construction or rehabilitation is substantially complete and that all temporary certificates of occupancy and use permits have been issued for 100% of the residential units; (e) the Contractor has issued a General Contractor's Certificate comparable to AIA Form G706 and G706A certifying that it has been paid in full under the Construction Contract, that it has paid all subcontractors and materialmen in full, and that it has received waivers of mechanic's lien from all subcontractors, materialmen and anyone else that could lien the property in connection with the work under the Construction Contract or any such lien has been Bonded, and (f) there is no Event of Default that has occurred and is continuing.

"**Plans and Specifications**" has the meaning assigned to that term in **Section 5.6**.

"**Proceeds**" is defined in Section 1.148-1(b) of the Regulations and generally means any Sale Proceeds and Investment Proceeds of the Bonds.

"**Proforma Schedule**" means the schedule set forth at **Schedule E** attached hereto.

"**Project**" has the meaning assigned to that term in the Indenture (but in any event, including the Improvements and the Borrower's leasehold interest in the Land).

"**Project Engineer**" has the meaning assigned to that term in the Indenture.

"**Project Fund**" shall have the meaning assigned to that term in the Indenture.

"**Project Revenues**" means all gross revenues and receipts derived by the Borrower from the operation of the Project during the period in question, including tenant rents and all other moneys as may be paid to or on behalf of the Borrower or to which the Borrower may be entitled with respect to the Project excluding security deposits (except to the extent the tenant has forfeited its rights to return thereof) and including earnings on the foregoing and proceeds of business interruption or rental loss insurance. Such term shall not include Extraordinary Revenues.

"**Property Manager**" means Prak Property Management, Inc.

"**Publicly-Held Corporation**" means a corporation the outstanding voting stock of which is registered under Section 12(b) or 12(g) of the Securities and Exchange Act of 1934, as amended.

"**QAP**" means Qualified Allocation Plan for the 2016 Housing Tax Credit Program adopted by the Credit Agency (as may be amended, replaced, or superseded).

"**Qualified Project Costs**" has the meaning assigned to that term in the Indenture.

"**Qualified Project Period**" has the meaning assigned to that term in the Bond Regulatory Agreement.

"**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.

"**Rebate Analyst**" shall have the meaning assigned to that term in the Indenture.

"**Rebate Fund**" shall have the meaning assigned to that term in the Indenture.

"**Regulations**" has the meaning assigned to that term in the Indenture.

"**Regulatory and Restrictive Use Agreements**" means, collectively: (i) the Bond Regulatory Agreement, and (ii) the Credit Agency Regulatory Agreement and (iii) the AHFC Regulatory Agreement.

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

"**Requirements**" shall have the meaning set forth at **Section 5.1** herein (but in any event shall include the Regulations).

"**Requirements of Law**" means as to any Person the certificate or articles of incorporation or organization or formation and by-laws, operating agreement, or other organizational or governing documents of such Person; all requirements of HUD, the Credit Agency, the City, DSHS, the Issuer, the Subordinate Loan Documents, the Housing Act, the DSHS Appropriation, each Regulatory and Restrictive Use Agreement, the HUD VASH Program, the Subordinate Loan Documents, each AHAP Contract and each HAP Contract (once each is executed), and any other restrictions or covenants applicable to and affecting the use and development of the Project. Requirements of Law shall also include, without limitation, any and all applicable (a) federal, state, parish and municipal laws, codes, ordinances, rules and regulations actually applicable to the Project, whether currently existing or hereafter promulgated, including without limitation environmental laws, building codes, land use, and zoning codes to the extent actually applicable to the Project, (b) all requirements and terms of the QAP as adopted by the Credit Agency and applicable to the Low Income Housing Tax Credit for the Project, (c) federal regulations and policies issued pursuant to these regulations, including without limitation, 24 CFR 941 Subpart F, as amended from time to time, (d) the Architectural Barriers Act of 1968 (42 U.S.C. §§4151-4157); (e) the Uniform Federal Accessibility Standards, as set forth in 24 CFR Part 570.614; (f) the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973; (g) the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. §276(a) to (a-7) 24 CFR Part 570.603) and supporting Department of Labor regulations; (h) the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (49 CFR Part 24) and Section 104(d) of the Housing and Community Development Act of 1974 as amended, and 24 CFR Part 570.606; and (i) for existing properties built prior to 1978, the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §4831(b)) and the Residential Lead Based Paint Hazard Reduction Act of 1992 (42 U.S.C. §§4851-4856) and implementing regulations at 24 CFR Part 35.

"**Requisition**" means a request for the disbursement of funds in the Project Fund (or if applicable, the Costs of Issuance Fund, as the case may be) in accordance with **Section 5.2(3)** of the Indenture, as otherwise required by the Trustee, on the form attached as Exhibit A to the Indenture (and in any event shall be the same as the requisitions used in the Indenture).

"**Retail Space**" means the 2,217 square feet (more or less) of retail commercial space in the ground floor of the Improvements as provided for in the Plans and Specifications, which will be leased initially to ATCIC and then sub-subleased to Goodwill (or such other tenant satisfactory to the Bondholder Representative) and for a retail shop; provided, however, that the Bond proceeds will not be used to finance such commercial space.

"**Retainage**" means an amount equal to 10% of the amount of the contract with Contractor (whether one or more) shall be retained by Borrower, unless a greater amount is required to be retained under applicable Requirements of Law, in order to secure, the payment of artisans and mechanics who perform labor or service and the payment of any and all other persons who furnish material and labor, or specifically fabricated material for any contractor, subcontractor, agent, or receiver for the construction of the Improvements.

"**Sale Proceeds**" is defined in Section 1.148-1 of the Regulations and generally consists of any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

"**Sanctioned Country**" means, at any time, a country or territory which is the subject or target of any Sanctions.

"**Sanctioned Person**" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

"**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

"**Section 8 Property**" means a property which all of a portion thereof qualifies for "project based assistance" under 42 U.S.C. §1437f and all regulations issued pursuant thereto.

"**State**" means State of Texas.

"**State Laws**" has the meaning assigned to that term in **Section 7.15(f)**.

"**Stored Materials**" has the meaning assigned to that term in **Section 5.27**.

"**Subordinate Loan Documents**" means, collectively, the AHFC Second Loan Documents, the ATCIC Sponsor Fourth Loan Documents, and the DSHS Third Loan Documents.

"**Subordinate Loans and Grants**" means, collectively, the AHFC Second Loan, the ATCIC Sponsor Fourth Loan, and the DSHS Third Loan.

"**Substantial Completion**" means the completion of the construction and equipping of the Improvements free and clear of all liens other than Permitted Encumbrances and Bonded liens in accordance with the Plans and Specifications to the satisfaction of the Bondholder Representative and its Project Engineer, except for such defects or departures which do not, in the opinion of the Bondholder Representative and its Project Engineer, adversely affect either the value of the work in place or the full utilization of the applicable portion of the Improvements for which it is intended, and copies of all permits and approvals of Governmental Authorities for the occupancy of all apartment units located in the Improvements including, and not by way of limitation, a conditional, temporary or permanent certificate of occupancy.

"**Tax Certificate**" has the meaning assigned to that term in **Section 2.2(11)**.

"**Tax Credit Allocation**" means the letter (or other form of notice) issued by the Credit Agency regarding the availability of a Low Income Housing Tax Credit for the Project which is attached hereto as **Schedule M** subject to the terms and provisions thereof

"**Title Policy**" has the meaning provided in **Schedule K**.

"**Total Project Expenses**" has the meaning assigned to that term in **Section 4.6(1)**.

"**Transfer**" means (a) a sale, assignment, transfer or other disposition (whether voluntary, involuntary, or by operation of law), (b) except pursuant to a Regulatory and Restrictive Use Agreement, the grant, creation, or attachment of a lien, encumbrance or security interest (whether voluntary, involuntary, or by operation of law) that is not Bonded, (c) the issuance or other creation of a direct or indirect ownership interest, (d) the withdrawal, retirement, removal or involuntary resignation of any owner or manager of a legal entity, or (e) the merger, dissolution, liquidation or consolidation of a legal entity. The term "Transfer" shall not mean or include (i) the conveyance of the Project at a judicial or non-judicial foreclosure sale under the Mortgage, (ii) the Project becoming part of a bankruptcy estate by operation of law under United States Bankruptcy Code, or (iii) any other transfer expressly permitted by the terms of the Loan Documents.

"**Unassigned Issuer's Rights**" has the meaning assigned to that term in the Indenture.

"**VA**" means the United States Department of Veteran Affairs.

"**Yield**" of (a) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations and generally, is the discount rate that when used in computing the present value of all payment of principal and interest to be paid on the obligation produces an amount equal to the Issue Price of such Bond and (b) any investment has the meaning set forth in Section 1.148-5 of the Regulations and generally, is the discount rate that when used in computing the present value of all payment of principal and interest to be paid on the investment produces an amount equal to all payments for the investment.

Section 1.3 **Schedules and Exhibits**. The following Schedules and Exhibits are attached to and by reference made a part of this Agreement:

1) **Schedule A**: Legal Description of Project;

2) **Schedule A-1**: Permitted Encumbrances;

3) **Schedule B**: Form of Promissory Note;

4) **Schedule C**: Project Expenses;

5) **Schedule C-1**: Budget;

6) **Schedule D**: Disbursement Schedule;

7) **Schedule D-1**: Authorized Signers;

8) **Schedule E**: Pro Forma Schedule;

9) **Schedule F**: [RESERVED]

10) **Schedule G**: List of Plans and Specifications;

11) **Schedule H**: Insurance Requirements;

12) **Schedule I**: [RESERVED]

13) **Schedule J**: Equity Funding Schedule; Investor Capital Contribution Schedule;

14) **Schedule K**: Title Insurance Requirements;

15) **Schedule L**: Survey Requirements;

16) **Schedule M**: Tax Credit Allocation;

17) **Schedule N**: Affidavit of Commencement;

18) **Schedule O**: Affidavit and Certificate of Completion

Section 1.4 **Rules of Interpretation**.

1) This Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State, except as they may be preempted by federal rules, regulations, and laws. References in this Agreement and the other Loan Documents to particular sections of the Internal Revenue Code, the Uniform Commercial Code, or any other legislation, rule, or regulation shall be deemed to refer also to any successor sections thereto or other re-designation for codification purposes. The Issuer and the Borrower expressly acknowledge and agree that any

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judicial action to enforce any rights of the Issuer under this Agreement and the other Loan Documents shall be brought and maintained in the District Court for Travis County, Texas, or in the United States District Court for the Western District of Texas or in any United States Bankruptcy Court in any case involving or having jurisdiction over the Borrower or over the Project.

2) The words "herein," "hereof," and "hereunder" and words of similar import, without reference to any particular section or subdivision, refer to this Agreement as a whole rather than to any particular section, or subdivision of this Agreement.

3) References in this Agreement to any particular article, section, or subdivision hereof are to the designated article, section or subdivision of this Agreement as originally executed.

4) All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with such principles. In the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board and/or the American Institute of Certified Public Accountants or any similar accounting body of comparable standing, or shall be recommended by Borrower's certified public accountants, to the extent that such changes would modify such accounting terms or the interpretation or computation thereof as contemplated by this Agreement at the time of execution hereof, then in such event, such changes shall be followed in defining such accounting terms only after Bondholder Representative and Borrower amend this Agreement to reflect the original intent of such terms in light of such changes, and such terms shall continue to be applied and interpreted without such change until such agreement.

5) The Table of Contents and titles of articles and sections herein are for convenience of reference only and are not a part of this Agreement, and shall not define or limit the provisions hereof.

6) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine gender and the neuter state and vice versa.

7) Articles, sections, subsections, and clauses mentioned by number only are those so numbered which are contained in this Agreement.

8) Any opinion of counsel required hereunder shall be a written opinion of such counsel.

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

10) Every "request," "order," "demand," "direction," "application," "appointment," "notice," "statement," "certificate," "consent," or similar action under this Agreement by any party shall, unless the form of such instrument is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature.

11) The parties hereto acknowledge that each such party and its respective counsel have participated in the drafting and revisions of this Agreement and the Indenture. Accordingly, the parties agree that any rule of construction which disfavors the drafting party shall not apply to the interpretation of this Agreement and the Indenture.

12) References in this Agreement and the other Loan Documents to particular sections of the Internal Revenue Code, the Texas Local Government Code, ADA, the Uniform Commercial Code, or any other legislation, rule, or regulation shall be deemed to refer also to any successor sections thereto or other re-designation for codification purposes.

ARTICLE 2
REPRESENTATIONS OF ISSUER AND BORROWER

Section 2.1 **Representations of the Issuer.** The Issuer makes the following representations and warranties as the basis for its covenants herein:

1) The Issuer is organized and existing as a housing finance corporation duly organized and validly existing under the laws of the State, and is authorized to issue the Bonds to finance the acquisition, construction and equipping of the Project pursuant to the Texas Local Government Code.

2) The Issuer has lawful power and authority under the Texas Local Government Code to enter into this Agreement, the Bond Regulatory Agreement, and the Indenture and to carry out its obligations hereunder and under the Bond Regulatory Agreement and the Indenture. By proper action of its governing body, the Issuer has been duly authorized to execute and deliver this Agreement, acting by and through its duly authorized officers. The Indenture, the Bond Regulatory Agreement, and this Agreement have been duly executed by the Issuer and each constitutes a valid, legal, binding and enforceable obligation of the Issuer (subject to bankruptcy, insolvency, or other laws affecting creditors' rights generally and to the application of principles of equity generally) without offset, defense, or counterclaim. The execution, delivery, and performance of the Indenture, the Bond Regulatory Agreement, and this Agreement by the Issuer will not violate any law, regulation, order, or decree of any Governmental Authority regulating the Issuer and all consents, approvals, authorizations, orders, or filings of or with any court or governmental agency or body, if any, required for the execution, delivery, and performance of such documents by the Issuer have been obtained or made.

3) Issuer has no knowledge of any pending action, suit, or proceeding, arbitration, or governmental investigation against the Issuer, an adverse outcome of which will materially affect performance under the Indenture and this Agreement by the Issuer.

4) The Issuer constitutes a "housing finance corporation" within the meaning of the Chapter 394, Texas Local Government Code, as amended, and the Project constitutes a "residential development" under said provision.

5) To finance the costs of a portion of the Project, the Issuer will issue the Bonds in the aggregate principal amount of $11,500,000.00. The Bonds will bear interest and be scheduled to mature and will be subject to redemption prior to maturity in accordance with the provisions of the Indenture. The Bonds are to be issued under and secured by the Indenture, pursuant to which

the payments, revenues, and receipts derived by the Issuer pursuant to this Agreement, other than the Unassigned Issuer's Rights, will be pledged and assigned to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

6) Under the provisions of the Indenture, the Issuer's interest in this Agreement and certain payments due hereunder (other than the Unassigned Issuer's Rights) is pledged and assigned to the Trustee as security for the payment of the principal of, interest on, and premium, if any, on the Bonds and the Issuer will not otherwise or further assign such interest in this Agreement.

7) To the extent within its reasonable control, the Issuer will not knowingly engage in any activity which might affect the exclusion for federal income tax purposes of the interest on the Bonds from the gross income of any Holder of the Bonds thereof (other than "substantial users" or "related persons" to "substantial users" within the meaning of Section 147(a) of the Code).

8) The execution, delivery, and performance of the Indenture and this Agreement by the Issuer will not cause or constitute a default under or conflict with its organizational documents or other agreements to which it is a party or otherwise materially adversely affect performance of the duties of the Issuer under such organizational documents or other agreements.

9) The Issuer makes no representation as to the financial position or business condition of the Borrower and does not represent or warrant as to any of the statements, materials (financial or otherwise), representations, or certifications furnished or to be made and furnished by the Borrower in connection with the sale of the Bonds, or as to the correctness, completeness, or accuracy of such statements.

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

11) THE ISSUER DOES NOT MAKE ANY WARRANTY, EITHER EXPRESS OR IMPLIED, THAT MONEYS, IF ANY, WHICH WILL BE PAID INTO THE PROJECT FUND OR OTHERWISE MADE AVAILABLE TO THE BORROWER WILL BE SUFFICIENT TO COMPLETE THE PROJECT, AND THE ISSUER SHALL NOT BE LIABLE TO THE BORROWER, THE BONDHOLDER REPRESENTATIVE, THE HOLDERS OR ANY OTHER PERSON IF FOR ANY REASON THE PROJECT IS NOT COMPLETED.

Section 2.2 **Representations and Covenants of the Borrower**. The Borrower makes the following representations and warranties as the basis for its covenants herein:

1) The Borrower is a limited partnership duly formed and existing under the laws of the State, and is duly authorized to conduct its business in the State and all other states where its activities require such authorization, has power to enter into this Agreement and the other Loan Documents to which the Borrower is a party and to use the Project for the purposes set forth in this

Agreement, and by proper limited partnership action has authorized the execution and delivery of this Agreement and the other Loan Documents to which the Borrower is a party, and has approved the Indenture and agrees to provide the Trustees with any instructions, notices, approvals or directions required to be provided by the Borrower under the Indenture.

2) This Agreement and the other Loan Documents to which the Borrower is a party have been duly executed and delivered by the Borrower; such documents constitute valid, legal, binding, and enforceable obligations of the Borrower (subject to bankruptcy, insolvency, or other laws affecting creditors' rights generally and to application of principles of equity generally), without offset, defense, or counterclaim; the execution, delivery, and performance of such documents by the Borrower will not violate any law, regulation, order, or decree of any Governmental Authority; and all consents, approvals, authorizations, orders, or filings of or with any court or governmental agency or body, if any, required for the execution, delivery, and performance of such documents by the Borrower have been obtained or made, except as indicated in Paragraph (4) below.

3) The execution and delivery of this Agreement and the other Loan Documents to which the Borrower is a party, the consummation of the transactions contemplated thereby, and the fulfillment of the terms and conditions thereof do not and will not conflict with or result in a breach of any of the terms or conditions of the Partnership Agreement, or any restriction, any agreement or any instrument to which the Borrower is now a party or by which it is bound or to which any property of the Borrower is subject, and do not and will not constitute a default under any of the foregoing, or, to the best of the Borrower's knowledge, cause the Borrower to be in violation of any order, decree, statute, rule, or regulation of any court or any state or federal regulatory body having jurisdiction over the Borrower or the Project and do not and will not result in the creation or imposition of any lien, charge, or encumbrance of any nature upon any of the property or assets of the Borrower contrary to the terms of any instrument or agreement to which the Borrower is a party or by which it is bound. The Borrower and General Partner have complied with any and all laws and regulations concerning their organization, existence, and the transaction of their business, and each is in good standing in each state in which it conducts its business. The Borrower has the right and power to lease the Project and to develop the Project as contemplated in the Loan Documents.

4) The Borrower is familiar with, and has complied in all material respects with, all of the Requirements, as well as all other applicable laws, regulations, and ordinances. The Project and the actual use and intended use thereof by the Borrower shall comply in all material respects with the Requirements. The Borrower has received no notices of violations of any Requirement, except violations that have been corrected. There are no claims, actions, proceedings, or investigations pending, or to Borrower's knowledge, threatened against the Borrower or affecting the Project except for those previously disclosed by the Borrower to the Bondholder Representative and the Issuer, in writing. The Borrower is familiar, and to the Borrower's knowledge, has complied in all material respects with all of the requirements of DSHS and the Issuer, as well as all other applicable laws, regulations and ordinances relating to the DSHS Appropriation to the Project. To Borrower's knowledge, Borrower's use of the Project will be in full compliance with the requirements of each AHAP Contract, each HAP Contract (once each is executed), each Regulatory and Restrictive Use Agreement, and of the provisions of the Code related to obtaining and preserving the Low-Income Housing Tax Credit. Without limiting the

foregoing, all of the residential units associated with the Low-Income Housing Tax Credit will be eligible for "project based housing choice vouchers" and will be eligible to receive the benefit of operating assistance pursuant to an AHAP Contract as a Section 8 Property or pursuant to the HUD VASH Program. The Borrower has properly obtained, or will when necessary for purposes of this Agreement obtain, all permits, licenses and approvals necessary to construct, occupy, operate, market, and lease or sell the Project in accordance with all Requirements, including those pertaining to zoning, and, upon request, the Borrower will deliver true and correct copies of them to Bondholder Representative. To Borrower's knowledge, no provision or obligation of the Borrower contained in any of the Loan Documents violates any of the Requirements, any other applicable law, regulation, or ordinance or any order or ruling of any court or governmental entity. To Borrower's knowledge, no such provision or obligation conflicts with, or constitutes a breach or default under, any agreement binding or regulating the Project.

5) No obligations have been or are expected to be issued under the Indenture or otherwise for purposes of Section 103 of the Code that were or will be (i) for sale at substantially the same time as the Bonds, (ii) for sale pursuant to the same plan of financing as the Bonds and (iii) payable from the same source of funds as the Bonds, or which are otherwise treated as the same "issue of obligations" as the Bonds under Section 1.150-1(c) of the Regulations.

6) The Borrower is not in the trade or business of selling properties such as the Project and has acquired the Project for investment purposes only or otherwise for use by the Borrower in its trade or business, and therefore the Borrower has no present intention to voluntarily sell, surrender, or otherwise Transfer, in whole or part, its interest in the Project.

7) To Borrower's knowledge, there are no actions, suits, proceedings, or inquiries or investigations at law or in equity pending or, to the actual knowledge of the Borrower, threatened against the Borrower or to Borrower's knowledge, against the Guarantor or any property of the Borrower in any court or before any federal, state, municipal, or other governmental agency, which, (i) if decided adversely to the Borrower or to Borrower's knowledge, the Guarantor, would have a Material Adverse Change or Effect upon the Borrower or upon the business or properties of the Borrower or upon its power, authority and right to enter into this Agreement and the other Loan Documents to which the Borrower is a party, (ii) affects or seeks to prohibit, restrain, or enjoin the issuance, sale, or delivery of the Bonds or the loaning of the proceeds of the Bonds to the Borrower or the execution and delivery of the Loan Documents, (iii) affects or questions the validity or enforceability of the Loan Documents, (iv) questions the exclusion from gross income for federal income tax purposes of interest on the Bonds, or (v) questions the power or authority or otherwise affects the Borrower's ability to carry out the transactions contemplated by, or to perform its obligations under, the Loan Documents. The Borrower is not in default with respect to any order of any court or governmental agency.

8) The Borrower has filed all federal and state income tax returns, if any, which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown on said returns and all assessments and governmental charges received by it to the extent that they have become due. The Borrower knows of no basis for any additional assessment of federal or state income taxes against it.

9) The Borrower has reviewed the provisions of the Indenture and by execution of this Agreement hereby approves the same.

10) To the best of the Borrower's knowledge, except through positions held by virtue of employment by the Issuer, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment, or otherwise, in the Borrower, the Project, or the transactions contemplated hereby.

11) The covenants, representations, and warranties of the Borrower in the Bond Regulatory Agreement and the Tax Certificate executed by the Issuer and the Borrower on or before the date of delivery of the Bonds (the "**Tax Certificate**") are true and correct in all material respects and are incorporated herein by reference and made a part of this Agreement.

12) The Borrower has not entered into the transaction evidenced hereby with the actual intent to hinder, delay, or defraud any creditor and the Borrower has received reasonably equivalent value in exchange for its obligations hereunder and under the Mortgage and the Regulatory and Restrictive Agreements.

13) The Borrower has no contingent liabilities.

14) The Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or the Project are otherwise bound, other than (a) obligations under this Agreement and the other Loan Documents to which the Borrower is a party; (b) obligations permitted by and specifically described in the Partnership Agreement as it exists as of the date of this Agreement or as it may be amended from time to time, with the consent of the Bondholder Representative to the extent such consent is required under the Loan Documents; (c) the Subordinate Loans and Grants (to the extent made subordinate to the Note or the Mortgage in a manner acceptable to the Bondholder Representative); and (d) obligations incurred by Borrower from time to time in the ordinary course of business.

15) Except for the Loan and the Subordinate Loans and Grants, the Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full.

16) The Borrower is not (a) an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended; or (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935,, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money.

17) Except as disclosed in the Title Policy, there are no pending or, to the knowledge of the Borrower, proposed special or other assessments for public improvements affecting the Project, nor, to the knowledge of the Borrower, are there any contemplated improvements to the Project that may result in such special or other assessments.

18) No statement of fact made herein or in the Loan Documents to which the Borrower is a party made by the Borrower contains any untrue statement of a material fact or omits to state

any material fact necessary to make statements made herein or therein by the Borrower not misleading. There is no fact presently known to the Borrower which has not been disclosed to the Issuer and the Bondholder Representative which materially and adversely affects nor as far as the Borrower can foresee is likely to materially and adversely affect the business, operations or conditions (financial or otherwise) of the Borrower.

19) All financial information which has been and will be prepared and delivered by or on behalf of the Borrower to the Issuer or the Bondholder Representative, including all information relating to the financial condition of the Borrower or the General Partner and the Project, does and will fairly and accurately represent (or, in the case of materials prepared by Persons other than the Borrower or the General Partner or their respective agents or employees, to the best of the Borrower's knowledge does and will fairly and accurately represent) the financial condition or results of operations being reported on. All such information prepared by or on behalf of the Borrower was and will be prepared in accordance with generally accepted accounting principles, consistently applied, unless otherwise noted. As of the date hereof, there has been no Material Adverse Change or Effect in any financial condition reported at any time to the Issuer or the Bondholder Representative.

20) All reports, documents, instruments, information, and forms of evidence delivered by or on behalf of the Borrower to the Bondholder Representative or the Issuer concerning the Loan or required by the Loan Documents are (or, in the case of materials prepared by persons other than the Borrower or the General Partner or their respective agents or employees, are to the best of the Borrower's knowledge) accurate, correct, and sufficiently complete in all material respects to give the Issuer and the Bondholder Representative true and accurate knowledge of their subject matter.

21) All utility services, including gas (if any), water, sewage, electrical, and telephone, necessary to develop and occupy the Project are available at or within the boundaries of the Project. In the alternative, the Borrower has taken all steps necessary to ensure that all utility services will be available upon completion of the Improvements.

22) The Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

23) The Borrower will hold and dispose of all tenant security deposits relating to the Project in accordance with State law.

24) The Borrower shall not discriminate on the basis of race, creed, color, sex, age, or national origin in the lease, use, or occupancy of the Project or in connection with the employment or application for employment of Persons for the operation and management of the Project and shall not deny admission to any person exclusively on the basis of rent assistance payments under a local, state, federal, or other housing assistance program, including, but not limited to, Section 8 of the Housing Act.

25) The Borrower shall comply with all requirements of the Housing Act and any and all lawful rules, policies, and applicable regulations of the Issuer (or its sponsoring entity) adopted

pursuant to the Housing Act with respect to multifamily rental housing and the Project. The Project is located wholly within the boundaries of the Issuer's jurisdiction.

26) All tenant lists, applications, and waiting lists relating to the Project and, as applicable to the Retail Space and the Clinic Space, shall at all times be kept separate and identifiable from any other business of the Borrower that is unrelated to the Project, and shall be maintained in a reasonable condition for proper audit and be subject to examination during business hours by representatives of the Issuer or the Trustee upon two (2) Business Days' prior notice (no such prior notice shall be required during the continuance of an Event of Default).

27) The Borrower agrees to maintain and operate the Project in a manner that provides decent, safe, and sanitary housing.

28) From time to time the Issuer may direct the Borrower to file such additional reports as the Issuer reasonably determines to be necessary to comply with State or federal laws or regulations in connection with administration of the Loan and operation of the Project hereunder and the Borrower agrees to file such reports promptly.

29) The Borrower covenants and agrees to execute such additional instruments as may be reasonably requested by the Trustee or the Issuer in order to carry out the provisions of this Agreement and the other Loan Documents and to perfect or give further assurances of any of the rights granted or provided for in the Loan Documents.

30) As of the Bond Closing, the Borrower is in compliance with all requirements of each Regulatory and Restrictive Use Agreement and the Tax Certificate, and the representations set forth in the Tax Certificate pertaining to the Borrower and the Project are true and accurate in all material respects and Borrower hereby incorporates the same as if set forth herein.

31) The Borrower acknowledges that (a) it understands the nature and structure of the transactions relating to the financing of the Project, (b) it is familiar with the provisions of all of the documents and instruments relating to such financing to which it is a party, (c) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (d) it has not relied on the Issuer, for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement and the other Bond Documents or the Loan Documents or otherwise relied on the Issuer in any manner (except as to the accuracy of the representations made by the Issuer and the performance by the Issuer of its agreements, covenants and undertakings).

32) The Borrower will comply with all requirements relating to DSHS Appropriation Act and all related rules, policies, and applicable regulations to ensure the full funding of the DSHS Third Loan prior to the expiration of the associated appropriation, and to maintain compliance with all related health community collaborative progress related to the Project.

33) Each Subordinate Loan and Grant is in full force and effect and no event has occurred which would prevent the funding of that Subordinate Loan and Grant or which would give the provider of that Subordinate Loan and Grant the right to require repayment from Bank or Borrower of all or a portion of that Subordinate Loan and Grant. No default, or event which with notice, the passage of time, or both, would result in a default, has occurred and is continuing with

respect to any Subordinate Loan and Grant or under any Subordinate Loan Document or any instrument or agreement issued in connection therewith.

34) Borrower shall lease residential tenant space (as a sublease pursuant to the Ground Lease) in the Project only pursuant to Approved Leases. An "**Approved Lease**" of a residential apartment is (i) a tenant lease of residential space in the Improvements that is substantially on the standard form submitted to Bondholder Representative prior to the Bond Closing and which has been approved by Bondholder Representative, and (ii) which is on terms and to a tenant who satisfies the requirements (1) of the terms and conditions of the Code for preserving the Low-Income Housing Tax Credit, (2) of an AHAP Contract and a HAP Contract (once each is executed), (3) of the Partnership Agreement, (4) of the DSHS Appropriation, (5) of the Subordinate Loan Documents, and (6) of all other applicable Requirements of Law. Further, if the applicable tenant is to receive Title IX Housing Protection for the associated lease to be an Approved Lease, the Borrower shall have provided to that tenant a copy of the HUD disclosure form. Borrower shall not, without the consent and approval of Bondholder Representative, make any change to its standard form of residential lease other than in the ordinary course of business. Further, with respect to a Commercial Lease, for that lease to be an Approved Lease, Bondholder Representative shall have received a copy of the lease (which shall satisfy all use requirements for the Project and be otherwise on terms and to a tenant satisfactory to the Bondholder Representative in its reasonable determination), and a subordination, non-disturbance, and attornment agreement executed by the tenant and Borrower on a form satisfactory to Bank.

Section 2.3 General Representations, Warranties, and Covenants of the Borrower. The Borrower further represents, warrants, and covenants as follows:

1) It will comply with the requirements and conditions of the Tax Certificate and will ensure compliance of the Project with the provisions of each Regulatory and Restrictive Use Agreement, each AHAP Contract and each HAP Contract (once each is executed). The Borrower is not now in default under any Regulatory and Restrictive Use Agreement, each AHAP Contract, and each HAP Contract (once each is executed), and specifically agrees to continue to meet its requirements thereunder. Borrower shall keep the Bondholder Representative fully apprised of the status of the application to HUD for 50 Section 8 project based vouchers for the Project under the HUD VASH Program, and of responses to such provided by HUD or the VA.

2) It will not take or omit to take, or permit to be taken or omitted on its behalf, any action or omission that would cause the interest payable on the Bonds to be included in gross income for federal income tax purposes and, unless it has received and filed with the Issuer and Trustee a Favorable Opinion of Bond Counsel, it will take such action as may be necessary to continue the excludability of interest on the Bonds from gross income of the Holders thereof for federal income tax purposes, including, without limitation the following:

(A) It will comply with all of the requirements of this Agreement in all material respects;

(B) It will prepare and file all statements, returns, reports, and attachments to income tax returns required to be filed by it in order to maintain such exclusion, including

but not limited to the filing of all reports and certifications, if any, required by the respective Regulatory and Restrictive Use Agreements; and

(C) It will pay to the United States of America any Rebate Amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code and the Regulations promulgated thereunder, all as contemplated and required by the Indenture and this Agreement;

3) In order to satisfy the requirements set forth in subpart (4) of the definition of "program investment" that appears in Section 1.148-1(b) of the Regulations (which requirements must be met in order for the Loan to qualify as a program investment within the meaning of the aforementioned Regulation), neither the Borrower nor any related party (as defined in Section 1.150-1(b) of the Regulations) will purchase Bonds in an amount related to the amount of the Loan made to the Borrower unless such party provides a Favorable Opinion of Bond Counsel to the Issuer.

4) No changes will be made in the Project, no actions will be taken by the Borrower, and the Borrower will not omit to take any actions, which will in any way adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

5) The Borrower will not knowingly take any action or willfully omit to take any action with respect to the Gross Proceeds or of any amounts expected to be used to pay the principal of or the interest on 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. Except as provided in the Indenture and this Agreement, the Borrower will 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 this Agreement or the Note relating to the Bonds, will not establish any segregated reserve or similar fund for such purpose and will not prepay any such amounts in advance of the redemption date of an equal principal amount of the Bonds, unless in each case there will have been delivered a Favorable Opinion of Bond Counsel. The Borrower will not, at any time prior to the final maturity of the Bonds, direct or permit the Trustee to invest Gross Proceeds 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 and Regulations thereunder. The Borrower further covenants and agrees that it will comply with and will take all action reasonably required to ensure that the Trustee complies with all applicable requirements of said Section 148 and the Regulations thereunder relating to the Bonds and the interest thereon.

6) If the Borrower becomes aware of any situation, event or condition, which could result in the interest payable on the Bonds becoming includable in gross income for federal income tax purposes, the Borrower will promptly give written notice of such situation, event or condition to the Issuer, the Trustee, and the Bondholder Representative.

7) The Borrower will cause all of the residential units in the Project to be rented or available for rental on a basis that satisfies the requirements, if any, of each Regulatory and Restrictive Use Agreement and the DSHS Appropriation (and all related rules and regulations),

including all applicable requirements of the Code; all leases will comply with all applicable State and Federal laws and each Regulatory and Restrictive Use Agreement.

8) In connection with any lease or grant by the Borrower of the use of the Project, the Borrower will require that the lessee or user of any portion of the Project shall not use that portion of the Project in any manner that would violate the covenants set forth in this Agreement; any lease or grant of use will be subject to compliance with this Agreement.

9) The Borrower will cause all of the residential units in the Project to be rented or available for rental on a basis that satisfies the requirements, if any, of each Regulatory and Restrictive Use Agreement, each AHAP Contract and each HAP Contract which has then been executed, including all applicable requirements of the Code; all leases will comply with all applicable State and Federal laws and each Regulatory and Restrictive Use Agreement, each AHAP Contract and each HAP Contract (to the extent each is then executed).

10) Notwithstanding any provisions of this **Section 2.3** if the Borrower shall provide to the Issuer an opinion of Bond Counsel that any specified action required under this **Section 2.3** or under **Section 4.9** of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax of interest on the Bonds, the Issuer and the Borrower may conclusively rely on such opinion in complying with the requirements of this **Section 2.3** and **Section 4.9** of the Indenture and be protected in so doing, and the covenants hereunder shall be deemed to be modified to the extent of such Bond Counsel opinion.

11) The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of this **Section 2.3** or of the Indenture or a Regulatory and Restrictive Use Agreement, and that in any event, the requirements of this Agreement and the Regulatory and Restrictive Use Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

12) It is anticipated that the completed Project will qualify for the Low Income Housing Tax Credit as evidenced by the Tax Credit Allocation and Borrower will use its best efforts to ensure that all requirements for Borrower to receive the anticipated amount of the Low Income Housing Tax Credit have or will be timely and fully satisfied in accordance with all Requirements of Law to the extent applicable to the Project. In connection with the foregoing, the Tax Credit Allocation has not been rescinded and Borrower is in full compliance with the terms and provisions thereof.

13) All of the General Partner Contribution, and the Subordinate Loans shall be used during the Construction Term, be funded (and/or available to Borrower for immediate funding in a manner satisfactory to the Bondholder Representative) for budgeted items related to the Project when such proceeds are required for the development of the Project and to pay the Loan based on the flow of funds set forth in the Budget and approved by the Bondholder Representative.

14) The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its subsidiaries, and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its subsidiaries, and their respective officers and employees and to the knowledge of the Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Borrower, any subsidiary, or to the knowledge of the Borrower or such subsidiary any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of the Borrower or any subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No borrowing of the Loan or use of proceeds, or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

15) The Borrower shall comply with Section 394.027(c) of the Act and the rules of the Texas Department of Housing and Community Affairs promulgated pursuant to Section 394.027(c) of the Act (the "**Rules**") and shall prepare and provide to the Issuer (or at the Issuer's request, the Texas Department of Housing and Community Affairs) no later than October 15 of each year, beginning October 15, 2018, a report in the form prescribed by the Rules and which will include, with respect to each person residing in the residential units in the Project, geographic and demographic information, including tenant incomes, household size and total household income and all other data required by the Rules.

Section 2.4 **Ground Lease**. With respect to the Ground Lease, the Borrower warrants, represents, agrees, and covenants as follows:

1) The Ground Lease is in full force and effect, and there have been no amendments, supplements, extensions or other modifications of any nature to the Ground Lease, written or oral.

2) To the Borrower's knowledge, there are no existing uncured defaults by the Borrower under the Ground Lease, and to the Borrower's knowledge, no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by the Borrower under the Ground Lease, and no default will occur as a result of the execution and delivery by the Borrower to the Trustee (or the Issuer as the case may be) of the Mortgage.

3) The Borrower agrees to cause the lessor under the Ground Lease to grant permission to the Bondholder Representative, and its agents and representatives, to, after two (2) Business Days' prior notice (provided no such prior notice is required during the continuance of an Event of Default) enter at any reasonable time during normal business hours upon the Project to inspect the Project.

4) The Borrower has not received written notice of any pending condemnation or eminent domain proceeding affecting the Project.

5) The Borrower agrees to perform and fully comply with all agreements, covenants, terms, and conditions imposed on or assumed by the Borrower as lessee under the Ground Lease; and if the Borrower fails so to do, the Bondholder Representative may, but shall not be obligated to, take any action the Bondholder Representative deems necessary or desirable, in Bondholder Representative's sole and reasonable determination, to prevent or to cure any default by the

Borrower in the performance of or compliance with any of the Borrower's covenants or obligations under the Ground Lease. On receipt by the Bondholder Representative from the lessor under the Ground Lease, of notice of any default by the Borrower thereunder pursuant to the terms of the Ground Lease, the Bondholder Representative may rely thereon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof is questioned or denied by the Borrower or by any party on behalf of the Borrower. The Borrower hereby expressly grants to the Bondholder Representative, and agrees that the Bondholder Representative shall have, the absolute and immediate right to enter in and on the Project to such extent and as often as the Bondholder Representative, in its sole discretion, deems necessary or desirable in order to cure any Event of Default by the Borrower, provided that if no Event of Default exists, the Bondholder Representative shall have a right of entry during ordinary business hours upon two Business Days' prior notice to the Borrower (provided no such prior notice is required during the continuance of an Event of Default). The Bondholder Representative may pay such sums of money as the Bondholder Representative in its reasonable discretion deems necessary to cure any Default, and the Borrower hereby agrees to pay to the Bondholder Representative, immediately and without demand, all such sums so paid and expended by the Bondholder Representative, together with interest thereon from the date of each such payment at the Default Rate. If Bondholder Representative takes any action necessary to cure any Default or Event of Default by Borrower, Bondholder Representative shall be subrogated to any and all of the rights of the Person or Persons to whom any payment is made by the Bondholder Representative and all of the rights of the Borrower under the terms and provisions of the Ground Lease.

6) The Borrower agrees to deliver to the Bondholder Representative and the Issuer copies of all notices of default or foreclosure received by the Borrower from the lessor under the Ground Lease.

Section 2.5 Additional Tax-Related Representations, Certifications, Expectations and Warranties of Borrower. The Borrower covenants to refrain from any action which would adversely affect, or to take such action to ensure, the treatment of the Bonds as 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" to a "substantial user" 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 ensure 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 Bond Regulatory Agreement, including, without limiting the generality of any other covenant contained herein, --

(1) ensuring that at all times within the Qualified Project Period that 40 percent of the residential units in the Project will be occupied by persons whose income is 60 percent or less of area median gross income or, in lieu thereof, 20 percent of the residential

units in the Project will be occupied by persons whose income is 50 percent or less of area median gross income percent,

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) to take such action to ensure, and to refrain from any action which would cause, the Project financed with the proceeds of the Bonds to not be as described in the "Application of Private Activity Bonds" submitted by the Issuer on behalf of the Borrower to the Texas Bond Review Board in order to receive an allocation of state volume cap as required by section 146 of the Code; and

(l) the Issuer agrees to submit, and the Borrower agrees to cause the issuer 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.

(m) The Issuer and Borrower understand that the term "proceeds" includes "disposition proceeds" as defined in the Treasury 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 ensure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that 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 regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer 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 officer of the Issuer 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.

(n) The Borrower (a) has designated the manager of the General Partner as the person who will contact the Issuer in the event of any change of use of any portion of the Project ("change of use") within 15 days of such change in use event, and (b) will provide, within 60 days of the applicable date, a rebate report or a letter (prepared by a CPA, nationally recognized rebate consultant or bond counsel) attesting that one is not required.

(o) The Issuer has designated the program manager as the person who (a) will receive notice by the person describe in the preceding paragraph of any change of use of the Project and who will determine, upon consultation with nationally recognized bond counsel, whether to take a remedial action or any other remedy available at law to ensure that the tax-exempt status of the Bonds is preserved following such change of use, and (b) will receive the aforementioned rebate report or letter attesting that such report is not required.

(p) Allocation of, and Limitation on Expenditures for the Project. The Issuer and the Borrower covenant to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer and the Borrower shall not expend sale proceeds or investment earnings thereon more than 60 days after the later of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Issuer and the Borrower shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 2.6 Tax Exemption; Regulatory and Restrictive Use Agreements, DSHS Appropriations. The Borrower hereby covenants, represents, and agrees as follows:

1) to file of record such documents and take such other reasonable steps as are necessary in order to ensure that the requirements and restrictions, if any, of each Regulatory and Restrictive Use Agreement then executed by Borrower, will be binding upon all owners of the Project, including, but not limited to, the execution and recordation, if required, of each Regulatory and Restrictive Use Agreement, once executed, in the real property records of Travis County, Texas; and

2) to reference the requirements and restrictions, if any, contained in each Regulatory and Restrictive Use Agreement, once executed, in any deed or other document transferring any of its interest in the Project to another Person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to so abide.

3) To cause the Project to be exempt at all times from property taxation under Section 11.11 of the Texas Property Tax Code by virtue of the fee title to the Land being owned by ATCIC (which is a state or political subdivision) and Project being used for public purposes.

Section 2.7 Representations and Covenants of the Borrower as Single Purpose Entity. Without limiting any of the foregoing, but in addition thereto, Borrower covenants and agrees that it shall not, nor shall it permit its General Partner to, take any of the following actions without the prior written consent of the Bondholder Representative:

1) engage in any business or activity other than the acquisition, construction, ownership, operation, leasing, and maintenance of the Project, and activities incidental thereto;

2) acquire or own any material asset other than (i) the Project, and (ii) such incidental personal property as may be necessary for the operation of the Project;

3) except as expressly permitted by the Loan Documents, (A) merge into or consolidate with any Person or entity, or (B) dissolve, terminate or liquidate in whole or in part, (C) Transfer or otherwise dispose of all or substantially all of its assets, or (D) change its legal structure, without in each case described in clauses (A)-(D) Bondholder Representative's consent;

4) fail to preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under the laws of the jurisdiction of its organization or formation, or without the prior written consent of Bondholder Representative, amend or modify (to the extent prohibited in this Agreement), terminate or fail to comply in all material respects with the provisions of Borrower's Organizational Documents;

5) except as specifically permitted by any Loan Document, own any subsidiary or make any investment in or acquire the obligations or securities of any other Person or entity without the consent of Bondholder Representative;

6) commingle its assets with the assets of any of its partner(s), members, shareholders, affiliates, or of any other Person or entity or transfer any assets to any such Person or entity other than (i) distributions on account of equity interests in the Borrower permitted hereunder and properly accounted for, and/or (ii) any other transfer expressly permitted under the Loan Documents;

7) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than the Loan, the Subordinate Loans and Grants, subordinated deferred developer fee, loans from Borrower's partners pursuant to the Partnership Agreement (to the extent made subordinate to the Loan on terms acceptable to the Bondholder Representative), guaranty obligations owed to Borrower and treated as loans (to the extent made subordinate to the Loan on terms acceptable to the Bondholder Representative), and unsecured trade and operational debt incurred with trade creditors in the ordinary course of its business of owning and operating the Project in such amounts as are normal and reasonable under the circumstances;

8) allow any Person to pay its debts and liabilities (except a Guarantor or any of the Borrower's partners) or fail to pay its debts and liabilities solely from its own assets (or the assets of Guarantor or any of the Borrower's partners).

9) fail to maintain its records, books of account and Bondholder Representative accounts separate and apart from those of the shareholders, partners, members, principals and affiliates of Borrower, the affiliates of a shareholder, partner or member of Borrower, or if such financial statements are consolidated, fail to cause such financial statements to contain footnotes disclosing that the Project is actually owned by the Borrower.

10) enter into any contract or agreement with any shareholder, partner, member, principal or affiliate of Borrower, Guarantor or any shareholder, partner, member, principal or affiliate thereof, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than any shareholder, partner, member, principal or affiliate of Borrower or Guarantor, or any shareholder, partner, member, principal or affiliate thereof;

11) seek dissolution or winding up, in whole or in part;

12) fail to correct any known misunderstandings regarding the separate identity of the Borrower, which could adversely impair the tax exempt nature of the Bonds or the Borrower's status as a single asset entity;

13) hold itself out to be responsible or pledge its assets or credit worthiness for the debts of another Person or allow any Person to hold itself out to be responsible or pledge its assets or credit worthiness for the debts of the Borrower (except for Guarantor and Borrower's partners);

14) make any loans or advances to any third party, including any shareholder, partner member, principal or affiliate of Borrower, or any shareholder, partner, member, principal or affiliate thereof, except as expressly provided in the Partnership Agreement and this Agreement;

15) fail to file its own tax returns or to use separate contracts, purchase orders, stationery, invoices and checks and such failure shall have a material impact on Borrower's status as a single asset entity;

16) fail either to hold itself out to the public as a legal entity separate and distinct from any other entity or person or to conduct its business solely in its own name in order not (i) to mislead others as to the entity with which such other party is transacting business, or (ii) to suggest that Borrower is responsible for the debts of any third party (including any shareholder, partner, member, principal or affiliate of Borrower, or any shareholder, partner, member, principal or affiliate thereof);

17) fail to allocate fairly and reasonably among Borrower and any third party (including, without limitation, any Guarantor) any overhead for common employees, shared office space or other overhead and administrative expenses;

18) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

19) file a voluntary petition or otherwise initiate proceedings to have the Borrower or any manager, managing member, or general partner of Borrower, as applicable, adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against the Borrower or any manager, managing member, or general partner of Borrower, as applicable, or file a petition seeking or consenting to reorganization or relief of the Borrower or any manager, managing member, or general partner of Borrower, as applicable, as debtor under any applicable federal or state law relating to bankruptcy, insolvency, or other relief for debtors with respect to the Borrower or any manager, managing member, or general partner of Borrower, as applicable; or seek or consent to the appointment of any trustee, receiver, conservator, assignee, sequester, custodian, liquidator (or other similar official) of the Borrower or any manager, managing member, or general partner of Borrower, as applicable, or of all or any substantial part of the properties and assets of the Borrower or any manager, managing member, or general partner of Borrower, as applicable, or make any general assignment for the benefit of creditors of the Borrower or any manager, managing member, or general partner of Borrower, as applicable, or admit in writing the inability to the Borrower or any manager, managing member, or general partner of Borrower, as applicable, to pay its debts generally as they become due or declare or effect a moratorium on the Borrower or any manager, managing member, or general partner of Borrower, as applicable, debt or take any action in furtherance of any such action;

20) share any common logo with or hold itself out as or be considered as a department or division of (i) any shareholder, partner, principal, member or affiliate of Borrower, (ii) any

affiliate of a shareholder, partner, principal, member or affiliate of Borrower, or (iii) any other Person or allow any Person to identify the Borrower as a department or division of that Person;

21) conceal assets from any creditor, or enter into any transaction with the intent to hinder, delay or defraud creditors of the Borrower or the creditors of any other Person;

22) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations, provided that there is sufficient cash flow from the Project at such time to do so and the Borrower's constituent owners shall not be required to fund or advance any additional capital to satisfy this obligation; or

23) fail to use separate contracts, purchase orders, invoices and checks (other than such documents that bear the name of its manager or managing agent with reference to the Project).

Except as otherwise provided in the Loan Documents, the Borrower shall not amend or modify any Borrower's Organizational Documents in any manner that would result in a breach of any of the representations, warranties or covenants set forth in this **Section 2.7** or that would otherwise adversely affect the Borrower's special purpose entity status without the prior written consent of the Bondholder Representative, which consent shall not be unreasonably withheld, delayed or conditioned. Promptly after the Bondholder Representative's written request from time to time, but not more frequently than once in any calendar year, the Borrower shall deliver to the Bondholder Representative a signed sworn statement that the Borrower is in compliance with the provisions of this **Section 2.7**.

Section 2.8 Additional Representations and Agreements of Borrower. The Borrower represents, warrants, covenants and agrees as set forth below to and with the Trustee, and the Borrower agrees that the Trustee may rely on such representations, warranties covenants and agreements and the other representation, warranties, covenants and agreements contained in this Agreement as if the Trustee were a party to this Agreement.

1) The Title Policy delivered at the Bond Closing satisfies the requirements of **Schedule D** and **Schedule K** of this Agreement.

2) If the Construction Term Maturity Date is to be extended pursuant to **Section 4.2(e)**, the Trustee may rely on a certificate of the Bondholder Representative to the effect that the conditions contained in **Section 4.2(e)** have been satisfied.

3) The Trustee may assume without investigation that the amounts of money transferred to it by the Borrower as "**Basic Payments**" in accordance with **Section 4.2(b)** of this Agreement are sufficient to satisfy the requirements of **Section 4.2(b)** of this Agreement.

Section 2.9 Representations and Warranties of the Bondholder Representative. The Bondholder Representative makes the following representations and warranties:

1) The Bondholder Representative has all power and authority necessary (i) to execute and deliver this Agreement, (ii) to perform its obligations under this Agreement and (iii) to consummate the transactions contemplated by this Agreement.

2) The Bondholder Representative has taken all actions necessary to authorize (i) the execution and delivery of this Agreement, (ii) the performance of its obligations under this Agreement, and (iii) the consummation of the transactions contemplated by this Agreement.

3) This Agreement has been duly executed and delivered by the Bondholder Representative and constitutes, assuming due execution and delivery by the other parties hereto, the valid and binding obligation of the Bondholder Representative, enforceable against the Bondholder Representative in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and the exercise of judicial discretion in accordance with principles of general equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4) To the best knowledge of the Bondholder Representative, neither the execution and delivery by the Bondholder Representative of this Agreement, nor the performance by the Bondholder Representative of its obligations under any of the Loan Documents to which it is a party, nor the consummation of the transactions contemplated by such Loan Documents will violate any law, rule, regulation or ordinance, or any order, judgment or decree of any Federal, state or local court or will conflict with, or constitute a breach of, or a default under, the charter or by-laws of the Bondholder Representative or under any agreement, instrument or commitment to which the Bondholder Representative is a party or by which the Bondholder Representative or any of its property is bound.

5) To the best knowledge of the Bondholder Representative, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or, to the knowledge of the Bondholder Representative, threatened against the Bondholder Representative (nor, to the knowledge of the Bondholder Representative, is there any basis therefor), which (i) affects or seeks to prohibit, restrain or enjoin the execution and delivery by the Bondholder Representative of any of the Loan Documents to which it is a party; the performance by the Bondholder Representative of its obligations under such Loan Documents, or the consummation of the transactions contemplated by such Loan Documents, or (ii) affects or questions the validity or enforceability of such Loan Documents.

6) No approval, permit, consent, authorization or order of any court, governmental agency or public board or body not already obtained is required to be obtained by the Bondholder Representative as a prerequisite to the execution and delivery by the Bondholder Representative of the Loan Documents, the performance by the Bondholder Representative of its obligations under such Loan Documents or the consummation of the transactions contemplated by such Loan Documents.

7) To the best knowledge of the Bondholder Representative, no information, statement or report furnished to the Issuer or Bond Counsel by the Bondholder Representative in connection with the negotiation of or performance under any of the Loan Documents or the consummation of the transactions contemplated hereby contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. It is specifically understood by the Bondholder Representative that all such statements, representations and warranties shall be deemed to have been relied upon by the Issuer as an inducement to effectuate the Loan, and that if any such

statements, representations and warranties were materially incorrect at the time they were made on or as of Bond Closing, the Issuer may consider any such misrepresentation or breach a Default.

8) To the best knowledge of the Bondholder Representative, it is not in default with respect to any order or decree of any court or any order, regulation or demand of any Federal, state, municipal or governmental agency, which default might have consequences that would affect its performance hereunder.

9) To the best knowledge of the Bondholder Representative, it is not a party to or bound by any agreement or instrument or subject to any charter or any other corporate restriction or any judgment, order, writ, injunction, decree, law, or regulation which now or in the future may materially and adversely affect the ability of the Bondholder Representative to perform its obligations under any Loan Document to which it is a party, or which requires the consent of any third person to the execution of such Loan Document, or the consummation of the transaction contemplated hereby.

10) All fees charged by the Bondholder Representative in connection with the origination of the Loan are no more than those which are reasonable and customary for lenders to charge in connection with similar loans not financed through the issuance of tax-exempt Bond.

11) Any certificate signed by a representative of the Bondholder Representative and delivered pursuant to and concurrently with this Agreement shall be deemed a representation of the Bondholder Representative as to the statements made therein.

12) The Bondholder Representative hereby agrees to purchase from the Issuer the Bonds in the principal amount of up to $11,500,000.00 as provided in the Indenture and in this Agreement, at a purchase price equal to 100% of the principal amount thereof, for the purpose of financing the acquisition, construction and equipping of the Project.

13) All funds held by the Bondholder Representative or any other party, which are used to secure payment of the obligations of the Borrower under the Note are identified in the Tax Certificate.

14) The Bondholder Representative represents that it is purchasing the Bonds for its own account and not for reoffering to the public. In connection with its purchase of the Bonds, the Bondholder Representative agrees to deliver to the Issuer an investor letter substantially in the form of Exhibit C to the Indenture. In the event the Bondholder Representative transfers the Bonds, such transfer shall be subject to the terms of the Indenture. In the event of a transfer of the Bonds (or any beneficial interest therein), by the Bondholder Representative other than in accordance with the provisions of the Indenture and the securities laws of the United States, the Bondholder Representative agrees to indemnify the Issuer and the Trustee against any liability, cost and expense (including attorney's fees) that may result therefrom.

15) The Bondholder Representative has reviewed the Indenture and agrees to provide the Trustee with any instructions, notices, approvals, consents or directions required to be provided by the Bondholder Representative under the Indenture.

Section 2.10 ERISA.

1) The Borrower shall not engage in any transaction which would cause any obligation, or action taken or to be taken hereunder to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA and/or Section 4975 of the Code.

2) The Borrower further covenants and agrees to deliver to the Bondholder Representative such certifications and other evidence from time to time once leasing of the Improvements has commenced as are reasonably requested by the Bondholder Representative that (i) the Borrower is not (and is not deemed to include the assets of) an "employee benefit plan" that is subject to Title I of ERISA and/or a "plan" that is subject to Section 4975 of the Code; (ii) the Borrower is not a "governmental plan" within the meaning of Section 3(32) of ERISA and is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following statements is and remains true:

3) Equity interests in the Borrower are "publicly offered securities" within the meaning of 29 C.F.R. § 2510.3-101 (as modified by Section 3(42) of ERISA, the "*Plan Assets Regulation*"); or

4) Less than 25% of each outstanding class of equity interests in the Borrower are held by "benefit plan investors" (determined in accordance with the Plan Assets Regulation).

5) The Borrower shall not agree to, enter into or consummate any transaction which would render the Borrower unable to furnish the certification or other evidence referred to in **Section 2.10(2)**, to the extent applicable.

6) The Borrower represents, warrants and covenants to the Bondholder Representative that neither the Borrower nor any ERISA Affiliate maintains, contributes to, or has any obligation to contribute to, or has any direct or indirect liability with respect to any "employee benefit plan" as defined in Section 3(3) of ERISA (including any "multiemployer plan" as defined in Section 3(37) of ERISA) that is subject to Title IV or Section 302 of ERISA or Section 412 of the Code. The Borrower shall take or refrain from taking, as the case may be, such actions as may be necessary to cause the representation and warranty in this **Section 2.10** to remain true and accurate until full repayment of the Indebtedness.

7) The Bondholder Representative shall have the right to consult with the Borrower on significant business issues relating to the operation of the Mortgaged Property and the management of the Borrower. Representatives of the Borrower shall make themselves available quarterly, either personally or by telephone at mutually agreeable times for such consultations. Such consultations need not result in any changes in the Borrower's decisions or actions. The Bondholder Representative intends to use such rights to satisfy the management rights requirements under the Plan Assets Regulation.

ARTICLE 3
ISSUANCE OF BONDS; PAYMENT OF COSTS

Section 3.1 **Issuance of Bonds**. The Issuer has determined to issue the Bonds pursuant to the Indenture, and the Borrower has reviewed and does hereby approve the terms of the Indenture. Upon execution of this Agreement, the other Loan Documents, and the Indenture and

the occurrence (or waiver by all required parties) of all conditions precedent to issuance (including the conditions to closing listed in **Schedule D**), or as soon thereafter as practicable, the Issuer will execute the Bonds and deliver the Bonds to the Bank as the initial purchaser thereof or to its order upon payment of the purchase price and the delivery to the Trustee of all documents required to be delivered as a condition to such delivery pursuant to the Indenture. The proceeds of the Bonds will be deposited with the Trustee and disbursed in accordance with the Indenture.

Section 3.2 **No Warranty by Issuer**. The Borrower agrees that, because the components of the Project have been and are to be designated and selected by it, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION, OR DURABILITY THEREOF OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS **SECTION 3.2** HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

Section 3.3 **Disbursements From the Project Fund and the Costs of Issuance Fund**.

1) The Issuer has authorized and directed the Trustee to make payments from the Costs of Issuance Fund in accordance with the requirements of **Section 5.9** of the Indenture, and the Bondholder Representative has consented to Trustee's making of such payments by acknowledging its obligation to provide written consents to Requisitions upon the satisfaction of the applicable conditions listed in **Schedule D** and **Section 4.7** of this Agreement and the limitations relating to the 95% rule as represented herein.

2) The balance of the Bond proceeds shall be disbursed by the Trustee only in accordance with the Indenture, including delivery of a written Requisition by the Borrower satisfying the requirements of **Section 5.2** of the Indenture and approved in writing by the Bondholder Representative, which approval of the Bondholder Representative will be granted upon satisfaction of the conditions and performance of the covenants and conditions set forth in this Agreement.

3) The Bondholder Representative shall consent to Requisitions of amounts in the Project Fund for costs of the Project based on the Budget and the further terms and conditions of this Agreement (including **Schedule D** and **Section 4.7**). If the Borrower cannot complete the Project in strict conformity with the most recently approved Budget, the Borrower shall promptly

submit to the Bondholder Representative for its approval a revised Budget in the same format as the Budget. The Bondholder Representative need not make further disbursements unless and until it approves the revised Budget, which approval shall not be unreasonably withheld, conditioned, or delayed.

4) In addition to the items required in the attached **Schedule D** ("**Disbursement Schedule**"), Borrower shall have provided to the Bondholder Representative all items in **Section 4.7(2)** for a disbursement of the applicable Borrower's Sources to be funded.

5) In no event shall the Bondholder Representative be required to approve disbursements from Borrower's Sources (as defined in **Section 4.6(1)** below) in an aggregate total amount in excess of the Total Project Expenses (including contingency reserve and interest reserve) as set forth in the most recently approved Budget.

Section 3.4 **Payment of Costs of Issuance by the Borrower**. The Borrower agrees that it will provide any and all funds required for the prompt and full payment of Costs of Issuance for the Bonds, including, but not limited to, to pay the following items:

1) all reasonable legal fees (including Bond Counsel and the respective counsel to the Borrower, the Issuer, the Bondholder Representative, the Guarantors, and the Trustee), abstractors', title insurance, financial, engineering, environmental, construction services, appraisal and accounting fees and expenses, administrative fees, printing and engraving costs, and other expenses incurred and to be incurred by the Borrower, the Issuer, the Bondholder Representative, and the Trustee in connection with issuance of the Bonds;

2) all recording fees and other taxes, charges, assessments, license, or registration fees of every nature whatsoever incurred and to be incurred in connection with the issuances of the Bonds;

3) all initial fees and expenses of the Trustee, the Paying Agent, and the Issuer;

4) all reasonable fees and expenses for title insurance, survey, and related matters;

5) a non-refundable origination fee due to the initial Bondholder Representative for the Loan upon execution of this Agreement, in the amount of $115,000.00; and

6) all reasonable Costs of Issuance actually incurred.

Section 3.5 **Title Insurance**. The Borrower agrees to furnish to the Bondholder Representative (with a copy to the Trustee) at the closing of the transaction contemplated hereby the Title Policy (or Pro Forma thereof, as the case may be) satisfactory to the Bondholder Representative with respect to the Project as required by **Schedule D** and **Schedule K**.

1) For each Requisition, the Borrower agrees to furnish to the Issuer and the Trustee, at the Borrower's expense, an endorsement to the Title Policy extending the effective date of the Title Policy (with no new exceptions to coverage other than as permitted by the Loan Documents) and increasing the amount of coverage under the Title Policy to include the advance. The Trustee has no duty or obligation to review the sufficiency of any such required endorsements.

2) The Borrower hereby represents that the Permitted Encumbrances do not and will not Materially Adversely Affect (a) the ability of the Borrower to pay in full the principal of and interest on the Note in a timely manner or (b) the use of the Project for the use contemplated or (c) the value of the Project.

3) The Borrower has (a) good and insurable title to its leasehold interest in the Land, subject to no liens, charges, or encumbrances other than the Permitted Encumbrances, including without limitation, those liens granted in the Loan Documents and the liens granted in the Subordinate Loan Documents.

4) Upon the execution by the Borrower and the proper recording of the Mortgage, and upon the appropriate filing of UCC financing statements, and upon execution of each Intercreditor Agreement, the Trustee will have a valid first lien in and to the Borrower's leasehold interest in the Land and in and to the Improvements and a valid security interest in the tangible personal property encumbered by the Mortgage (only to the extent that under the Uniform Commercial Code a security interest can be perfected by filing a UCC financing statement) subject to no liens, charges or encumbrances other than the Permitted Encumbrances and the subordinate liens granted in the Subordinate Loan Documents.

ARTICLE 4
THE LOAN, LOAN REPAYMENT AND ADDITIONAL CHARGES

Section 4.1 **The Loan**. The Issuer agrees, upon the terms and conditions herein specified, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds, excluding any interest earned thereon by causing such proceeds to be deposited with the Trustee for disposition as provided herein and in the Indenture. The obligation of the Issuer to make 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, in the form attached as **Schedule B** hereto, and contemporaneously with the issuance of the Bonds, the Issuer will endorse the Note without recourse to the order of and will pledge the Note to the Trustee, as the assignee of the Issuer. The obligation of the Bondholder Representative to approve any Requisition (or to purchase the Bonds) is subject to satisfaction or written waiver by all required parties of the conditions listed in **Schedule D**.

Section 4.2 **Loan Repayment**.

(a) The Borrower will repay the Loan in accordance with the provisions of the Note and this Agreement. Notwithstanding anything to the contrary contained herein, the Borrower covenants that it shall make payments, at such times and in such amount to ensure that payment of the principal of and premium, if any, and interest on the Bonds shall be made when due, whether at maturity, by call for redemption, by acceleration or otherwise. Without limiting the foregoing, Borrower agrees that it will pay the Bonds down as needed to satisfy the 50% aggregate basis test under Section 42(h)(4)(B) of the Code as soon after Substantial Completion as reasonably practical based on the timing of the funding of the Capital Contributions and other sources available to Borrower (Borrower acknowledges that the Bonds can be paid down to the 50% aggregate basis test under Section 42(h)(4)(B) of the Code prior to the Construction Term Maturity Date).

(b) Subject to the Borrower's right of prepayment granted in **Section 10.1** (or in connection with the corresponding redemption under the terms of the Indenture), the Borrower hereby acknowledges its indebtedness to the Issuer and agrees to make monthly payments, on the first day of each month (or, if such day is not a Business Day, on the first Business Day which next follows such first day of a month) (such date a payment is due, "a "**Payment Date**"), commencing January 1, 2018, which monthly payments shall be in an amount which will equal the sum of each of the following which will be due (whether at maturity or by redemption or acceleration or otherwise pursuant to the Indenture) on the next Payment Date under the Note (or other date upon which any of the following items are payable) ("**Basic Payments**"):

(i) Amounts then due with respect to the Loan as provided in subsection (d) below;

(ii) Ordinary Fees and Expenses of the Trustee;

(iii) To the extent sufficient amounts have not been deposited in the Revenue Fund, the Issuer Fees and other reasonable expenses of the Issuer actually incurred.

(c) The Borrower shall pay to the Trustee, within ten (10) days after written demand therefor together with a reasonable accounting of such amounts, any reasonable extraordinary fees and expenses actually incurred by the Trustee, the amounts required to be deposited in the Rebate Fund pursuant to **Section 7.16**, and the reasonable fees and expenses of the Rebate Analyst actually incurred.

(d) Interest only as it accrues on the Note (at the rates then accruing under the terms of the Bonds as provided in the Note) shall be payable monthly from sources other than proceeds of the Loan on each Payment Date (for interest unpaid and accruing through the first day of that calendar month). The Loan shall be fully and finally due and payable on the Bond Maturity Date; provided if the Construction Term Maturity Date is not extended under **subsection (e)** below, on the Construction Term Maturity Date, the Bondholder Representative may exercise the put option set forth in the Indenture and thereby cause all amounts to be then due under the Note regardless of the stated maturity of the Bond.

(e) The Construction Term Maturity Date may be automatically renewed and extended at the request of the Borrower, on a one time basis, for three (3) calendar months to the Bond Maturity Date, provided that each of the following conditions shall either have been waived in writing by the Bondholder Representative or shall have been fully, completely, and timely satisfied (otherwise, Bondholder Representative and Trustee shall have no commitment to extend the Construction Term Maturity Date and any agreement to extend he Construction Term Maturity Date will be at the sole discretion of Bondholder Representative):

(i) On or before 30 days prior to August 1, 2019, the Borrower shall have provided the Bondholder Representative with written notice of its intent to

extend the Construction Term Maturity Date provided for herein for a period of three (3) months to the Bond Maturity Date, and the Bondholder Representative shall approve or deny such request subject to the full satisfaction (or waiver in writing by the Bondholder Representative) of the other subsections of this **subsection (e)** as determined by the Bondholder Representative in its reasonable discretion;

(ii) Substantial Completion of the Improvements shall have occurred as evidenced by a temporary certificate of occupancy and certificate of Substantial Completion from the Architect and concurred to by the Bondholder Representative's construction consultant;

(iii) No event which materially limits, reduces, or impairs the Low Income Housing Tax Credit for the Project shall have occurred and is continuing, and Borrower shall otherwise be in strict compliance with all placed in service requirements and all other guidelines relating to the Low Income Housing Tax Credit for the Project;

(iv) Borrower shall have delivered, at its sole cost and expense, all amendments, extensions, and other agreements, instruments, amendments, title insurance endorsements, and modifications of this Agreement and the Note required by Bondholder Representative in its reasonable discretion to effect such renewal and extension of the Construction Term Maturity Date for three (3) calendar months (but without changing the Bond Maturity Date) and will provide for, among other things, that interest shall continue to accrue on the Note at the rate provided for in the Note prior to the Bond Maturity Date, and the Note shall continue to be payable interest only, and the execution of any such extension agreement by the Bondholder Representative shall evidence to the Trustee that the **subsections** of this **subsection (e)** have been satisfied or waived);

(v) Leasing efforts for the residential units, the number of residential units leased, the level of operating expenses, and the rate of lease-up for the residential units shall each be reasonably satisfactory to Bondholder Representative;

(vi) Borrower shall have reimbursed Bondholder Representative and Trustee for all of their reasonable costs and expenses (including reasonable attorneys' fees) actually incurred and relating to the extension;

(vii) In connection with the requested extension, upon Bondholder Representative's request, Bondholder Representative shall have received and approved a Favorable Opinion of Bond Counsel, together with such other evidence that the Fifty Percent test has then been met and the draft cost certification;

(viii) The Subordinate Loan Documents shall have been modified, amended, or extended as required by the Bondholder Representative in connection with the extension of the Construction Term Maturity Date;

(ix) The Borrower shall have delivered to the Bondholder Representative evidence of compliance of the Project with all placed in service requirements under Section 42 of the Code required by the Bondholder Representative to effect such renewal and extension;

(x) Each of the conditions listed in **Section 1(c)** of the Disbursement Schedule (**Schedule D**) shall have been fully and completely satisfied or waived in writing;

(xi) No Material Adverse Change or Effect shall exist;

(xii) No Default or Event of Default shall be then existing, and no default in performance shall then be existing by Borrower under and with the respect to any Subordinate Loan or by the General Partner under the Partnership Agreement;

(xiii) The interest reserve must be sufficient (as determined by the Bondholder Representative in its reasonable discretion) to pay interest for the term of the extension (Borrower may satisfy the requirement by advancing any deficiency in the interest reserve prior to such extension), and the Loan shall otherwise be in balance;

(xiv) The Borrower shall have paid an extension fee to the Bondholder Representative equal to 0.20% of the principal amount of the Bonds Outstanding;

(xv) If and to the extent required by Bondholder Representative or Trustee, the Trustee has received an opinion of Bond Counsel that such extension will not in and of itself adversely affect the tax exempt status of the Bonds;

(xvi) All required Capital Contributions and fundings of the DSHS Third Loan and other Subordinate Loans then scheduled to be funded shall have been fully funded and used to pay budgeted items satisfactory to the Bondholder Representative, and the Loan shall otherwise be in balance as required by this Agreement.

(xvii) The Bondholder Representative must have received and approved evidence that use of the proceeds of the Bonds will meet the 50% aggregate basis test under Section 42(h)(4)(B) of the Code and a draft, good faith estimate of the cost certification.

The Trustee shall be entitled to rely on the Bondholder Representative's written notice of approval as evidence that the requirements of this **Section 4.2(e)** have been satisfied.

If the Construction Term Maturity Date is extended pursuant to this **subsection (e)**, Borrower may request an additional extension of the Construction Term Maturity Date (and the Bond Maturity Date) but that any such additional extension shall be subject to approval of the requisite persons and committees of the Bondholder Representative (no such additional extension has been or is hereby committed or offered by the Bondholder Representative, and if later offered or committed,

the terms of such extension will be subject to the applicable persons and committees of the Bondholder Representative, but in any event will include a Favorable Opinion of Bond Counsel).

(f) In the event of a Determination of Taxability, interest shall thereafter accrue on the Note at the Default Rate.

(g) The Borrower shall make each payment required to be made by it hereunder (whether principal, interest or fees or otherwise) prior to 11:00 a.m., Austin, Texas time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Trustee (with the consent of Bondholder Representative), be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest thereon shall be payable for the period of such extension. All payments made hereunder shall be made in U.S. dollars.

Section 4.3 **Additional Charges**. The Borrower agrees to pay, when due, subject to the payment of amounts due under **Section 4.2** all reasonable costs and expenses incurred in connection with the issuance of the Bonds (but only to the extent the same are not included in Ordinary Fees and Expenses, are not paid from the Cost of Issuance Fund established under the Indenture), and are not paid pursuant to **Section 4.2** (in the aggregate, the "**Additional Charges**"), including without limitation, the expenses listed in **Section 3.4** and each and all of the following:

1) all reasonable fees of the Trustee, the Issuer, and any Holder for services rendered pursuant to the terms of the Indenture, any amounts due under **Section 3.4** hereof (but only to the extent the same are not included in Ordinary Fees and Expenses and are not paid pursuant to **Section 4.2**) and all reasonable fees and reasonable charges of any registrars, legal counsel, accountants, engineers, public agencies, and others actually and reasonably incurred in the performance of services reasonably required pursuant to the terms and conditions of the Indenture for which such Persons are actually entitled to payment or reimbursement, any reasonable fees or charges of public agencies, and any reasonable fees or expenses actually incurred and resulting directly from the occurrence and continuance of an Event of Default by the Borrower hereunder;

2) (a) all indemnity payments required to be made to the Issuer, the Trustee, and any Holder under **Section 7.3** and the Trustee under **Section 4.11** of the Indenture; (b) all reasonable expenses (including reasonable legal fees) incurred by the Issuer or the Trustee to exercise their rights under this Agreement following an Event of Default; and (c) all other reasonable expenses incurred by the Issuer in relation to the Project which are not otherwise required to be paid by the Borrower under the terms of this Agreement or any separate fee agreement, including costs incurred as a result of a request by the Borrower;

3) amounts advanced by the Trustee, if any, pursuant to the Indenture;

4) interest, at the Default Rate, on all payments not made by the Borrower under **Section 4.2** and under this **Section 4.3** when due (accruing from the applicable due date), to the parties entitled thereto; and

5) If any payment required under this Agreement is not paid within ten (10) days after such payment is due, then, at the option of the Bondholder Representative, the Borrower shall pay a late charge equal to three percent (3.0%) of the amount of such payment to compensate the Bondholder Representative for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to the Bondholder Representative. This late charge shall be in addition to any interest due as a result of interest then accruing on the Bonds Outstanding at the Default Rate, if applicable.

Section 4.4 **The Borrower's Obligations Unconditional**. The obligations of the Borrower to perform and observe the agreements on its part contained herein shall be absolute and unconditional and payment of the Loan and Additional Charges and all other payments required of the Borrower hereunder or under the Note shall be paid without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. The Borrower will not suspend or discontinue any such payments, and will perform and observe all of its other agreements in this Agreement, and, except as expressly permitted in **Section 10.3** will not terminate this Agreement for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Project or the Borrower's business, the taking of the Project or the Borrower's business by Condemnation or otherwise, the lawful prohibition of the Borrower's use of the Project or the Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Agreement, the lack of right, power or authority of the Issuer to enter into this Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy, or insolvency of the Issuer or the Trustee, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the payment of the Loan and other amounts payable by the Borrower hereunder or under the Note shall be paid in full when due without any delay or diminution whatever.

Section 4.5 **Assignment of Issuer's Rights**. As security for the payment of the Bonds, the Issuer will pledge the amounts payable hereunder and assign, without recourse or liability, to the Trustee, the Issuer's rights under this Agreement and the Note, including the right to receive payments hereunder (but excluding the Unassigned Issuer's Rights), and hereby directs the Borrower to make said payments directly to the Trustee, or otherwise upon the order of the Trustee. The Borrower herewith assents to such assignment and will make payments under this Agreement directly to the Trustee, or otherwise upon the order of the Trustee without defense or set off by reason of any dispute between the Borrower and the Issuer, the Holders, or the Trustee and Trustee shall have the rights and remedies of the Issuer under this Agreement and each Loan Document and shall have the right to exercise such rights and remedies without the joinder or consent of the Issuer, in the same manner and under the limitations and conditions that the Trustee (but only upon the direction and authorization of the Bondholder Representative) is entitled to exercise rights and remedies under the Indenture.

Section 4.6 **Loan in Balance; the Borrower's Sources**.

1) The Loan is "in balance" whenever the undisbursed funds available to the Borrower for the Project (taking into account, among other things, the timing of anticipated receipts and disbursements of funds) under the Loan, plus any sums on deposit in the Capital Contribution Account and other amounts to be deposited therein for budgeted items and to pay the Note, plus undisbursed portions of the General Partner Contribution and the Subordinate Loans and Grants to pay budgeted amounts to be used for budgeted items and/or to pay the Loan prior to the Construction Term Maturity Date (as may be extended to the Bond Maturity Date), plus any sums on deposit in the Borrower's Funds Account (as defined below), plus any undisbursed Loan funds in the Project Fund (with respect to budgeted construction items) and the Interest Account of the Bond Fund (with respect to budgeted interest) or otherwise made available to the Bondholder Representative in the form of a letter of credit, pledged bank account, or other form of cash collateral, approved by the Bondholder Representative in its sole and absolute discretion ("**Cash Collateral**"), are sufficient in the reasonable judgment of the Bondholder Representative to pay, through Substantial Completion of all of the Project and on a timely basis all of the following sums ("**Total Project Expenses**"): (i) all costs of acquisition, equipment, ownership and maintenance of the Project and all costs and expenses of construction and equipment of the Improvements in accordance with the Plans and Specifications and the Budget approved by the Bondholder Representative; (ii) all costs of leasing or renting of the apartment units in the Project; and (iii) all interest and all other sums and costs which may accrue or be payable under the Loan Documents prior to or in connection with the Construction Term Maturity Date (as may be extended to the Bond Maturity Date). The Capital Contribution Account, the Borrower's Funds Account, the unfunded portion of the General Partner Contribution and the Subordinate Loans and Grants, the General Partner Contribution, any Cash Collateral, together with undisbursed Loan funds in the Project Fund (with respect to budgeted construction items) and the Interest Account of the Bond Fund (with respect to budgeted interest), are collectively referred to herein as "**Borrower's Sources.**" Prior to and in connection with the occurrence of the Bond Closing, the Borrower shall (a) cause the Investor Limited Partner to deposit the first installment of the Capital Contribution set forth in **Schedule J**, less any portion thereof used to pay Costs of Issuance through the escrow for the closing of the Loan or any reimbursements permitted under the Partnership Agreement into the Capital Contribution Account on the date of issuance of the Bonds; (b) cause the Investor Limited Partner to deposit subsequent Capital Contributions in the Capital Contribution Account as set forth in **Schedule J** at the time such equity installments become due and payable as provided for in the Partnership Agreement, subject to the terms and conditions therein; and (c) deposit amounts demanded by the Bondholder Representative as set forth below when the Loan is "out of balance" into a restricted non-interest bearing account to be maintained with the Bondholder Representative in the Borrower's name (the "**Borrower's Funds Account**") to be disbursed to complete the Construction of the Project, unless the Bondholder Representative has agreed otherwise in writing in each instance, which agreement may be withheld by the Bondholder Representative in its sole discretion.

2) The Loan is "out of balance" if and when the Bondholder Representative determines that there are insufficient funds (taking into account the amount and timing of all of the Borrower's Sources) in the reasonable judgment of the Bondholder Representative to pay, through completion of the Project and the Construction Term Maturity Date (as may be extended to the Bond Maturity Date), all Total Project Expenses. The Borrower acknowledges that the Loan may become "out of balance" in numerous ways, not all of which may now be foreseen. Except as permitted in **Schedule D**, undisbursed funds in one category or line item may not be applied to another category

or line item unless the Bondholder Representative consents in writing to such use in each instance, such consent not to be unreasonably withheld, conditioned or delayed. All Requisitions of amounts in the Project Fund must comply with the requirements of the applicable Regulatory and Restrictive Use Agreements and the Indenture.

3) Whenever the Loan becomes "out of balance," the Bondholder Representative may, at its option, make written demand on the Borrower to deposit the Borrower's own funds into the Borrower's Funds Account and/or draw upon, demand, or otherwise obtain payment to the Bondholder Representative of any Cash Collateral, in any such instance in an amount sufficient in the Bondholder Representative's reasonable estimation to cause the Loan to be "in balance." Within thirty (30) Business Days following the Bondholder Representative's written demand, the Borrower must deposit into the Borrower's Funds Account all funds required by the Bondholder Representative's demand that are in excess of any Cash Collateral actually delivered to the Bondholder Representative. The Borrower must also submit, for the Bondholder Representative's approval, a revised Budget (with a copy to the Issuer) within ten (10) Business Days after any such demand. Notwithstanding anything herein to the contrary, amounts to be funded from any Requisition shall be first paid with amounts in Borrower's Funds Account. Any funds in the Borrower's Fund Account on the date the Note is fully and finally paid shall be paid to Borrower.

Section 4.7 Disbursement Procedures.

1) Subject to the terms and conditions of this Agreement and **Schedule D**, the Bondholder Representative shall consent to Requisitions of Bond proceeds and Draw Requests of amounts in the Project Fund, of Capital Contributions in the Capital Contribution Account, and of any deposits of the DSHS Third Loan with the Bondholder Representative. Notwithstanding recording of the Mortgage or anything contained in this Agreement, the Bondholder Representative shall not be required to approve any Requisitions of amounts in the Project Fund and amounts on deposit in the Capital Contribution (and if applicable, deposits of the DSHS Third Loan with the Bondholder Representative) (except for reasonable fees, costs and reimbursements payable to the Bondholder Representative pursuant to the terms and conditions of this Agreement and **Schedule D**), unless and until the Bondholder Representative has determined in its reasonable judgment that: (i) the amount and timing of the Borrower's Sources are sufficient to pay the Total Project Expenses and to pay the Loan; (ii) the Mortgage and all disbursements of the Loan funds will be and shall remain a first priority lien on the Project; and (iii) the applicable conditions in **Schedule D** have been satisfied or waived in writing by all required parties. Notwithstanding anything herein or in the Indenture to the contrary, Trustee shall not authorize any disbursement of the Bond proceeds from the Project Fund unless and until the Bondholder Representative has approved that Requisition, such approval not to be unreasonably withheld. No Requisition then shall be funded unless and until the Bondholder Representative has approved the Requisition as provided in **subsection 2** below.

2) Disbursements of Borrower's Sources to the Borrower shall be made by the Trustee from the Project Fund and by the Bondholder Representative from all other of Borrower's Sources by deposit into a non-interest bearing checking account to be maintained with the Bondholder Representative in the name of the Borrower (the "**Disbursement Checking Account**") unless otherwise requested by the Borrower and consented to by the Bondholder Representative, such consent to be delivered in writing to the Trustee. Before the Bondholder Representative becomes

obligated to consent to a Requisition of amounts in the Project Fund or to disburse any amounts in the Capital Contribution Account to the extent on deposit with the Bondholder Representative or to disburse deposits of the DSHS Third Loan with the Bondholder Representative, it must receive a written request signed by the Borrower or the Borrower's agent designated in **Section 7** of the Disbursement Schedule attached hereto as **Schedule D**, using a form acceptable to the Bondholder Representative (referred to and defined in **Schedule D** the "**Draw Request**"), accompanied by such documentation and information as required by **Schedule D** and as the Bondholder Representative may reasonably require (for fundings from the Project Fund, such required documentation shall include a signed Requisition). In each Draw Request, the Borrower shall request disbursement for one or more specified line item(s) of the Budget. Without limiting the foregoing, each Draw Request shall be accompanied by lien waivers, on forms reasonably acceptable to the Bondholder Representative or the title insurer, from each subcontractor or material supplier paid with the proceeds of the immediately preceding Draw Request. The Bondholder Representative shall not be obligated to consent to a Requisition or to disburse amounts in the Capital Contribution Account or deposits with the Bondholder Representative (if any) of the DSHS Third Loan, as requested in any Draw Request, earlier than ten (10) Business Days after receipt of a complete supporting package and satisfaction of the items listed in **Schedule D**. If the Bondholder Representative approves a Requisition, the Bondholder Representative will then submit the Requisition to the Trustee. In the event the Draw Request is approved and the funds from Borrower's Sources are disbursed into the Disbursement Checking Account, the Borrower shall promptly then pay the appropriate parties with the proceeds of the amounts in the Disbursement Checking Account unless otherwise requested by the Borrower and consented to by the Bondholder Representative which consent shall not be unreasonably withheld, conditioned or delayed. The Borrower may submit Requisitions and Draw Requests to the Bondholder Representative no more frequently than once each calendar month, unless the Bondholder Representative has given its prior written consent and delivered such consent to the Trustee in each instance. Notwithstanding the foregoing, for purposes of accruing interest thereon, the Loan shall be deemed fully disbursed and made available to the Borrower (subject to the terms of this Agreement) upon deposit of the proceeds of the Loan with the Trustee.

3) The Bondholder Representative, at any time, subject to the terms and conditions of this Agreement, may use any of Borrower's Sources which are on deposit with the Bondholder Representative to pay outstanding Loan fees owed to the Bondholder Representative, interest on the Loan, reasonable fees and expenses of the Bondholder Representative's attorneys, title insurance and miscellaneous costs actually incurred which are specifically payable by the Borrower hereunder, and such other sums as are actually outstanding and owing from time to time by the Borrower to the Bondholder Representative with respect to the Loan, all without further notice to or authorization by the Borrower (subject to the requirements of **Section 4.7(6)** below). These payments may be made, at the Bondholder Representative's option, by: (i) debiting the applicable account containing any of the Borrower's Sources (excluding the Funds established pursuant to the Indenture) in the amount of the payments without first depositing that amount into the Disbursement Checking Account; (ii) disbursing all or any part of the amount of the payments into the Disbursement Checking Account and then debiting the Disbursement Checking Account or (iii) invoicing the Borrower in the amount of the payments; provided, however, that the Bondholder Representative shall provide the Borrower with notice of any such debit by the Bondholder Representative no later than ten (10) Business Days after the debiting has occurred together with a reasonable accounting of such debited amount as such is reasonably practical after

a written request therefor by Borrower. For these purposes, the Bondholder Representative is not restricted to the line items and cost categories of the Budget. The Borrower acknowledges that such a use of Borrower's Sources by the Bondholder Representative may cause the Loan to become "out of balance," requiring deposits by the Borrower into the Borrower's Funds Account or payment to the Bondholder Representative of Cash Collateral.

4) If the Budget provides for an undisbursed balance remaining in the interest reserve line item of the Budget and all other disbursement conditions have been met, then the Bondholder Representative from time to time shall disburse Borrower's Sources to pay interest on the Loan from the interest reserve line item.

5) Subject to the further terms of this Section and this Agreement (including **Schedule D**), disbursements made or authorized under this Agreement to pay Good Costs shall be paid first from proceeds of the first installment of the Capital Contribution set forth in **Schedule J** (sometimes referred to herein as the "**Construction Capital Contribution**", whether one or more) deposited in the Capital Contribution Account maintained by the Bondholder Representative (to the extent deposited with the Bondholder Representative under the terms of the Partnership Agreement and to the extent available to pay Good Costs as provided in the most recently revised Budget and as set forth in **subsection (6)** below), then from proceeds of the AHFC Second Loan (to the extent available to pay the applicable items), then from proceeds of the DSHS Third Loan (to the extent available to pay budgeted construction items), and from the Requisitions made on the Project Fund. Without limiting the foregoing, no consent to a Requisition by the Bondholder Representative will be provided for Good Costs unless and until all of the Construction Capital Contribution then payable under the Partnership Agreement has been fully funded in accordance with the terms of the Partnership Agreement and used first to pay Bad Costs and other Costs of Issuance (by payment to the Trustee in accordance with the terms of the Indenture) and then to pay Good Costs (by deposit in the Capital Contribution Account for disbursement therefrom in accordance with the terms of this Agreement). Without limiting the foregoing, it is agreed the proceeds of the Bonds shall only be used to pay Good Costs, and the proceeds of the Capital Contributions, the AHFC Second Loan and the DSHS Third Loan (to the extent available to pay budgeted construction items) shall be used first to pay Bad Costs and then any remaining amounts shall be used to pay Good Costs. Notwithstanding the foregoing (and without limiting the terms of **Section 3.3(5)** hereof), if the Bondholder Representative determines it is necessary that certain Draw Requests be instead funded from the Project Fund to satisfy the 95% rule or the Fifty Percent Test, as the case may be, those Draw Requests will be first funded from the Project Fund (in any event, it is the intent of the parties that all proceeds of the Bonds will be used for the development of the Project and any disbursement of the AHFC Second Loan and DSHS Third Loan (to the extent available to pay budgeted construction items) for amounts paid with Bond proceeds to meet the Fifty Percent Test and/or such 95% rule will be deposited with the Bondholder Representative to be disbursed to pay later Requisitions). In addition to the foregoing, without limiting the requirements of **Schedule D**, prior to and as a condition to the Bondholder Representative's agreement to buy the Bonds, the Borrower shall have caused the portion of the Construction Capital Contributions set forth in **Schedule J** which will be used to pay Costs of Issuance to be deposited in the Cost of Issuance Fund in accordance with the terms of the Indenture, and then any remainder of the Construction Capital Contributions shall be deposited in the Capital Contribution Account for disbursement in accordance with the terms of this Agreement to first pay budgeted Bad Costs which are not Costs of Issuance in accordance with the Budget and then to pay budgeted

Good Costs as provided in this **subsection (5)** above. If a portion of the Draw Request is to be funded by the proceeds of the DSHS Third Loan (to the extent available to pay budgeted construction items) and a request has been made therefor and funding is pending by ATCIC (as applicable), in that event, Bondholder Representative may authorize a Requisition on the Project Fund (to the extent to be used for Good Costs) for that amount, and when funded, the proceeds of the DSHS Third Loan (to the extent available to pay budgeted construction items) for that Draw Request will be deposited within ninety (90) days after the funding from Project Fund in a collateral account of Borrower at the Bondholder Representative and then used to pay the next Draw Request to be funded from the Project Fund as reimbursement for the prior funding (any amounts in such collateral account when the Note is fully and finally paid shall be released to Borrower).

6) In addition to the foregoing, without limiting the requirements of **Schedule D**, prior to and as a condition to the Bondholder Representative's agreement to buy the Bonds, the Borrower shall have caused the portion of the Construction Capital Contribution set forth in **Schedule J** which will be used to pay Costs of Issuance to be deposited in the Cost of Issuance Fund in accordance with the terms of the Indenture, and then any remainder of the Construction Capital Contribution shall have been deposited in the Capital Contribution Account for disbursement in accordance with the terms of this Agreement to first pay budgeted Bad Costs which are not Costs of Issuance in accordance with the initial Budget and then to pay budgeted Good Costs as provided in **subsection (5)** above.

7) The second and third installments of the Capital Contributions set forth in **Schedule J** shall each be funded into the Capital Contribution Account to first pay any budgeted construction items and then, except as otherwise provided in **Schedule J,** any remaining proceeds thereof shall if directed by Borrower, be applied to the Note. Without limiting the foregoing or anything in **Schedule J** to the contrary, Borrower shall cause the balance of the Loan to be paid in full in connection with the funding of the second installment of the Capital Contribution described in **Schedule J**.

Section 4.8 Additional Disbursement Conditions. The Bondholder Representative need not approve the disbursement of Borrower's Sources (including approving a Requisition) until the Borrower fulfills all conditions of the Loan Documents relating to such disbursement set forth in **Schedule D** to the Bondholder Representative's satisfaction, in its reasonable judgment, or such conditions are otherwise waived in writing by Bondholder Representative. The Bondholder Representative's Loan closing conditions and conditions for subsequent disbursements include the matters described in the Disbursement Schedule. Further, fundings will be based upon the percentage of completion for actual work-in-place as approved by the Bondholder Representative and its Project Engineer.

Section 4.9 No Waiver of Conditions. Any waiver by the Bondholder Representative of a condition of disbursement must be expressly made by the Bondholder Representative in writing. If the Bondholder Representative makes a disbursement before fulfillment of one or more required conditions, such disbursement shall not be a waiver of such condition with respect to subsequent disbursements, and the Bondholder Representative reserves the right to require their fulfillment before making any subsequent disbursements. If all disbursement conditions are not satisfied or waived in writing by the Bondholder Representative, the Bondholder Representative,

without waiving any rights or conditions as to any other or further disbursements, may disburse selectively as to certain items or categories of costs and not others.

Notwithstanding anything to the contrary set forth in this Agreement, all of the Bond proceeds shall, for federal income tax purposes, be (1) allocated to the Improvements in the Project and the Land on which it is located and (2) used exclusively to pay costs of the construction and rehabilitation of the Project which are includable in aggregate basis of the Improvements and the Land on which the Improvements are located ("**Eligible Costs**") in a manner such that the Improvements satisfies the requirements of Section 42(h)(4)(B) of the Internal Revenue Code. Accordingly, no Bond proceeds will be deemed to have been used to pay any of the Costs of Issuance of the Bonds, or to fund any reserve account other than the Project Fund to be used to pay Eligible Costs.

Section 4.10 Subordinate Loans and Grants. As a condition to the Bondholder Representative's purchase of the Bonds, the Bondholder Representative shall have received and approved evidence that the Subordinate Loans and Grants have closed on terms acceptable to the Bondholder Representative and the Bondholder Representative shall have received copies of the related Subordinate Loan Documents and an original counterpart of an Intercreditor Agreement in form and substance satisfactory to the Bondholder Representative. Unless otherwise consented to by Bondholder Representative in writing, the Subordinate Loans and Grants shall be fully funded (and/or immediately available to Borrower on terms satisfactory to Bondholder Representative) by the Construction Term Maturity Date (as may be extended to the Bond Maturity Date). The proceeds of the Subordinate Loans and Grants, when paid, will be used to pay the Loan, except that the DSHS Third Loan may be used to pay budgeted acquisition, development, and related costs as and when provided for in this Agreement. Notwithstanding the foregoing, all of the ATCIC Sponsor Fourth Loan shall only be used on or before the Bond Closing to fund the Collateral Account. Further, notwithstanding anything contained herein to the contrary, the DSHS Third Loan shall fund as provided for in the Intercreditor Agreement entered into with respect to the DSHS Third Loan. Without limiting the foregoing, Borrower shall provide the Bondholder Representative with evidence of the budgeted items paid with the proceeds of the DSHS Third Loan upon and in connection with each such payment; provided that if the Bondholder Representative has approved a Requisition from the Project Fund to pay the items for which that advance of the DSHS Third Loan has been made, in that event, that advance of the DSHS Third Loan shall be deposited with the Bondholder Representative as reimbursement for the funding of that advance from the Project Fund and then those proceeds of the DSHS Third Loan shall be used to fund the next request for advance before any of the Borrower's other Sources (except to the extent the use of Project Funds is required for Good Costs). Further, in the event, for any reason (excluding, however, an action or omission on the part of Bondholder Representative), all or any portion of the proceeds of the DSHS Third Loan deposited with Bondholder Representative are required to be returned to ATCIC by Bondholder Representative, Borrower shall promptly reimburse such amount to Bondholder Representative. Any amounts funded under the DSHS Third Loan and not immediately used by Borrower to pay budgeted costs shall be deposited in an interest bearing account of Borrower located at Bondholder Representative for disbursement as provided for this Agreement. Further, on the Construction Term Maturity Date (or such earlier date that Borrower wants to pay the Loan in full, which in any event shall be no later than the date of the funding of the second Capital Contribution set forth in Schedule J), Borrower agrees and

authorizes the Bondholder Representative to use the proceeds then on deposit in the Collateral Account to pay the Loan.

Section 4.11 **Cash Flow**. Until the Note is fully and finally paid, all NOI shall be deposited by Borrower, on a monthly basis, in an account of Borrower located at Bondholder Representative which shall be a blocked collateral account. Borrower shall have no access to such account until the Note is fully and finally paid, but funds in the account will be available to pay principal and interest due on the Note, for budgeted development items, and for contingency needs approved by Bank in Bank's sole and reasonable discretion. If NOI is not a budgeted development source, notwithstanding anything herein to the contrary, Borrower shall pay interest due under the Note from NOI before using any unfunded interest reserves.

Section 4.12 **Required Payment of the Loan**. Notwithstanding anything herein to the contrary, in connection with the lien free completion of the Improvements and the funding of the second Capital Contribution described in **Schedule J**, Borrower shall pay the Loan in full from the proceeds of that Capital Contribution, amounts on deposit in the Collateral Account (subject to **Section 4.13** below), the other Borrower's Sources then available to pay the Loan, and any other sources as may be required by Bondholder Representative to make such payment. If however, for any reason, the Note is then outstanding, Borrower shall also make a payment on the Loan in connection with the third Capital Contribution described in **Schedule J** to pay the Note in full.

Section 4.13 **Cash Collateral Account**. The amounts on deposit in the Collateral Account shall be used to pay the Loan to the extent there are not other sources available to pay the Loan when the Loan is fully and finally due and payable (including if it is due as a result of the exercise of when the second Capital Contribution described in **Schedule J** funds). To the extent after the Loan is paid in full, there remains proceeds on deposit in the Collateral Account, those proceeds shall then be made available to Borrower.

ARTICLE 5
PROJECT COVENANTS

Section 5.1 **Project: Title, Operation, and Maintenance**.

1) The Issuer, Bondholder Representative, and the Trustee shall not be under any obligation to operate, maintain, or repair the Project. The Borrower agrees that until this Agreement is terminated pursuant to **Section 10.3** hereof, it will, at its own expense (to the extent the expenses will not be paid from insurance proceeds actually available for that purpose or a reserve account), and consistent with similarly sized and situated projects in the metro Austin, Texas area, (a) keep the Project in safe repair and in such operating condition as is needed for its operations; (b) except as otherwise provided in this Agreement, make all necessary repairs and replacements to the Project (whether ordinary or extraordinary, structural or nonstructural); (c) operate the Project in a sound and economic manner in accordance with usual business practice, subject to the restrictions imposed on the Project pursuant to each Regulatory and Restrictive Use Agreement, once executed, and any "extended use agreement" entered into with respect to the Project in order to secure the availability of Low Income Housing Tax Credit for the Project; (d) operate the Project in compliance with all applicable laws, codes, environmental laws, zoning laws,

the Americans with Disabilities Act of 1990 applicable to the Project, laws regulating construction, occupancy, or maintenance of property of a character included in the Project; (e) operate the Project in a manner which ensures compliance with the DSHS Appropriation, DSHS, HUD, each AHAP Contract, each HAP Contract (to the extent each is then executed), and the Subordinate Loan Documents and the funding of the Subordinate Loans and Grants; and (f) comply with all applicable existing and future laws, regulations, orders, building codes and restrictions, and requirements of, and all permits and approvals from, and agreements with and commitments to, all governmental, judicial, or legal authorities having actual jurisdiction over the Project and other Requirements of Law applicable to the Project (including all conditions or requirements imposed upon Borrower or the Project in connection with the allocation of Low Income Housing Tax Credit to the Project) or the Borrower's business conducted thereon or therefrom, and with all restrictive covenants and other title encumbrances encumbering the Project, including without limitation those contained in each Regulatory and Restrictive Use Agreement, and any additional regulatory agreements to which the Project may now or hereafter be subject in connection with the allocation of low income housing tax credits to the Project (all collectively, the "**Requirements**").

2) The Borrower shall pay all expenses of the operation and maintenance of the Project including, but without limitation, the policies of insurance required pursuant to **Section 5.5**, and all taxes and special assessments levied upon or with respect to the Project and payable during the term of this Agreement, all in conformance with and subject to any good faith contest provisions provided in the Mortgage or this Agreement.

3) In the event that the Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Agreement or shall fail to keep the Project in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Project in good repair and good operating condition and make all necessary repairs and replacements to the Project (except as otherwise expressly provided in this Agreement), the Bondholder Representative may (but shall be under no duty or obligation to) after giving the Borrower notice of its intention to do so, contract for the required policies of insurance and pay the premiums on the same or contract for any required repairs, renewals and replacements; and the Borrower agrees to reimburse the Trustee or the Bondholder Representative, as the case may be, to the extent of the amounts so advanced, and in addition shall pay interest on any such amount (but not including amounts in the capital replacement reserve account to be used for that purpose) at the Default Rate from the date of demand for such amount until the date such amount is paid or reimbursed by the Borrower.

4) The Borrower shall obtain or cause to be obtained all required permits and approvals for the operation and maintenance of the Project and shall comply with all lawful requirements of any governmental body with jurisdiction concerning the use or condition of the Project, whether existing or later enacted or whether involving any change in governmental policy or requiring structural or other changes to part or all of the Project and irrespective of the cost of making the same.

5) Notwithstanding the provisions of this **Section 5.1** the Borrower may in good faith contest the actual validity or the applicability of any law, ordinance, rule or regulation provided that during the period of such contest and any appeal therefrom, (i) such failure to comply with such requirement or requirements will not adversely affect the lien of the Mortgage or endanger

the Project or any part thereof and (ii) will not subject the Project or any part thereof to loss or forfeiture.

6) The Borrower agrees not to permit to continue or allow others to permit to continue a nuisance in connection with their use or occupancy of the Project.

7) Without limiting the foregoing, all of the residential units associated with the Low Income Housing Tax Credit will be eligible for Section 8 subsidies under a HAP Contract once executed.

Section 5.2 **Change in Composition of Borrower**. Except to the extent permitted pursuant to the Mortgage or this **Section 5.2** and subject to the requirements in the Bond Regulatory Agreement, Borrower shall not permit any change in the ownership of the Project or in Borrower, or in the ownership interests of the partners of Borrower, except that (i) a limited partner may Transfer its interest to an Affiliate of that limited partner or an Affiliate of National Equity Fund, Inc. (to the extent such new limited partner is capitalized in a sufficient manner), (ii) a limited partner may syndicate, sell, and Transfer interests in the limited partner or an Affiliate of National Equity Fund, Inc. (to the extent in compliance with **Section 5.29**), (iii) the Investor Limited Partner may pledge and encumber its interests to or for the benefit of any Financial Institution which provides financing to the Investor Limited Partner to make its Capital Contributions to the Borrower, (iv) the general partner may change its interest in cash flow and capital transaction proceeds related to the Project in accordance with the terms of the Partnership Agreement, (v) the general partner may pledge its interest in the Borrower to the Investor Limited Partner (or an Affiliate thereof) as contemplated by the Partnership Agreement, and (vi) the limited partners may replace the general partner in accordance with the terms of the Partnership Agreement with written notice to the Issuer and the prior written consent thereto of the Bondholder Representative, provided that such replacement general partner is acceptable to Bondholder Representative in its reasonable discretion (Bondholder Representative agrees that a replacement general partner that is an Affiliate of the Investor Limited Partner or an Affiliate of National Equity Fund, Inc. is acceptable to the Bondholder Representative to the extent replacement is made as provided in the Partnership Agreement and that such Transfers of the general partnership interest in Borrower are permitted without Bondholder Representative's consent).

Section 5.3 **Advances.** The Borrower acknowledges and agrees that under this Agreement and certain of the other Loan Documents, the Bondholder Representative may, but shall be under no obligation to, take certain action and approve certain advances relating to the Project from certain funds held under the Indenture or otherwise, and the Borrower shall be obligated to repay all such advances (except for funds disbursed from a reserve account for the purposes of that reserve account) on demand with interest from the date such advance was made until paid, at the Default Rate.

Section 5.4 **Alterations to the Project and Removal of Equipment**. Without the prior written consent of the Bondholder Representative, except as provided for in **Section 5.10(b)**, the Borrower shall not remodel or make any material additions, modifications, alterations, improvements, or changes that would be a Material Adverse Change or Effect in or to the Project after Substantial Completion of construction as evidenced by delivery of the Completion Certificate or remove any equipment therefrom other than in connection with the replacement of

worn, damaged, non-functioning or obsolete property. Notwithstanding the provisions of the Mortgage, no such alteration or removal will be made if to do so would impair the character of the Project as a "residential development" within the meaning of the Housing Act, or impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 5.5 Insurance.

(a) The Borrower must provide, maintain, and keep in force at all times the insurance required in **Schedule H** attached hereto.

(b) At all times prior to repayment in full of the Loan, the Borrower must provide, maintain and keep in force all other insurance reasonably required by the Bondholder Representative.

(c) Without limiting the requirements of **Schedule H**, all policies of insurance required under this Agreement must be issued by companies approved by the Bondholder Representative having an A.M. Best's rating of A or better, with limits, coverage, forms, deductibles, inception and expiration dates and cancellation provisions acceptable to the Bondholder Representative. In addition, each required property insurance policy must contain a lender's Loss Payable Form (Form 438 BFU or equivalent) in favor of Issuer, the Trustee and the Holders and provide that all proceeds be payable to the Trustee to the extent of its interest. An approval by the Bondholder Representative is not, and may not be deemed to be, a representation of the solvency of any insurer or the sufficiency of any amount of insurance.

(d) Without limiting the requirements of **Schedule H**, each policy of insurance required under the Loan Documents must provide that it may not be modified or canceled without at least thirty (30) days' prior written notice to Bondholder Representative and the Trustee. At least fifteen (15) days before expiration of any required insurance policy, the Borrower must furnish the Bondholder Representative with proof reasonably acceptable to the Bondholder Representative that the policy has been reinstated or a new policy issued, continuing in force the insurance covered by the expired policy. The Borrower must also furnish evidence satisfactory to the Bondholder Representative that all premiums for such policy have been paid within fifteen (15) days of renewal or issuance. If the Bondholder Representative fails to receive such proof and evidence, the Bondholder Representative has the right, but not the obligation, after notice and opportunity to cure to pay for current coverage on account of the Borrower. The Borrower must repay the Bondholder Representative immediately on demand for any such payment made on Borrower's account for such premiums, which will be an additional loan to the Borrower bearing interest at the Default Rate, and secured by the Mortgage and any other collateral held by the Trustee in connection with the Loan; provided, however, that interest on any such advances will be included in gross income for federal income tax purposes.

Section 5.6 Commencement and Substantial Completion of the Project.

(a) The Borrower must commence construction of the Improvements (the "**Construction**") within thirty (30) days after the date of the Bond Closing, and continue

Construction of such Improvements diligently and continually to Substantial Completion which shall occur by the Bondholder Representative's Required Completion Date. Without limiting the foregoing, Borrower shall cause the Project to be placed in service pursuant to Section 42 of the Code by the deadline required by the Credit Agency. The Borrower shall not permit cessation of work on the Project for a period in excess of ten (10) consecutive days (but excluding Excusable Delays) without the Bondholder Representative's prior written consent, provided that in no event shall there be a cessation of work on the Project for an aggregate period in excess of 30 days. So long as no Event of Default has occurred and is continuing, the Bondholder Representative shall extend the Substantial Completion date set forth in **Schedule E** by a period of time equal to the period of the Excusable Delay, but not more than a total of sixty (60) days. Such an extension, however, shall not affect the time for performance of, or otherwise modify, any of the Borrower's other obligations under the Loan Documents or the maturity the Note.

(b) By the Bondholder Representative's Required Completion Date, the Borrower must have Substantially Completed Construction of the Project, as hereinafter defined. As used in this Agreement, "**Construction of the Project**" includes completing construction of the structural components, operating systems, and all other elements of such improvements to buildings. The Construction of the Project is deemed complete for all purposes of this Agreement when the Construction has been completed on a lien free basis (unless Bonded) in substantial accordance with the plans and specifications described in **Schedule G**, as those plans and specifications may be amended in accordance with **Section 5.10** (the "**Plans and Specifications**"), as evidenced by the written certification of the architect for the Project (the "**Architect**") and Contractor for the Project in Form AIA G-706 or another form satisfactory to the Bondholder Representative and filed with the Trustee and the Bondholder Representative (the "**Completion Certificate**"), and the Bondholder Representative has received evidence reasonably satisfactory to it that:

(i) All of the buildings constituting the Project have been "placed in service" if required by and within the meaning of Section 42 of the Code; and

(ii) The completed Project has been inspected by and received all approvals of governmental authorities having jurisdiction over the Project, permitting occupancy by residential tenants of all residential units in the Project.

(c) In addition, the Borrower shall record the Affidavit and Certificate of Completion in the form of **Schedule O** attached hereto in Travis County, Texas, or a certificate or affidavit in such other form that complies with Section 53.106 of the Texas Property Code and is otherwise acceptable to the Bondholder Representative, all appropriate notices of completion, and obtain certificates of occupancy or similar permits regarding completed apartment units and other spaces within the Project as necessary or required to permit the lawful use and occupancy of each of such units and spaces.

Section 5.7 **Construction**. The Borrower must conduct the Construction of the Project in a good and workmanlike manner in accordance with sound building practices, and all governmental and insurance requirements applicable to the Project and the Borrower, in accordance in all material respects with the Plans and Specifications and the recommendations of

any geotechnical inspection, environmental report or engineering report delivered by the Borrower to, and approved by, the Bondholder Representative.

Section 5.8 **Preservation of Rights**. The Borrower must obtain, preserve, and maintain in good standing, as applicable, all rights, privileges, and franchises necessary or desirable for the operation of the Project and the conduct of the Borrower's business thereon or therefrom.

Section 5.9 **Maintenance and Repair**. Except as otherwise provided in this Agreement, the Borrower must (i) maintain the Project, including the parking and landscaping portions thereof, in good condition and repair, normal wear and tear excepted (ii) promptly make all necessary structural and non-structural repairs to the Project (or cause tenants under any leases to perform such obligation), and (iii) not demolish, alter, remove, or add to the Project, excepting (A) the repair and restoration of the Project following damage thereto as permitted by this Agreement, (B) the construction or installation of non-structural alterations or improvements, provided the same are in all respects consistent with the character and utility of the existing Project, (C) the installation or construction of tenant improvements and related demolition in connection with any leases allowed by this Agreement, and (iv) not erect any new buildings, structures, or building additions on the Project, except as described in the Plans and Specifications, without the prior written consent of the Bondholder Representative. Subject to **Section 12.32**, the Borrower must pay when due all claims for labor performed and materials furnished therefor in connection with any improvement or construction activities, unless such claims are being contested in good faith and are Bonded. If a claim of lien is recorded which affects the Project or a stop notice, funds capture notice or similar notice from a potential mechanic's lien claimant is served upon the Borrower, the Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of the Bondholder Representative's demand, whichever occurs first (a) effect the release thereof by recording or delivering to the Bondholder Representative a surety bond in sufficient form and amount; or (b) provide the Bondholder Representative with other reasonable assurances which are reasonably satisfactory to the Bondholder Representative for the payment of such claim of lien and for the full and continuous protection of the Trustee and the Bondholder Representative from the effect of such lien (without limiting the terms of **Section 12.32**).

Section 5.10 **Changes**.

(a) The Borrower agrees to provide Bondholder Representative with copies of all change orders pursuant to which changes are proposed to the Plans and Specifications or to the design of the Project, together with all additional documents relating to the proposed change that the Bondholder Representative may reasonably require. These documents may include the following: (i) plans and specifications indicating the proposed change; (ii) a written description of the proposed change and related working drawings; and (iii) a written estimate of the cost of the proposed change and the time necessary to complete it.

(b) The Borrower must obtain the Bondholder Representative's prior written approval of any change order which in any single instance involves more than Twenty-Five Thousand and No/100 Dollars ($25,000) in changes in costs of the Project or which, when aggregated with other change orders not previously approved by the Bondholder

Representative, involves more than One Hundred Twenty-Five Thousand and No/100 Dollars ($125,000.00) in changes in costs of the Project (the foregoing approval may be evidenced by the funding of the applicable change order or by specific written approval by the Bondholder Representative for that change order). Notwithstanding the foregoing, all change orders shall be properly documented in a manner satisfactory to Bondholder Representative on the related G702 and G703 draw requisitions. In any event, any changes in costs must also satisfy the requirements of the Subordinate Loan Documents. Further, notwithstanding the foregoing, reallocations of the Budget, or reallocation of costs associated with the Retail Space and/or the Clinic Space to the costs associated with the development of the residential portion of the Improvements shall require the prior written consent of the Bondholder Representative.

(c) In addition, the Borrower must obtain the Bondholder Representative's prior written approval of all material changes in the scope or general conditions of the contract with the Contractor for the Construction of the Project (the "**Construction Contract**") or the contract with the Architect for the design of the Project (the "**Architecture Contract**"). Finally, the Borrower must obtain from the appropriate persons or entities all approvals of any changes in plans, specifications, work, materials, or contracts required by any of the Requirements, applicable to the Project, or under the terms of any lease, loan commitment, or other agreement relating to the Project.

(d) The Bondholder Representative may take a reasonable time not to exceed ten Business Days to evaluate any requests for proposed changes and may require that all approvals required from other parties (including investment partners of the Borrower) be obtained before it approves any requested change. The Bondholder Representative may approve or disapprove changes described in **Section 5.10** in the exercise of its reasonable judgment. The Borrower acknowledges that delays may result but that shall not affect the Borrower's obligation to complete the Project by the Bondholder Representative's Required Completion Date.

Section 5.11 Construction Information and Verification.

(a) Within thirty (30) days after receiving a written request from the Bondholder Representative so to do, the Borrower shall deliver to the Bondholder Representative any and all of the following information and documents, all in forms reasonably acceptable to the Bondholder Representative:

(i) Current Plans and Specifications for the Project certified by the Architect as being complete and accurate;

(ii) If required by Bondholder Representative, a current, complete, and correct list showing the name, address, and telephone number of each contractor, subcontractor, and material supplier who is engaged by the Borrower in connection with the Construction of the Project, together with the total dollar amount of each contract and subcontract (including any changes) and the amounts paid through the date of the list;

(iii) A true and correct copy of the most current version of the Construction Contract, including any changes;

(iv) A current construction progress schedule showing the progress of Construction and the projected sequencing and completion times for uncompleted work, all as of the date of the schedule;

(v) Any update to any item described above, previously delivered to the Bondholder Representative; and

(vi) At any time after Construction of the Project, as-built plans and specifications for the Project as actually completed to date, certified by the Architect as being complete and accurate (provided, however, if the Architect is not reasonably able to deliver such as-built plans and specifications within such thirty (30) day period, the Bondholder Representative consents to extend the Borrower's deadline up to an additional thirty (30) days).

(b) The Borrower expressly authorizes the Bondholder Representative to contact the Architect, the Contractor, or any contractor, subcontractor, material supplier, surety, or any Governmental Authority or agency to verify or discuss any information disclosed in accordance with this **Section 5.11** and any other information that the Bondholder Representative may reasonably require.

(c) The Borrower shall promptly notify the Bondholder Representative of any material default by Architect, Contractor, subcontractor, material supplier, or surety under its respective agreement which is not cured after the passage of applicable notice and cure periods. Any Architect, Contractor, subcontractor, material supplier, or surety who terminates or materially breaches its contract and fails to cure such breach during any applicable notice and cure period, the Contractor must be replaced promptly, with a replacement approved by the Bondholder Representative, and the Borrower must deliver all required information and documents to the Bondholder Representative regarding each such replacement Architect, Contractor, subcontractor, material supplier, and surety. The Bondholder Representative shall not unreasonably withhold, condition or delay its approval of any replacement Architect, Contractor, subcontractor, material supplier, surety, or other party reasonably selected by the Borrower.

Section 5.12 Permits, Licenses, and Approval. The Borrower must obtain, comply with, and keep in effect all required and necessary permits, licenses and approvals related to the Project and required by governmental bodies in order to construct, occupy, operate, market, and lease a portion of the Project for its intended use. The Borrower must promptly deliver, within ten (10) Business Days after a reasonable written request therefor from Bondholder Representative, copies of all such permits, licenses, and approvals.

Section 5.13 Purchase of Materials; Conditional Sales Contracts. Without the Bondholder Representative's prior written consent, the Borrower may not: (i) purchase or contract for any materials, equipment, furnishings, fixtures, or articles of personal property to be placed or installed on the Project under any security agreement or other agreement where the seller reserves

or purports to reserve title or the right of removal or repossession, or the right to consider them personal property after their incorporation in the work of construction; or (ii) remove or permit to be removed from the Project any equipment, machinery, or fixtures owned by Borrower and used in connection with the management, maintenance, operation, or enjoyment thereof unless replaced by articles of equal suitability and value owned by the Borrower, in each case free and clear of any lien or security interest.

Section 5.14 Site Visits; Right to Stop Work.

(a) Subject to the rights of the tenants under leases, the Borrower grants to the Bondholder Representative, and its agents and representatives, the right to enter and visit the Project on any Business Day during normal business hours upon prior reasonable notice to Borrower (of at least two (2) Business Days in advance but that no such advance notice will be required if an Event of Default is then continuing) and its Property Manager of the Project for the purposes of performing an appraisal, pursuant to any requirement for same under this Agreement, observing the work of construction, inspecting the property, and examining all materials, plans, specifications, working drawings, and other matters relating to the construction and during the continuance of an Event of Default, taking soil or groundwater samples, conducting tests to, among other things, investigate for the presence of Hazardous Substances. Prior to Substantial Completion and funding of Retainage, for purposes of these site visits, the Borrower must maintain at all times a full set of working drawings at the construction site. During such site visits, the Bondholder Representative has the right to examine, copy, and audit the books, records, accounting data, and other documents of the Borrower and its contractors relating to the Project or Construction of the Project. The Bondholder Representative is under no duty to visit or observe the Project, or to examine any books or records. Any site visit, observation, or examination by the Bondholder Representative will be solely for the purpose of protecting and preserving the rights of the Trustee and the Bondholder Representative under this Agreement and the Mortgage. No site visit, observation or examination by the Bondholder Representative will impose any liability on Bondholder Representative or result in a waiver of any default of the Borrower or be a representation that the Borrower is or will be in compliance with the Plans and Specifications, that the construction is free from defective materials or workmanship, or that the construction complies with all applicable Requirements. Neither the Borrower nor any other party is entitled to rely on any site visit, observation or testing by Bondholder Representative, its agents, or representatives. The Bondholder Representative owes no duty of care to protect the Borrower or any other party against, or to inform the Borrower or any other party of, any adverse condition affecting the Project, including any defects in the design or construction of any improvements on the Project or the presence of any Hazardous Substances on the Project. In each instance, the Bondholder Representative will give the Borrower reasonable prior notice before entering the Project and make all reasonable efforts to avoid interfering with the Borrower's Construction of the Project, use or operation of the Project, or any tenant's rights under leases of the Project when exercising any of the rights granted in this Section.

(b) Subject to the terms and provisions of **Section 11.2**, if the Bondholder Representative in its reasonable judgment determines that any work or materials fail to conform in any material respect to the approved Plans and Specifications or sound building

practices, or that they otherwise depart in any material respect from any of the requirements of this Agreement, the Bondholder Representative may require the work to be stopped and withhold its consent to disbursements until the matter is corrected. If this occurs, the Borrower must promptly correct the work to the Bondholder Representative's reasonable satisfaction and halt all other work pending completion of such corrective work. No such action by the Bondholder Representative will affect the Borrower's obligation to complete the Project on or before the Bondholder Representative's Required Completion Date.

Section 5.15 Protection Against Lien Claims. The Borrower must pay or otherwise discharge promptly all claims and liens for labor done and materials and services furnished in connection with the Construction of the Project. Notwithstanding the foregoing sentence and subject to the terms and requirements of **Section 5.9** and **Section 12.32**, the Borrower has the right to contest in good faith any claim or lien, provided that it does so diligently and without prejudice to the Bondholder Representative or delay in completing the Project. Promptly upon the Bondholder Representative's request, the Borrower must provide a surety bond, cash deposit, or other security in accordance with **Section 5.9**.

Section 5.16 Cooperation. The Borrower will reasonably cooperate at all times with the Issuer, the Trustee, and the Bondholder Representative in bringing about the timely completion of the Project, and the Borrower must resolve all disputes arising during the Construction of the Project in a manner allowing work to proceed expeditiously. Further, from time to time the Issuer may direct the Borrower to file such reasonable additional reports for compliance with State or federal laws or regulations in connection with administration of the Loan and operation of the Project hereunder and the Borrower agrees to file such reports promptly. Further, the Borrower covenants and agrees to execute such additional instruments as may be reasonably requested by the Trustee or the Issuer in order to carry out the provisions of this Agreement and the other Loan Documents and to perfect or give further assurances of any of the rights granted or provided for in the Bond Documents and the Loan Documents.

Section 5.17 Income from Project. The Borrower must first apply all income from leases, and all other income derived from the Project, to pay costs and expenses then due and payable and associated with the ownership, maintenance, development, operation, and marketing of the Project, including all amounts then required to be paid under this Agreement and other Loan Documents, before using or applying such income for any other purpose.

Section 5.18 Payment of Expenses. The Borrower must pay the Bondholder Representative's reasonable costs and expenses incurred in connection with the administration of, and approval of disbursement of proceeds of, the Loan. The Borrower must also pay any and all of the Bondholder Representative's reasonable costs and expenses incurred in connection with any revisions, extensions, renewals, modifications, or "workouts" of the Loan, and in the exercise of any of the Bondholder Representative's rights or remedies under this Agreement. Such reasonable costs and expenses include, without limitation, charges for title insurance (including endorsements), filing, recording and escrow charges, reasonable fees for appraisals and appraisal reviews, architectural and engineering review and services, construction services and cost engineering and environmental review and services, zoning and entitlement review and services, mortgage taxes, document review and preparation, reasonable legal fees and expenses of the Bondholder Representative's counsel, survey charges, insurance premiums, and any other

reasonable fees and costs for services, regardless of whether such services are furnished by the Bondholder Representative's employees, or agents or independent contractors. The Borrower acknowledges that amounts payable under this Section are not included in any loan or commitment fees for the Loan. Without limiting the generality of the foregoing, as a condition to the approval of a Draw Request or Requisition, the Borrower shall pay to the Bondholder Representative (or such other party which engages the consultant, as applicable) a construction inspection/administrative fee ("**Construction Inspection Fee**") of $1,600.00 per monthly inspection (plus travel expenses) provided that the fee for the initial inspection and review of the Plans and Specifications shall be $6,750.00 (or such other amounts as may be owing to the Project Engineer for such inspections). All such sums reasonably and actually incurred by the Bondholder Representative and not reimbursed by the Borrower promptly upon Borrower's receipt of written demand together with a reasonable accounting of all amounts for payment will be considered an additional loan to the Borrower, secured by the Mortgage and the other collateral held by the Trustee in connection with the Loan, and bearing interest at the Default Rate; provided, however, that interest on any such advances will be included in gross income for federal income tax purposes. In addition, the Borrower must pay to the Issuer and the Trustee all fees and expenses of Issuer and the Trustee described in the Indenture.

Section 5.19 **Performance of Acts**. Upon the Bondholder Representative's reasonable request, the Borrower must perform all acts necessary or advisable to perfect any lien or security interest provided for in the Loan Documents or to carry out the intent of the Loan Documents.

Section 5.20 **Management Agreement**. The Property Manager and the management agreement with the Property Manager shall be subject to the prior written approval of the Bondholder Representative prior to the Bond Closing, which approval shall not be unreasonably delayed, conditioned or withheld. The Property Manager is hereby approved as the initial management agent. The management agreement shall not be materially amended, modified, or supplemented, or terminated, or canceled without the prior written approval of the Bondholder Representative, which approval shall not be unreasonably delayed, conditioned or withheld, and may, in each instance, be conditioned upon delivery of a collateral assignment and subordination of the management agreement relating to the Project. The Borrower shall obtain the Bondholder Representative's approval of the Borrower's management plan for the Project, which plan shall provide for training of the onsite staff in full compliance with federal, state and local affordable housing requirements applicable to the Project.

Section 5.21 **Perfection and Continued Perfection**. The Borrower shall take such actions as reasonably requested by Bondholder Representative (including the filing of UCC financing statements) as may be necessary to (a) initially perfect the lien and security interests of the Trustee pursuant to the Mortgage and the Indenture, as first priority liens, and (b) maintain the liens and security interests of the Trustee pursuant to the Mortgage and the Indenture as continuously perfected first priority liens on the property therein described.

Section 5.22 **Appraisals**. If reasonably required by the Bondholder Representative, or if required by law or regulations, the Bondholder Representative shall have the right to order Appraisals of the Project from time to time (but in no event more often than annually) from an appraiser selected by the Bondholder Representative, which Appraisals shall comply with all federal and State standards for Appraisals and otherwise shall be satisfactory to the Bondholder

Representative in all material respects. The Borrower agrees to pay the reasonable cost and expense for all Appraisals and reviews thereof ordered by the Bondholder Representative pursuant to this Section. It shall not be an Event of Default under this Agreement if the Appraised Value of the Project goes down (provided that in connection with any re-appraisal of the property, the Loan to Value Ratio as calculated pursuant to this Agreement shall not exceed 80%).

Section 5.23 **HAP Compliance**. The Borrower shall fully comply with all terms and requirements for all residential units in the Project to be eligible to receive project based housing choice voucher Section 8 units pursuant to the HAP Contracts and 24 CFR Part 983 and the HUD VASH Program. As soon as reasonably practical after the execution thereof, the Borrower shall promptly furnish the Bondholder Representative with a copy of each fully executed HAP Contract as soon as reasonably practical after completion of the Improvements, issuance of the certificates of occupancy, and when all units pass HUD-established Housing Quality Standards of HUD, together with a Collateral Assignment of each HAP Contract (the HAP Contracts shall provide that HUD consents to such collateral assignments).

Section 5.24 Subordinate Loans and Grants. Borrower shall (and shall cause the General Partner to) fully comply with all terms and requirements of the Subordinate Loan Documents.

Section 5.26 **USA Patriot Act**. Bondholder Representative hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**Patriot Act**"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow Bondholder Representative to identify the Borrower in accordance with the Patriot Act.

Section 5.27 **Stored Materials.**

(a) Bondholder Representative shall have the right to approve or disapprove in its reasonable discretion disbursements for any materials to be used for the Construction of the Project and not to be immediately incorporated into and made a part of the Improvements ("**Stored Materials**"). Bondholder Representative will not approve disbursements for Stored Materials until Borrower complies with the conditions set forth below.

(b) As a condition precedent to the disbursement of Capital Contributions from the Capital Contribution Account or from the Loan from the Project Fund for Stored Materials, Borrower shall supply Bondholder Representative, as reasonably requested by Bondholder Representative (x) evidence reasonably satisfactory to Bondholder Representative that the Stored Materials are included in the coverage of the insurance policies required by this Agreement; (y) evidence reasonably satisfactory to Bondholder Representative from the Borrower or the Contractor that, upon payment for such Stored Materials, ownership thereof will vest in Borrower free of any liens or claims of third parties; and (z)(A) evidence reasonably satisfactory to Bondholder Representative that the Stored Materials are satisfactorily stored at the Project to protect against theft or damage, or (B) if the Stored Materials are not stored at the Project, (1) evidence satisfactory to Bondholder Representative that the Stored Materials are stored in a bonded warehouse or

storage yard approved by Bondholder Representative, and the warehouse or yard has been notified that Bondholder Representative has a security interest in the subject Stored Materials, and (2) Bondholder Representative shall have received from Borrower or the Contractor the original warehouse receipt. With Bondholder Representative's prior written approval, Stored Materials may be stored in the yard or warehouse of the seller or fabricator, subject to satisfaction of conditions (x), (y), (z)(B)(1), and (z)(B)(2) in this **subsection (b)**, and *provided further* that Bondholder Representative receives satisfactory evidence that the Stored Materials are protected against theft or damage, have been suitably identified as belonging to Borrower for use in the Project, and that such seller or fabricator has been notified of the security interest of Bondholder Representative therein.

Section 5.28 **Environmental Reports**. Borrower agrees to provide Bondholder Representative, in a timely manner, with copies of all environmental reports on the Project generated during the term of the Loan.

Section 5.29 **Equity Funding**. Investor Limited Partner is responsible for funding the Capital Contributions. If, after the Bond Closing, the Investor Limited Partner transfers any of the Investor Limited Partner's interest in the Borrower other than to the Bondholder Representative or an Affiliate thereof, the Investor Limited Partner shall provide Bondholder Representative with written notice of the transfer and the identity of all partners or members of the entity (the "**Fund**") to which the Investor Limited Partner's limited partnership interest was transferred. All information received in connection with the foregoing shall be kept confidential by Bondholder Representative. If prior to the earlier to occur of (i) the full and final payment of the Loan or (ii) the payment in full of the Capital Contribution, subject to any adjusters in the Partnership Agreement, any partner or member in the Fund is substituted for any one or more other Persons, the Investor Limited Partner shall promptly notify Bondholder Representative in writing of the substitution. The Investor Limited Partner (or another subsidiary or Affiliate of National Equity Fund, Inc.) shall in any event be the general partner (or manager, if applicable) of the Fund. Prior to the earlier to occur of (a) the full and final payment of the Loan, and (b) the payment in full of the First, Second, and Third Capital Contributions set forth in **Schedule J** (subject to any adjusters provided for in the Partnership Agreement), the partners or members owning in the aggregate not less than 75% of the ownership interests in the Fund will be investment grade (defined as BBB- or better rated by S&P or similar rating agency) Financial Institutions or corporations, or wholly-owned subsidiaries of such entities, or otherwise approved by Bondholder Representative in writing.

Section 5.30 **Developer Fee/Contractor Profit**. The Developer Fee shall be paid pursuant to the terms of **Section 7(c)** of **Schedule D** of this Agreement. Contractor profit and overhead may be paid, as budgeted, on a percentage of completion basis.

ARTICLE 6
DAMAGE, DESTRUCTION, AND CONDEMNATION

Section 6.1 **Damage and Destruction**. If the Bonds are Outstanding when the Project is damaged or destroyed by fire or other casualty, the Borrower shall restore the Project if the conditions contained in **Section 6.4** are satisfied; otherwise, the Borrower shall use any proceeds received with respect of such casualty to prepay the Loan in whole or in part. Notwithstanding

anything to the contrary set forth in this Agreement, the terms of this **Article 6** are subject to the terms and provisions of the Mortgage, and in the event of any irreconcilable conflicts between this Agreement and the terms of the Mortgage, the terms set forth in this Agreement shall govern and control.

Section 6.2 **Condemnation.** Notwithstanding anything in the Mortgage to the contrary, if the Bonds are Outstanding when the Project or any part thereof is taken by Condemnation, the Borrower shall use any proceeds received with respect of such Condemnation to prepay the Loan in whole or in part or to restore the Project if permitted by this Agreement and the Mortgage or take such other action, as is required or permitted by the Mortgage and the other Loan Documents.

Section 6.3 **Parties To Give Notice.** In the case of material damage to or destruction of all or a substantial part of the Project, the Borrower shall give prompt notice thereof to the Issuer, the Trustee, and the Bondholder Representative in the manner prescribed by **Section 12.2.** In the case of a taking or proposed taking of all or any part of the Project by Condemnation, the party hereto upon which notice of such taking or proposed taking is served shall give prompt notice thereof to the Issuer, the Trustee, and the Bondholder Representative in the manner prescribed by **Section 12.2.** Any such notice shall describe generally the nature and extent of such damage, destruction, taking, or proposed taking.

Section 6.4 **Conditions to Restoration.** Notwithstanding anything in the Mortgage to the contrary, the following shall be conditions precedent to the obligation of the Borrower to restore the Project following the occurrence of a casualty or Condemnation:

(a) No Default or Event of Default shall then be continuing that would not be cured by the planned restoration in accordance with the terms of this Agreement and the Mortgage;

(b) The Bondholder Representative shall have received and approved each of the following (which approval shall not be unreasonably withheld, conditioned or delayed):

(i) acceptable Plans and Specifications for the reconstruction of the Project;

(ii) copies of all contracts and subcontracts for the reconstruction of the Project;

(iii) if required by Bondholder Representative, either payment and performance bonds for the reconstruction of the Project provided by a surety acceptable to the Bondholder Representative (with an AM Best rating of "A") or a fifteen percent (15%) letter of credit in lieu of bonding issued by a Financial Institution and on a form acceptable to the Bondholder Representative;

(iv) assignments by the Borrower to the Trustee of each of the contracts and subcontracts described in clause (ii), in form and content satisfactory to the Bondholder Representative, and consents to such assignment, in form and content satisfactory to the Bondholder Representative, duly executed by the contractors and subcontractors;

(v) a line item budget setting forth, in form and level of detail satisfactory to the Bondholder Representative, all costs of reconstruction of the Improvements in accordance with the Plans and Specifications described in clause (i), above;

(c) All proceeds of casualty insurance policies awards less the costs of collection, as the case may be, shall have been received in the Mortgage Recovery Fund established under the Indenture and the Borrower hereby grants a security interest in said account to the Issuer, and the Issuer hereby assigns such security interest to Trustee on behalf of the Holders; and

(d) it is determined by an appraiser selected by the Bondholder Representative at the expense of the Borrower (unless waived by the Bondholder Representative) that the Project will, following reconstruction, have a fair market value which is at least equal to its value immediately prior to the casualty or Condemnation.

Section 6.5 **Conditions to Disbursement of Proceeds**. If all of the foregoing conditions are satisfied, proceeds held by Trustee shall be disbursed subject to the consent of the Bondholder Representative in the same manner and subject to the same conditions, including without limitation consent of the Bondholder Representative to each disbursement (subject to adjustment to reflect the different nature of construction) as applied with respect to the initial disbursement of the proceeds of the Loan (as provided in **Schedule D**). When obtaining disbursements from the Mortgage Recovery Fund established under the Indenture, the Borrower agrees to the conditions contained in, and agrees to comply with the procedures set forth in **Section 5.7** of the Indenture or otherwise required by Trustee. If the foregoing conditions are not satisfied, or if, after satisfaction of such conditions any proceeds of casualty insurance or condemnation awards remain, all such proceeds shall be remitted to the Trustee promptly on account of the outstanding balance on the Note for application to the redemption in whole or in part of the Bonds.

ARTICLE 7
COVENANTS OF ISSUER AND BORROWER

Section 7.1 **Covenant for the Benefit of the Bondholder Representative**. The Borrower recognizes the authority of the Issuer to assign its interest in and right to receive moneys receivable under this Agreement (other than the Unassigned Issuer's Rights) to the Trustee as security for the payment of the principal of and interest and redemption premium, if any, on the Bonds, and the payment of all Additional Charges. The Borrower hereby agrees to be bound by, and grants a security interest to the Trustee for and on behalf of the Issuer in any right and interest the Borrower may have in sums held in the Funds described in the Indenture, pursuant to the terms and conditions thereof, to secure payment of the Bonds and payments made under the Loan Documents. Each of the terms and provisions of this Agreement is a covenant for the use and benefit of the Bondholder Representative, so long as the Bonds shall remain outstanding; but upon discharge of the Bonds in accordance with **Article 7** of the Indenture and payment of all reasonable fees and charges incurred by the Issuer and the Trustee payable by Borrower pursuant to the terms of the Indenture, this Agreement, or otherwise, then, upon the occurrence of the foregoing, all references in this Agreement to the Bondholder Representative and the Bonds shall be ineffective, and the Bondholder Representative shall thereafter have no rights hereunder, save and except those

that shall have theretofore vested or that arise from provisions hereunder or under the Regulatory and Restrictive Use Agreements, once executed, which survive termination of this Agreement.

Section 7.2 Inspection and Access.

1) The Borrower agrees that, upon prior reasonable notice (of at least two (2) Business Days) by the Issuer, Bondholder Representative and/or the Trustee to the Borrower and the Property Manager (provided no such prior notice shall be required if an Event of Default is then continuing), but specifically subject to the rights of the tenants under the leases, the Issuer, the Bondholder Representative, the Trustee, and their duly authorized agents shall have the right to examine and inspect during normal business hours on a Business Day, and for that purpose to enter upon, the Project, and shall also have such right of access thereto upon prior reasonable notice provided if and to the extent required by this Section at reasonable times and under reasonable conditions but specifically subject to the rights of tenants in possession as may be reasonably necessary to cause the Project to be properly maintained in accordance with **Article 5** of this Agreement and in accordance with the applicable provisions of the other Loan Documents.

2) The Borrower hereby covenants to execute, acknowledge, and deliver all such further documents, and do all such other acts and things as may be necessary in order to grant to the Issuer, Bondholder Representative, and the Trustee the rights of access and entry described herein and agrees that such rights of access and entry shall not be terminated, curtailed, or otherwise limited by any assignment, lease, or other Transfer of the Project by the Borrower to any other Person; provided, that such rights will be specifically subject to the rights of tenants in possession under their respective leases.

Section 7.3 Indemnity.

1) **The Borrower will pay, defend, and will protect, indemnify, and save the Issuer, the Trustee, the Bondholder Representative, and each Holder of the Bonds (including without limitation the Bondholder Representative), and the members of the governing body and staff, directors, officials, officers, attorneys, agents, and employees of each of them and any Person who controls any of them within the meaning of the Securities Act of 1933, as amended (for purposes of this Section 7.3 only, collectively, the "Indemnified Parties") from and against all liabilities, losses, damages, reasonable costs and expenses (including without limitation reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) actually incurred, causes of action (whether in contract, tort, or otherwise), suits, claims, demands, and judgments of every kind, character, and nature whatsoever asserted against any Indemnified Party by any third party (collectively referred to herein as the "Liabilities") directly or indirectly arising from or relating to the Bonds, the loan of the proceeds of the Bonds, this Agreement and the other Loan Documents, the Project, the Mortgage, the Indenture, or any document related to the issuance and sale of the Bonds (but excluding from the obligations undertaken pursuant to this Section 7.3 any obligations to pay principal or interest on the Loan or the Bonds), including, but not limited to, the following:**

(a) **the Indenture, this Agreement, and each Regulatory and Restrictive Use Agreement, once executed, or the execution or amendment thereof or the**

transactions contemplated thereby, including the issuance, sale, resale, or remarketing of the Bonds or any of them;

(b) **any act or omission of the Borrower or any of its agents, contractors, servants, employees, or licensees in connection with the Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct, or management of work done in, on, or about the Project, or from the planning, design, acquisition, installation, or construction of, the Project, or any part thereof;**

(c) **any injury to or death of any person or damage to property in or upon the Project or growing out of or connected with the use, non-use, condition or occupancy of the Project or any part thereof;**

(d) **any lien or charge upon payments by the Borrower to the Issuer and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions, and other charges imposed on the Issuer or the Trustee in respect of any portion of the Project;**

(e) **actual violation by the Borrower of any agreement or condition of this Agreement, the Regulatory and Restrictive Use Agreements, once executed, or the Mortgage;**

(f) **actual violation by the Borrower of any contract, agreement, or restriction relating to the Project;**

(g) **actual violation by the Borrower of any law, ordinance, or regulation affecting the Project, or any part thereof or the ownership, occupancy, or use thereof, including without limitation any violation of any applicable environmental law, rule, or regulation with respect to, or the release of any Hazardous Substance from, the Project or any part thereof;**

(h) **the defeasance or redemption, in whole or in part, of the Bonds;**

(i) **any statement, information, or certificate furnished by the Borrower to the Issuer which is misleading, untrue, or incorrect in any material respect, including without limitation any untrue statement or misleading statement of a material fact by the Borrower contained in any offering statement or document for the Bonds or any of the documents relating to the Bonds to which the Borrower is a party, or any material omission from any offering statement or document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading;**

(j) **any and all Liabilities directly or indirectly arising out of or resulting from construction of any Improvements on the Project, including any defective workmanship or materials;**

(k) **any failure to satisfy any requirements of any applicable laws, regulations, ordinances, governmental policies or standards, reports, subdivision maps, or development agreements that actually apply and pertain to the Project;**

(l) **breach of any representation or warranty made or given by the Borrower to any of the Indemnified Parties or to any prospective or actual buyer of all or any portion of the Project;**

(m) **any claim or cause of action of any kind by any party that any Indemnified Party is liable for any act or omission of the Borrower or any other person or entity in connection with the ownership, sale, operation, or development of the Project; and**

(n) **any declaration of taxability of interest on the Bonds, or allegations or regulatory inquiry that interest on the Bonds is taxable, for federal tax purposes, except by reason of being held by a "substantial user" of the Project or a "related person" to a "substantial user" within the meaning of Section 147(a) of the Code.**

2) **The Borrower also agrees to indemnify and hold harmless each of the Indemnified Parties from and against the Liabilities directly or indirectly arising from or relating to any fraud or misrepresentations or omissions by the Borrower occurring during any proceedings of the Issuer relating to the issuance of the Bonds or pertaining to the financial condition of the Borrower which, if known to the Bondholder Representative purchasing the Bonds, might be considered a factor in its decision to purchase the Bonds.**

3) **Nothing in Section 7.3(1) shall be deemed to require the Borrower to provide indemnification to an Indemnified Party with respect to Liabilities arising from the fraud, the negligence (except in the case of Issuer and the Bondholder Representative), willful misconduct, or breach of contractual duty (except in the case of Issuer) of any Indemnified Party as adjudicated by a court of competent jurisdiction in a non-appealable judgment. THE ISSUER SHALL BE INDEMNIFIED BY THE BORROWER EXCEPT FOR ITS OWN BAD FAITH, WILLFUL MISCONDUCT, OR FRAUD. THE BONDHOLDER REPRESENTATIVE SHALL BE INDEMNIFIED BY THE BORROWER WITH RESPECT TO LIABILITIES ARISING FROM ITS OWN NEGLIGENCE.**

4) **Promptly after receipt by an Indemnified Party of actual notice of the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such Indemnified Party will as soon as reasonably practical notify the Borrower of the commencement of such proceeding. Receipt of such notification shall be a necessary condition precedent to the Borrower's indemnification obligation hereunder, but failure of the Borrower to receive such notification or defects in such notification will not relieve it from any liability to an Indemnified Party which the Borrower may have otherwise. As to Indemnified Parties other than Issuer, if the Borrower so elects, it may assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to the Indemnified Party and will pay the fees and disbursements of such counsel. However, notwithstanding the foregoing, (i) if counsel for such Indemnified Party and counsel for the Borrower agree that (A) having common counsel to represent both the**

Borrower and the Indemnified Party would present a conflict of interest or (B) defenses are available to such Indemnified Party which are not available to the Borrower or vice versa and (ii) if the Borrower fails to assume the defense of the action or proceeding in a timely manner, then such Indemnified Party may employ separate counsel to represent or defend it in any such action or proceeding and the Borrower will pay the reasonable fees and disbursements of such counsel. In any action or proceeding the defense of which the Borrower assumes, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense. Notwithstanding the foregoing, if the Indemnified Party is the Issuer, the Issuer shall employ its own counsel and the Borrower shall be liable for the reasonable cost of such counsel. No Indemnified Party shall settle any Liability for which indemnification is being sought hereunder, without the prior written consent of the Borrower, which consent shall be at the sole discretion of Borrower.

5) The Indemnified Parties, other than the Issuer and Bondholder Representative, shall be considered to be intended third party beneficiaries of this Agreement for purposes of Section 7.3(1)-(4).

Notwithstanding any Transfer of the Project to another owner in accordance with the provisions of this Agreement prior to the full and final payment of the Note, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section but only for such Liabilities arising from and with respect to action, inaction, or other circumstances or events occurring prior to such Transfer, but only if the Bondholder Representative and the Trustee have consented to such Transfer or it is otherwise expressly permitted under this Agreement or the other Loan Documents. In that event, such subsequent owner shall indemnify any Indemnified Parties hereunder following such Transfer under all of the terms and conditions applicable to Borrower.

Anything to the contrary in any other Loan Document notwithstanding, the provisions of this Section 7.3 are not secured by the Mortgage, and survive the termination of this Agreement, repayment of the Loan and foreclosure of the Mortgage or similar proceedings, final payment or defeasance of the Bonds, and (in the case of the Trustee) any resignation or removal, insofar as such indemnification relates to actions or claims arising from the Trustee's services prior to such resignation or removal.

The obligations of the Borrower under this Section 7.3 are independent of any other contractual obligation of the Borrower to provide indemnity to the Indemnified Parties named herein, and the obligation of the Borrower to provide indemnity hereunder may not be interpreted, construed, or limited in light of any other separate indemnification obligation of the Borrower. Any Indemnified Party is entitled simultaneously to seek indemnity under this Section 7.3 and any other provision under which it is entitled to indemnity from the Borrower, provided, however, such Indemnified Party shall be entitled to only one recovery of indemnity for the same Liabilities.

The Borrower's duty and obligation to defend, indemnify, and hold harmless the Indemnified Parties shall survive the term of the Bonds, the release, reconveyance, or partial

reconveyance of the Mortgage, the termination of this Agreement, and the resignation or removal of the Trustee.

Notwithstanding anything to the contrary set forth in this Agreement and/or any of the other Loan Documents, in the event any Liabilities for which the Borrower and/or the Guarantor have provided indemnification under any of the Loan Documents arises as a result of a negligent act or omission of any Indemnified Party (except the Issuer), the total amount of such Liabilities shall be limited to the proceeds of insurance policies carried or required to be carried by the Borrower under the Loan Documents.

Section 7.4 **Keeping the Issuer Informed**. The Borrower must keep the Issuer informed, following its receipt of written request from Issuer, concerning the Borrower's financial condition and business operations, the condition and all uses of the Project, including all changes in condition or use, and any and all other circumstances that are a Material Adverse Change or Effect.

Section 7.5 **Status of the Borrower.**

1) Throughout the term of this Agreement, the Borrower will maintain its existence as a limited partnership organized under the laws of the State in good standing and qualified to transact business in the State and will not wind up or otherwise dispose of all or substantially all of its assets except as provided in the Mortgage and **Section 5.2** of this Agreement.

2) Notwithstanding the provisions of the Mortgage, the Borrower shall not effect a merger, consolidation, or Transfer if the result thereof would cause the interest on the Bonds (in the hands of any Person who is not a "substantial user" of the Project or a "related person") to become includable in gross income for federal income tax purposes.

3) Upon any change in the general partner of the Borrower or the jurisdiction of organization of the Borrower, by way of substitution, sale, or otherwise, or a change in the jurisdiction of the Borrower's organization, the Issuer, the Trustee, and the Bondholder Representative shall be immediately informed, and if requested, the Borrower as newly constituted shall deliver to the Issuer, the Trustee, and the Bondholder Representative an instrument in form satisfactory to each of them affirming the liability of the Borrower hereunder, subject to all events to the terms and conditions of **Section 11.10** hereof.

4) The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

Section 7.6 **Execution of Financing Statements**. Without limiting **Section 7.5**, the Borrower agrees that it will, at its sole expense, file at the request of Bondholder Representative, any financing statements or continuation statements required or requested by the Bondholder Representative to perfect and preserve the security interest of the Issuer and the Trustee in this Agreement and the payments to be made hereunder, as granted in the Indenture.

Section 7.7 **Proceedings Relating to a Determination of Taxability**. If any action or proceeding is commenced which questions the excludability of interest on the Bonds from gross

income under Section 103(a) of the Code or which might result in a Determination of Taxability, the Borrower, the Issuer, the Trustee, or the Bondholder Representative may contest such action or Determination of Taxability. All reasonable costs actually incurred by Bondholder Representative, the Issuer, and/or the Trustee in such contest shall be borne by the Borrower. No such action or proceeding shall be settled by the Borrower or the Trustee without the written consent of the Issuer and the Bondholder Representative, and, if no Event of Default has then occurred and is continuing, no such action or proceeding shall be settled by the Issuer, the Trustee or the Bondholder Representative without the written consent of the Borrower.

Section 7.8 **Financial Information**. Borrower shall furnish to Bondholder Representative all financial and other information relating to Borrower and the Project as Bondholder Representative shall reasonably request, including, without limitation, all of the following:

(a) Within 30 days from the end of each calendar month, a monthly activity or traffic report prepared on a form and in a manner acceptable to Bondholder Representative, and in any event (beginning in the first month after leasing of the Project has commenced) should detail rents charged by residential unit type and average median income restriction, estimated unrestricted market rents for each residential unit type, any concessions, rent discounts, specials being offered, vacancies by residential unit type, property visitors, applications, application status (approvals, withdrawals denied, pending), signed leases, move-ins, move-outs, and notices of move-outs or other vacancies pending;

(b) As soon as available, subject to the further terms of this subsection, within 30 days from the end of each calendar month (beginning with the first calendar month after leasing has commenced for all or any part of the Project), unaudited statements addressed to Bondholder Representative, signed and dated by an authorized representative of the General Partner of Borrower attesting to the fact that the statements are true and correct in all material respects, have been prepared in accordance with generally accepted accounting principles, consistently applied, and show the financial condition of the Borrower at the close of such calendar month, which statements shall include, without limitation, a balance sheet and an income/operating statement, a current rent roll (which shall include a summary of the number of residential units leased, available, and occupied and any rental concessions), the current month's budget, year to date activity, year to date budget, a rolling 12-month budget comparison, a reconciliation of net operating income for the period then ending, a rent roll, and all other matters as Bondholder Representative may reasonably request;

(c) As soon as available, and in any event within 45 days from the end of each fiscal quarter of Borrower (including the last fiscal quarter of each fiscal year of Borrower), unaudited statements showing the financial condition of Borrower at the close of such calendar month, which statements shall include, without limitation, a balance sheet and an income/operating statement certified and signed by a duly authorized officer of the general partner of Borrower;

(d) As soon as available, and in any event within 45 days from the end of each fiscal quarter of the General Partner (including the last fiscal quarter of each fiscal year of

the General Partner), unaudited statements showing the financial condition of the General Partner at the close of such calendar month, which statements shall include, without limitation, a balance sheet and an income/operating statement certified and signed by a duly authorized officer of the General Partner;

(e) As soon as available, and in any event within 45 days from the end of each fiscal quarter of ATCIC (including the last fiscal quarter of each fiscal year of ATCIC), compiled statements showing the financial condition of ATCIC at the close of such calendar month, which statements shall include, without limitation, a balance sheet and an income/operating statement certified and signed by a duly authorized officer of ATCIC;

(f) As soon as available, and in any event within 120 days from the end of each fiscal year of Borrower, an audited financial statement, prepared by accountants satisfactory to Bondholder Representative and in a manner acceptable to Bondholder Representative and certified by a duly authorized officer of the General Partner of Borrower (in that capacity), showing the financial condition of Borrower at the close of such fiscal year and the results of operation during such fiscal year, which financial statement shall include a balance sheet, income statement, statement of contingent liabilities, and statement of cash flows (sources and uses), and shall be accompanied by an annual compliance certificate prepared on a form and in a manner satisfactory to Bondholder Representative;

(g) As soon as available, and in any event within 120 days from the end of each fiscal year of the General Partner, an audited financial statement, prepared by accountants satisfactory to Bondholder Representative and in a manner acceptable to Bondholder Representative and certified by a duly authorized officer of the General Partner (in that capacity), showing the financial condition of the General Partner at the close of such fiscal year and the results of operation during such fiscal year, which financial statement shall include a balance sheet, income statement, statement of contingent liabilities, and statement of cash flows (sources and uses), and shall be accompanied by an annual compliance certificate prepared on a form and in a manner satisfactory to Bondholder Representative;

(h) As soon as available, and in any event within 120 days from the end of each fiscal year of ATCIC, a compiled financial statement, prepared in a manner acceptable to Bondholder Representative and certified by a duly authorized officer of ATCIC, showing the financial condition of the ATCIC at the close of such fiscal year and the results of operation during such fiscal year, which financial statement shall include a balance sheet, income statement, statement of contingent liabilities, and statement of cash flows (sources and uses), and shall be accompanied by an annual compliance certificate prepared on a form and in a manner satisfactory to Bondholder Representative;

(i) Borrower shall provide to Bondholder Representative (within 30 days of filing), and the General Partner and ATCIC shall provide to Bondholder Representative (within 30 days of filing), a copy of their respective filed federal income tax returns for such calendar year and of all requests for extensions to the filing thereof (within 30 days of filing). Without limiting the foregoing, Borrower shall submit to Bondholder Representative a copy of the following sections of Borrower's federal tax return: Forms

1065, 8586, 8609, and 8609 Schedule A. The tax return and forms must show the Low Income Housing Tax Credit allocated and claimed for the Project by Borrower for the preceding year;

(j) Within 120 days after the end of each fiscal year of Borrower, and at any other time upon Bondholder Representative's request, an accounting of all security deposits held pursuant to all leases of residential units and to all Commercial Leases, including the name of the institution (if any) and the names and identification numbers of the accounts (if any) in which such security deposits are held and the name of the person to contact at such Financial Institution, along with any authority or release necessary for Bondholder Representative to access information regarding such accounts;

(k) Within 120 days after the end of each fiscal year of Borrower, and at any other time upon Bondholder Representative's request, a statement that identifies all owners of any interest in Borrower and the interest held by each, if Borrower is a corporation, all officers and directors of Borrower, and if Borrower is a limited liability company, all managers who are not members;

(l) Upon Bondholder Representative's request, a monthly property management report for the Project, showing the number of inquiries made and rental applications received from tenants of residential units or prospective tenants of residential units and deposits received from tenants and any other information requested by Bondholder Representative;

(m) As soon as available and in any event within fifteen (15) days after the end of each calendar month, a current (for the month then ending) monthly change order log and potential change order log, all provided on a form and in a manner as required by the Bondholder Representative;

(n) Within 30 days after the end of each fiscal year of Borrower, annual operating and capital expenditures budgets for the Project, prepared on a form and in a manner satisfactory to Bondholder Representative; and

(o) Within 30 days after receipt thereof, the results of any federal, state, local, or other governmental audit or inspection, including without limitation, those covering compliance with requirements of DSHS, the Credit Agency and other Governmental Authorities, operation, or financial reporting.

Each of the Borrower statements, schedules and reports required by this **Section 7.8** shall be certified to be complete and accurate by an individual having authority to bind Borrower or the Property Manager where applicable, and shall be in such form and contain such detail as Bondholder Representative may reasonably require. If Borrower fails to provide in a timely manner the statements, schedules and reports required by this **Section 7.8**, then Bondholder Representative shall have the right to have Borrower's books and records audited, at Borrower's expense, by independent certified public accountants selected by Bondholder Representative in order to obtain such statements, schedules and reports, and all related reasonable costs and expenses of Bondholder Representative shall become immediately due and payable. If an Event

of Default has occurred and is continuing, Borrower shall deliver to Bondholder Representative upon written demand all books and records relating to the Project or its operation, provided, however, Borrower can keep copies thereof. Borrower authorizes Bondholder Representative to obtain a credit report on Borrower at any time.

Section 7.9 Notices. The Borrower, upon receipt of actual notice, must notify the Bondholder Representative, the Trustee, and the Issuer promptly in writing of:

(a) Any litigation not previously disclosed in writing to the Bondholder Representative and the Issuer affecting the Borrower or the General Partner wherein the amount in issue is in excess of $100,000, and the amount claimed is not fully covered by insurance (except for permitted deductibles);

(b) Any written or oral communication the Borrower receives from any governmental, judicial, or legal authority giving notice of any claim or assertion that the Project fails in any respect to comply with any of the Requirements or any other applicable governmental law and that failure is not fully cured within 30 days after the date the applicable notice is given;

(c) Any Material Adverse Change or Effect in the physical condition of the Project (including any damage suffered as a result of earthquakes or floods or other natural disasters);

(d) Any Material Adverse Change or Effect in the financial condition or operations of the Borrower or the General Partner or any change in the management of the Borrower or the General Partner, or any Guarantor (to the extent the Borrower has actual knowledge of such change);

(e) Any default by the Contractor or any subcontractor, material supplier, or surety which could have a Material Adverse Change or Effect on any Guarantor, the Borrower, or any General Partner or the Project, or any Material Adverse Change or Effect in the financial condition or operations of any of them which could have a Material Adverse Change or Effect on the Borrower or the Project;

(f) All material notices or other documents or communications that the Borrower receives from tax or Low Income Housing Tax Credit allocation authorities or from the Issuer or which the Borrower gives to such entities with regard to or relating in any way to the Low Income Housing Tax Credit;

(g) Any Material Adverse Change or Effect in the Borrower's ability to timely perform any of its obligations under any of the Loan Documents;

(h) To the Borrower's actual knowledge, any Material Adverse Change or Effect in any Guarantor's ability to timely perform any of its obligations under any of the Loan Documents; and

(i) Actual knowledge of any governmental investigation against the Borrower, the General Partner, and, to Borrower's actual knowledge, any Guarantor.

Section 7.10 **Notice of Change**. The Borrower shall give the Bondholder Representative, the Issuer, and the Trustee prior written notice of any change in:

(a) the location of its place of business or its chief executive office if it has more than one place of business; and

(b) the Borrower's name or business structure as a limited partnership.

Unless otherwise approved by the Bondholder Representative in writing, the Borrower agrees that all Mortgaged Property that consists of tangible personal property (other than the books and records) will be located at the Project and that all books and records will be located at the Borrower's place of business, which place of business will be immediately identified to Bondholder Representative upon request.

Section 7.11 **Negative Covenants**. Without the Bondholder Representative's prior written consent, the Borrower may not:

(a) engage in any business activities substantially different from the Borrower's present business;

(b) liquidate or dissolve the Borrower's business;

(c) lease, sell, or dispose of (other than pursuant to Approved Leases allowed by this Agreement or the Mortgage) all or a substantial part of the Borrower's business or the Borrower's assets (except worn, obsolete, or damaged property);

(d) enter into any consolidation, merger, pool, joint venture, syndicate, or other combination;

(e) Incur, create, assume, or permit to exist any debt, except:

(i) the Loan and all obligations under the Loan Documents;

(ii) the Subordinate Loans and Grants (to the extent each is then subordinate to the Loan in a manner satisfactory to Bondholder Representative);

(iii) endorsements of negotiable instruments for collection or deposit in the ordinary course of business;

(iv) obligations from time to time incurred in the ordinary course of business, other than for borrowed money;

(v) taxes, assessments, or other government charges which are not yet due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted if a reserve shall have been made therefor as required by GAAP;

(vi) obligation to pay the Developer Fee pursuant to the Development Agreement, subject to the conditions herein (but only to the extent the payment of the Developer Fee is unsecured and subordinated to the Loan in a manner satisfactory to the Bondholder Representative); and

(vii) obligations described in the Partnership Agreement (to the extent subordinate to the payment of the Loan).

(f) Create, incur, assume, or permit to exist any mortgage, pledge, security interest, Lien, or similar encumbrance on any of the Borrower's assets, including, without limitation, any of the Project, acquire or agree to acquire assets under any conditional sale agreement or title retention contract, or the sale and leaseback any assets, except that the foregoing restrictions shall not apply to:

(i) Liens for taxes, assessments, and other governmental charges not yet due;

(ii) Liens of vendors, carriers, warehousemen, landlords, mechanics, laborers, and materialmen arising by law in the ordinary course of business for sums not yet due or being contested in good faith if reserve shall have been made therefor as required by GAAP;

(iii) pledges or deposits in connection with or to secure worker's compensation, unemployment insurance, pensions, or other employee benefits;

(iv) mortgages, pledges, security interests, liens, encumbrances, landlord's liens, or title retention contracts existing as of the date of this Agreement and disclosed to the Bondholder Representative in writing and approved by the Bondholder Representative before the date hereof;

(v) Liens securing the Subordinate Loans and Grants (to the extent each is then subordinate to the Mortgage in a manner satisfactory to Bondholder Representative);

(vi) Liens and/or security interests required by this Agreement and the other Loan Documents;

(vii) Liens that are Bonded;

(viii) a pledge of the Investor Limited Partner's interest in the Borrower to a financial institution for the purpose of making the Capital Contributions (to the extent otherwise permitted under the terms of this Agreement); and

(ix) each Regulatory and Restrictive Use Agreement and the items set forth in Exhibit B to the Mortgage and other Permitted Encumbrances.

(g) permit the Loan to Value Ratio to exceed eighty percent (80%) at any time.

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(h) be or become subject at any time to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Bondholder Representative from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower;

(i) fail to provide documentary and other evidence of Borrower's identity as may be requested by Bondholder Representative at any time to enable Bondholder Representative to verify Borrower's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318;

(j) except for regularly scheduled payments under the Ground Lease and Developer Fee which may be paid under the terms of this Agreement, make any distributions or advances to its members or partners, as applicable, without the written consent of Bondholder Representative;

(k) permit the Borrower or any of its respective officers, managers or principal employees to be on the list of Specially Designated Nationals and Blocked Persons issued by the office of Foreign Assets Control of the U.S. Department of Treasury;

(l) permit the Borrower to fail to satisfy the requirement of Section 42(h)(4)(B) of the Code.

(m) Permit any other Affiliate of Borrower or other entity to use or operate under the name, Integral Care, other than Austin Travis County Mental Health and Mental Retardation Center;

(n) request any borrowing of the Loan and the Borrower shall not use and shall ensure that its or their respective directors, officers, employees and agents shall not use the proceeds of any borrowing of the Loan:

(i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws;

(ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transactions would be prohibited by Sanctions if conducted by a corporation incorporated in the United States; or

(iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 7.12 **Tax Status of the Bonds**. The Borrower hereby covenants, represents, and agrees as follows: (a) that the Borrower will not take or permit any action to be taken that would adversely affect the excludability from gross income for federal income tax purposes of the interest on the Bonds and, if it should take or permit any such action, the Borrower will take all lawful

actions to rescind such action promptly upon having knowledge thereof and (b) that the Borrower will take such action or actions, including amending the Loan and/or this Agreement, as determined reasonably necessary in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations, or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under the Code. The Borrower further covenants and agrees that it will direct all investments in compliance with the Code. The Borrower covenants and agrees to calculate and pay any amounts owing to the United States as rebate in accordance with the procedures set forth herein and in the Indenture.

Section 7.13 **Incorporation of Tax Certificate**. The covenants, representations, warranties, and agreements of the Borrower set forth in the Tax Certificate are incorporated by reference herein as if fully set forth herein.

Section 7.14 **Loss of Tax Exclusion**. The Borrower understands that the interest rates provided under this Agreement with respect to the Bonds are based on the assumption that interest income paid on the Bonds and received by the Bondholders will be excludable from the Holders' gross income for federal income tax purposes. In the event that (i) the Borrower receives notice from the Bondholder Representative or the Issuer, with a copy delivered to the Trustee, that the Bondholder Representative or the Issuer, respectively, has discovered any facts, actions, or failures to act by the Borrower that would cause interest on the Bonds to be includable in gross income for federal income tax purposes (unless the Borrower provides to the Holders, within thirty (30) days after the Borrower's receipt of such notice from the Bondholder Representative, an opinion from Bond Counsel, that notwithstanding any facts, actions or failures to act by the Borrower, interest on the Bonds will be excludable from the Bondholders' gross income for federal income tax purposes); or (ii) any Holder receives notice from the Internal Revenue Service or other government agency that interest on the Bonds is includable in gross income for federal income tax purposes, or that the Internal Revenue Service is challenging the status of interest on the Bonds as excludable from gross income for federal income tax purposes, then the interest rate on the Note and on all obligations under this Agreement shall be increased to a rate equal to the Default Rate. If the Bondholder Representative receives notice of a Determination of Taxability, the Loan shall be subject to mandatory prepayment as set forth in **Section 10.1** herein and **Section 3.1(1)** of the Indenture and the interest rate on the Loan shall be increased to the Default Rate for the period during which interest is deemed to be includable in gross income for federal income tax purposes.

The interest rates on the Bonds will be increased to a per annum rate equal to the Default Rate both prospectively and retroactively to the date on which such Determination of Taxability on the Bonds shall be applicable, and the Borrower shall pay to the Holders promptly upon demand any interest due retroactively. The Borrower shall also indemnify, defend, and hold the Bondholder Representative, the Trustee, and the Issuer harmless from any penalties, interest expense or other costs, including reasonable attorneys' fees (including all allocated time and charges of the Bondholder Representative's, the Trustee's, and the Issuer's "in-house" and "outside" counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the proper tax treatment of interest on the Bonds and the interest payable to any Holder on the Bonds. The obligations of the Borrower under this paragraph shall survive termination of this Agreement and repayment of the Loan.

If, following any increase in interest rates pursuant to this **Section 7.14** a final determination is made, to the satisfaction of the Bondholder Representative, that interest paid on the Bonds is excludable from the Bondholders' gross income for federal income tax purposes, the Holders shall promptly refund to the Borrower any additional interest paid by the Borrower pursuant to this **Section 7.14** and the original interest rate or rates on the Note that otherwise would have been in effect if not for the Determination of Taxability shall be reinstated retroactive to the date on which such rate or rates were increased pursuant to this **Section 7.14**.

Notwithstanding any provision of this Section to the contrary, in no event shall the interest rate on the Note exceed the maximum lawful rate under State law.

Section 7.15 Low Income Housing Tax Credit. The Borrower promises to keep each of the following covenants relating to the Low Income Housing Tax Credit:

(a) To observe and perform all obligations imposed on the Borrower in connection with the Low Income Housing Tax Credit, including the "placed in service" requirements under Section 42 of the Code, as applicable, and otherwise under the Subordinate Loan Documents and the Partnership Agreement in a timely manner to ensure the availability of each such Low Income Housing Tax Credit; and to operate the residential units of the Project or to use the Borrower's best efforts to ensure the appropriate parties operate the same in accordance with all applicable statutes and regulations governing the Low Income Housing Tax Credit;

(b) To preserve at all times the availability to the Project of the Low Income Housing Tax Credit;

(c) Following the Bond Closing, not to release, forego, alter, amend, or modify its rights to the Low Income Housing Tax Credit, without the Bondholder Representative's prior written consent, which the Bondholder Representative may give or withhold in the Bondholder Representative's reasonable discretion;

(d) Not to execute any residential lease of all or any portion of the Project not complying fully with all requirements and regulations governing the Low Income Housing Tax Credit, except with the Bondholder Representative's prior written consent, which the Bondholder Representative may give or withhold in the Bondholder Representative's sole and reasonable discretion;

(e) To cause to be kept all records, and cause to be made all elections and certifications, pertaining to the number and size of apartment units, occupancy thereof by tenants, income levels of tenants, set-asides for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the availability of Low Income Housing Tax Credit applicable to the Project;

(f) To comply with the appropriate minimum low-income set-aside requirements under the Code or applicable federal regulations ("**Federal Laws**"), and all laws and regulations of the State ("**State Laws**"), if any, applicable to the creation, maintenance and continued availability of the Low Income Housing Tax Credit;

(g) To certify compliance with the set-aside requirement and report the dollar amount of qualified basis and maximum applicable percentage, date of "placed in service" under Section 42 of the Code, as applicable, and any other information required, and as applicable, for each of the Low Income Housing Tax Credit, at such time periods as required by Federal Laws, or State Laws, as applicable;

(h) To set aside the appropriate number of residential units for households with incomes meeting the required standards of the area median income to qualify for the Low Income Housing Tax Credits (as determined pursuant to Section 42 of the Code and/or State Laws, if any), adjusted for family size, and to operate and maintain all such residential units as "low-income units" qualifying for the Low Income Housing Tax Credits under Section 42(i)(3) of the Code and/or State Laws; and

(i) To exercise good faith in all activities relating to the acquisition, construction, operation and maintenance of the Project in accordance with the requirements of Federal Laws and State Laws, if any.

Section 7.16 **Payment of Rebate Amounts.** The Borrower covenants and agrees that it will hire a Rebate Analyst to calculate the Rebate Amount as required under the Indenture and the Credit Agency Regulatory Agreement, once executed, and will provide a copy of each rebate report to the Bondholder Representative, the Issuer and the Trustee. The Borrower further covenants and agrees as follows:

(i) Delivery of Documents and Money on Computation Dates. The Borrower shall deliver the following to the Trustee, within fifty (50) days after each Computation Date:

(A) a statement, signed by the Rebate Analyst and the Borrower, stating the Rebate Amount as such Computation Date; and

(B) (1) if the 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 Section 1.148-3(f)(1) of 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 Section 1.148-3(f)(1) of the Regulations); and

(C) an Internal Revenue Service Form 8038-T properly completed (except for signature) as of such Computation Date.

(ii) Correction of Underpayment. If the Borrower 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, **Section 5.6** of the Indenture and **Section 2(f)(i)(B)** of the Bond Regulatory Agreement, has not been paid as required; or

(B) that any payment paid to the United States pursuant to this Section, **Section 5.6** of the Indenture, and **Section 2(f)(ii)(B)(X)** of the Bond Regulatory Agreement shall have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Borrower or the Trustee), the Borrower shall:

(1) deliver to the Trustee (for deposit to the Rebate Fund) (X) the Rebate Amount that the Borrower failed to pay, plus any interest, specified in Section 1.148-3(h)(2) of the Regulations, if such correction payment is delivered to and received by the Trustee within one hundred seventy-five (175) days after such discovery or notice, or (Y) if such correction payment is not delivered to and received by the Trustee within one hundred seventy-five (175) days after such discovery or notice, the amount determined in accordance with Clause (X) of this subparagraph (2) plus the 100 percent penalty required by Section 1.148-3(h)(1) of the Regulations; and

(2) to the Trustee an Internal Revenue Service Form 8038-T properly completed (except for signature) as of such date.

Notwithstanding any other actions taken pursuant to this **subsection (ii)**, the Borrower shall take such steps as are necessary to prevent the Bonds from becoming "arbitrage bond," within the meaning of section 148 of the Code.

(iii) Records. The Borrower shall retain all of its accounting records relating to the Funds and Accounts established under the Indenture and all calculations made in preparing the statements described in this Section for at least three years after the date the last Bond is discharged.

(iv) Fees and Expenses. The Borrower agrees to pay (to the extent not paid pursuant to **Section 4.2**) all of the reasonable fees and expenses of the Rebate Analyst, Bond Counsel, a certified public accountant, and/or any other necessary consultant employed by the Borrower, the Trustee, or the Issuer in connection with computing the Rebate Amount.

(v) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Bonds that is not purchased at fair market value or includes terms that the Borrower would not have included if the Bonds were not subject to Section 148(f) of the Code.

(vi) Compliance by Trustee. The Borrower further covenants and agrees that it will comply with and will take all action reasonably required to ensure that the Trustee complies with all applicable requirements of said Section 148 and the Regulations and rules thereunder relating to the Bonds and the interest thereon, including the employment of a Rebate Analyst for the calculation of rebatable amounts to the United States of America.

Notwithstanding the foregoing, the Borrower will not be required to perform the obligations set forth in this **Section 7.16** (except for the obligation to retain accounting records as described in **Section 7.16(iii)** and the payment of expenses as described in **Section 7.16(iv)**) if the Borrower has not earned any rebatable arbitrage and, therefore, is not subject to the rebate obligation set forth in Section 148(f) of the Code. To the extent that the Borrower will not be required to perform such obligations, the Borrower will send written notice to the Trustee within fifty (50) days after the applicable Computation Date.

In the event that the Trustee receives written notice from the Borrower, the Bondholder Representative, or the Issuer that the Borrower has failed to employ a Rebate Analyst, the Trustee shall notify the Bondholder Representative thereof, and if the Borrower's failure continues for thirty (30) days after the Bondholder Representative has made written demand on the Borrower for performance based on the notice from the Trustee, the Bondholder Representative will use its best efforts to hire a Rebate Analyst to calculate the rebate amount as required under the Indenture, provided that such a Rebate Analyst can be employed for amounts which do not exceed on an annual basis, the moneys that are and will be then available under the Indenture to pay the Rebate Analyst's fee, or from other moneys furnished to the Trustee; in no event shall the Trustee be required to risk or expend its own moneys to employ a Rebate Analyst.

Section 7.17 Qualifications Under the Texas Local Government Code. So long as the Bonds remain Outstanding, the Borrower will operate the Project in accordance with the Texas Local Government Code and agrees to take all reasonable actions necessary to qualify and to continue to qualify the Project as a "residential development" under the Texas Local Government Code.

Section 7.18 Rental Project. With respect to the residential units in the Project, the Borrower represents, covenants, and warrants that, once available for occupancy, they will be rented or available for rental subject to the limitations contained in this Agreement, each AHAP Contract, each HAP Contract (to the extent each is then executed), each Regulatory and Restrictive Use Agreement, the DSHS Appropriation, the Ground Lease and the requirements of Section 42 of the Code through the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel, or maintenance personnel reasonably required for the Project), that the Borrower will not give preference in renting residential units to any particular class or group of persons (other than those residential units for which there is a preference for senior families or for working families to the extent required for the maintenance of the Low Income Housing Tax Credit) and other than as required or permitted by each AHAP Contract, each HAP Contract (to the extent each is then executed), the Ground Lease and the Regulatory and Restrictive Use Agreement and/or as otherwise approved by HUD, and that at no time will any portion of the Project be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses.

Section 7.19 **Certification as to Qualified Project Period**. The Borrower shall provide to the Bondholder Representative, the Issuer, and the Trustee a certificate certifying within ninety (90) days thereof, (i) the date on which ten percent (10%) of the residential units are occupied; and (ii) the date on which fifty percent (50%) of the residential units are occupied.

Section 7.20 **Sales and Use Taxes.** If Bondholder Representative reasonably determines, based upon any duly issued ruling, law, opinion, or regulation (or as the result of the withdrawal of any previously issued ruling, law, opinion, or regulation), that Contractor (or its subcontractors) is not exempt from state sales and use taxes, in such event, if Contractor has not paid such taxes, at the written request of Bondholder Representative, Borrower shall create and maintain a reserve or other account in a manner satisfactory to Bondholder Representative in an amount equal to the aggregate sales and use taxes that Contractor did not pay with respect to the development of the Project because Contractor took the position it was exempt from such sales and use taxes. Borrower agrees Bondholder Representative has not represented to Borrower or to any other Person, whether sales and use taxes are and shall be due with respect to the Project. Borrower has and does hereby agree to indemnify and hold Bondholder Representative, Issuer, and Trustee harmless from any loss, claims, or causes of action arising as a result of the failure of Borrower or Contractor to pay any such sales and use taxes.

ARTICLE 8
LEASES

Section 8.1 **Use of the Project and Lease Approval**.

(a) The Borrower must not change its intended use of the Project without the Bondholder Representative's prior written approval. Without limiting the foregoing, the Retail Space and the Clinic Space shall be leased pursuant to Commercial Leases which qualify as Approved Leases with tenants and on terms acceptable to the Bondholder Representative (and which otherwise complies, as applicable, with all Restrictive and Required Use Agreements).

(b) The Bondholder Representative must approve the Borrower's standard forms of residential lease or rental agreement prior to its use by the Borrower. The Borrower may not materially modify the approved standard forms of residential lease without the Bondholder Representatives prior written consent, together with the approval of all other parties whose consent is required, including without limitation, the Investor Limited Partner, the Trustee, and the Issuer.

(c) The Borrower may enter into residential leases (and amendments thereto) in the ordinary course of business with bona fide third party residential tenants if the Borrower uses the approved standard forms of residential lease without material revision and the lease otherwise qualifies as an Approved Lease, and:

(i) Within fifteen (15) days after the Bondholder Representative's reasonable written request therefor, the Bondholder Representative receives a copy of the executed lease (accompanied by all financial information and certificates obtained by the Borrower pertaining to the tenant);

(ii) The Borrower, acting in good faith and exercising commercially reasonable due diligence, has determined that the tenant qualifies as a low-income person for purposes of meeting the requirements for availability of the Low Income Housing Tax Credit;

(iii) The lease reflects an arm's-length transaction; and

(iv) The lease does not affect more than one (1) residential unit within the Project and has a term of not less than six (6) months and not more than twelve (12) months, unless otherwise agreed in writing by Bondholder Representative.

(d) The prior written approval of the Bondholder Representative in the exercise of its reasonable discretion will be required in connection with any lease that does not comply with the foregoing provisions of this **Section 8.1**. If the Borrower at any time fails to comply with the requirements of this **Section 8.1** or if any Event of Default has occurred and is then continuing, the Bondholder Representative may make written demand on the Borrower to submit all future leases for the Bondholder Representative's approval prior to execution, and Borrower will thereafter comply with that demand.

(e) Notwithstanding the foregoing, any change in use of the Project must be approved by the Issuer and the Project must continue to qualify as a "residential development" within the meaning of the Texas Local Government Code.

Section 8.2 **Purpose and Effect of Lease Approval**. The Bondholder Representative's approval of any residential lease (to the extent required by this Agreement) is for the sole purpose of protecting the Bondholder Representative's and the Issuer's security and preserving the rights of the Issuer, the Trustee and the Bondholder Representative under this Agreement and the Mortgage. No approval by the Bondholder Representative will result in a waiver of any default of the Borrower. In no event will the Bondholder Representative's approval of any lease be a representation of any kind with regard to the lease, its enforceability or the financial capacity of any tenant or guarantor.

Section 8.3 **Landlord's Obligations**. The Borrower must perform or will ensure that the Property Manager will perform all obligations required to be performed by it as landlord under any lease affecting any part of the Project or any space within the Improvements.

ARTICLE 9
RESERVED

ARTICLE 10
BORROWER'S OPTIONS

Section 10.1 **Principal Prepayments**. The Borrower may prepay all or part of the Loan subject to and in accordance with the terms of the Indenture.

Section 10.2 **Direction of Investments**. Subject to prior written consent of the Bondholder Representative, except during the continuance of an Event of Default, the Borrower shall have the right during the term of this Agreement to direct the Trustee to invest or reinvest all

expenses unaccounted for in the sum paid in accordance with **subsection (2)** above and reasonably incurred before or subsequent to such closing in connection with the Bonds.

ARTICLE 11
EVENTS OF DEFAULT AND REMEDIES

Section 11.1 **Events of Default**. Any one or more of the following events is an Event of Default under this Agreement, and the term "**Event of Default**", wherever used herein, means any one of the following events, whatever the reason for such default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, or order of any court or any order, rule or regulation of any administrative or governmental body:

1) the Borrower shall fail to pay (a) any amount due under **Section 4.2** on the date such payment is due; and (b) any Additional Charges when due and such failure shall continue for ten (10) days after receipt by the Borrower of a written notice to the Borrower by the Issuer, the Trustee, or the Bondholder Representative stating that such Additional Charges were not received on the due date; or

2) the Borrower shall fail in any respect to observe and perform or shall breach in any respect any other provision, covenant, condition, or agreement on its part under this Agreement and shall fail to remedy such default or breach within thirty (30) days after written notice to Borrower from the Issuer, the Trustee, or the Bondholder Representative, specifying such default or breach and requesting that it be remedied (no such notice and cure will be applicable to any Event of Default arising under any other subsection of this **Section 11.1**); or

3) the occurrence and continuance of an event of default or default by Borrower under and in connection with any of the Subordinate Loan Documents, which is not fully cured or waived within any applicable cure or grace period, or as a result thereof, the holder of that Subordinate Loan and Grant would be entitled to accelerate that Subordinate Loan and Grant; or

4) an Act of Bankruptcy shall occur with respect to the Borrower, the Investor Limited Partner, or a Guarantor, or with respect to the General Partner unless, in the case of an Act of Bankruptcy of the General Partner or a Guarantor, within sixty (60) days after such Act of Bankruptcy, the General Partner or a Guarantor, as applicable, is replaced with an entity reasonably acceptable to the Bondholder Representative; or

5) Except as permitted by **Section 5.2**, the Borrower, a Guarantor, the Investor Limited Partner, or the General Partner dissolves, terminates, or liquidates, unless such Guarantor or the General Partner is replaced with a new guarantor or general partner as applicable, reasonably acceptable to the Bondholder Representative within (30) thirty days after such dissolution, termination, or liquidation, as applicable; or

6) the occurrence and continuance of an event of default or a default shall occur under the Indenture or any Regulatory and Restrictive Use Agreement, once executed, or any Loan Document and all applicable periods for remedying or waiving such event of default has expired or, if no cure period is otherwise specified, the Borrower shall fail to remedy such default within thirty (30) days after notice to Borrower from the Issuer, the Trustee, or the Bondholder Representative, specifying such event of default or default and requesting that it be remedied; or

7) any representation or warranty made by the Borrower herein, or in any document or certificate furnished by or on behalf of the Borrower or a Guarantor to the Issuer and/or the Bondholder Representative, in connection herewith or pursuant hereto shall prove at any time to be, in any material adverse respect, incorrect or misleading as of the date made; or

8) the General Partner ceases for any reason to act in that capacity, and is not replaced with the Investor Limited Partner (or an Affiliate thereof or of National Equity Fund, Inc.) or another substitute general partner reasonably acceptable to the Bondholder Representative within thirty (30) days; or

9) any interest in the Borrower or in any partner in the Borrower is Transferred to any Person if such Transfer would result in a Determination of Taxability or otherwise be in violation of the terms of this Agreement and the Mortgage; or

10) subject to the terms of this Agreement, the Borrower or the Project fails to meet or exceed the Pro Forma Schedule set forth at **Schedule E** herein; or

11) Construction of the Project is not completed by the Bondholder Representative's Required Completion Date (except as may be extended by the terms of this Agreement); or

12) subject to Excusable Delays, Construction of the Project is abandoned or halted prior to the Bondholder Representative's Required Completion Date for any period of thirty (30) consecutive days for any cause not beyond the reasonable control of the Borrower; or

13) any governmental, judicial, or legal authority having jurisdiction over the Project orders or requires that Construction of the Project be stopped in whole or in part, for reasons other than Excusable Delays, or any required approval, license, or permit relating to the construction or operation of the Project is withdrawn or suspended, and the order, requirement, withdrawal, or suspension remains in effect for a period of thirty (30) consecutive days; or

14) the Trustee (or the Bondholder Representative, as the case may be) fails to have an enforceable first lien on or security interest in any property given as security for the Loan; provided that this Event of Default shall not extend to any actions or omissions of the Trustee, the Issuer or the Bondholder Representative which in and of itself causes the loss of such first lien; or

15) prior to the Substantial Completion of the Improvements, the Borrower is in material default under the Construction Contract and all applicable periods for remedying such default has expired, or has not been waived, or if no cure period is otherwise specified, the Borrower shall fail to remedy such default within thirty (30) days after written notice from the Issuer, the Trustee, or the Bondholder Representative specifying such default and requesting that it be remedied; or

16) (i) any default (beyond all applicable notice, grace and cure periods set forth in the Partnership Agreement) by the Investor Limited Partner in connection with the payment of the Capital Contributions as and when due and payable under the Partnership Agreement, or (ii) any material reduction in the portion of the Capital Contributions to be used for budgeted items and to pay the Loan as set forth in **Schedule J** (except as a result of an adjustment due to a shortfall in tax credits as provided for in the Partnership Agreement) to be made by the Investor Limited

Partner which are not consented to by Bondholder Representative in writing (unless the amount of the reduction is made by the General Partner as an equity contribution or a loan in a manner satisfactory to Bondholder Representative or the amount of the reduction is otherwise made available in the manner satisfactory to Bondholder Representative or the reduction does not affect the amount of the scheduled Capital Contributions listed in **Schedule J** which are to be applied to budgeted items or to the Note); or

17) determination by the Bondholder Representative in its reasonable judgment that there has been a Material Adverse Change or Effect in the Borrower's, the General Partner's, or the Guarantor's financial condition, unless in the case of the General Partner or the Guarantor, the General Partner or the Guarantor is replaced within thirty (30) days after such Material Adverse Change or Effect with a Person reasonably acceptable to Bondholder Representative; or the occurrence of a Determination of Taxability, unless the Borrower elects for the Note to bear interest at the rate as set forth in **Section 7.14** hereof; or

18) failure of a Subordinate Loan and Grant or the General Partner Contribution to fund as and when provided for in this Agreement for the purposes set forth herein; or

19) the Borrower fails to satisfy any condition to any request for approval of a Requisition or Draw Request in **Schedule D** which is not waived in writing by all required parties or fully cured within 30 days after written notice thereof is provided by Bondholder Representative to Borrower; or

20) the determination by DSHS that the Project is not eligible to receive the DSHS Appropriation or the Project is otherwise not being operated as required by DSHS; or

21) the cancellation, termination, or expiration of the Ground Lease, or

22) failure by any Person to comply with the terms and requirements of an AHAP Contract, a HAP Contract (to the extent each is then executed) or any other requirements of the Issuer, the Authority, or the Bondholder Representative relating to an AHAP Contract or a HAP Contract (to the extent each is then executed), or the modification, amendment, cancellation, or termination of an AHAP Contracts or a HAP Contract (after being executed).

Notwithstanding the foregoing, the Investor Limited Partner and each Guarantor shall have the right (but not the obligation) to cure any event set forth in this **Section 11.1** by the expiration of the cure period available to the Borrower under the terms of this Agreement or the applicable Loan Document. Notwithstanding anything to the contrary in the Loan Documents, upon the occurrence of an Event of Default arising out of: (i) the bankruptcy or insolvency of the General Partner, the Borrower, or any Guarantor or an assignment of assets for the benefit of creditors by any of them, or (ii) the withdrawal from the Borrower of the General Partner, then without in any way limiting or postponing the Bondholder Representative's immediate right (at its opting to pursue its rights and remedies with respect to that Event of Default), the Investor Limited Partner shall have the option, but not the obligation, within 45 days of receipt of written notice of such Event of Default from the Trustee or the Bondholder Representative, to cure that Event of Default by appointing a substitute or additional General Partner or Guarantor acceptable to the Bondholder Representative to act as such General Partner or Guarantor on terms and in a manner satisfactory

to the Bondholder Representative; provided that an Affiliate of the Investor Limited Partner or of National Equity Fund, Inc. is deemed acceptable and no prior approval is necessary for such appointment .

Section 11.2 **Remedies.** If an Event of Default exists under this Agreement, the Bondholder Representative may direct the Trustee, as assignee of the rights of the Issuer to exercise any right or remedy that the Issuer has under any of the Loan Documents or that is otherwise available at law or in equity or by statute, and all of such rights and remedies shall be cumulative. The Trustee shall take such actions hereunder and under the Loan Documents as directed in writing by the Bondholder Representative, subject to the procedures of the Indenture relating thereto and the Trustee's rights to indemnification in the Indenture. If any Default or Event of Default occurs and is continuing, the Bondholder Representative's obligation to approve funding under the Loan Documents shall automatically terminate and the Bondholder Representative may, in its sole discretion, withhold its approval of any one or more Requisitions or any one or more disbursements. The Bondholder Representative may also withhold its approval of any one or more Requisitions or any one or more disbursements during the continuance of a Default or an Event of Default. No disbursement of Loan funds by the Trustee or approval of any one or more Requisitions and/or Draw Request will cure any Default or Event of Default of the Borrower, unless the Bondholder Representative agrees otherwise in writing in each instance. The Bondholder Representative may, upon the occurrence and continuance of an Event of Default but subject to any of the other Loan Documents or the Indenture, instruct the Trustee to redeem the Bonds pursuant to **Section 3.1** of the Indenture.

Notwithstanding anything to the contrary contained in the Indenture, this Agreement, or any of the other Loan Documents, the Bondholder Representative has the right to instruct the Issuer and the Trustee to take any action which the Bondholder Representative, in its good faith discretion, deems prudent in order to enforce any right or remedy of the Issuer or the Trustee under the Loan Documents, provided that such action shall not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and, with respect to the Trustee, subject in all respects to the express terms and conditions set forth in the Indenture, including, without limitation, **Article 9** thereof.

Following expiration of all applicable notice and cure periods provided herein, if the Borrower commits an Act of Bankruptcy, all of the Borrower's obligations under the Loan Documents shall automatically, ipso facto, become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character. Upon the occurrence of any other Event of Default, all of the Borrower's obligations under the Loan Documents may become immediately due and payable without notice of default, presentment or demand for payment, protest, or notice of nonpayment or dishonor, or other notices or demands of any kind or character, all at the Bondholder Representative's option, exercisable in its sole discretion. If such acceleration occurs, the Bondholder Representative may direct the Trustee to apply the undisbursed Loan funds, and the Bondholder Representative may apply any other available Borrower's Sources to the obligations of the Borrower under the Loan Documents, in any order and proportions that the Bondholder Representative in its sole discretion may choose, subject to the requirements of the Indenture with respect to the application of Bond proceeds.

Also upon the occurrence and continuance of any Event of Default that occurs during the Construction of the Project, the Trustee (upon written direction from the Bondholder Representative) or the Bondholder Representative in its sole discretion may enter and take possession of the Project, whether in person, by agent or by court appointed receiver, to take any and all actions which the Bondholder Representative in its sole discretion may consider necessary to complete Construction of the Project, including making changes in plans, specifications, work, or materials and entering into, modifying, or terminating any contractual arrangements (subject to the specific termination provisions of such contractual arrangements), all subject to the Bondholder Representative's right at any time to discontinue any work without liability and cause to be exercised any and all rights and remedies of the Issuer (except for Unassigned Rights) under the Loan Documents in such order and to such extent as the Bondholder Representative determines in its sole and reasonable discretion. If the Bondholder Representative chooses to complete the Project, it shall not assume any liability to the Borrower or any other Person for completing the Project, or for the manner or quality of Construction of the Project, and the Borrower expressly waives any such liability of the Bondholder Representative for the period prior to the Bondholder Representative's exercise of its rights pursuant to this **Section 11.2**. If the Bondholder Representative or the Trustee exercises any of the rights or remedies provided in this paragraph, that exercise shall not make the Bondholder Representative or the Trustee, or cause the Bondholder Representative or Trustee to be deemed to be, a partner or joint venturer of the Borrower. The Bondholder Representative in its sole discretion may choose to complete Construction in its own name. All reasonable sums which are expended by the Bondholder Representative in completing construction shall be considered to have been disbursed to the Borrower on behalf of the Issuer and shall be secured by the Mortgage and any other collateral held by the Issuer, the Trustee, or the Bondholder Representative in connection with the Loan; any sums of principal shall be considered to be an additional loan to the Borrower bearing interest at the Default Rate, and shall be secured by the Mortgage and any other collateral held in connection with the Loan. For these purposes, the Bondholder Representative, in its sole discretion, may reallocate any line item or cost category of the Budget.

If an Event of Default exists, the Bondholder Representative may for, and on behalf of the Borrower, cure any default or event of default under the Ground Lease.

The Bondholder Representative shall also have, and is hereby granted, a continuing security interest in, lien on, and (if an Event of Default exists) right of set-off against the Capital Contribution Account, the Disbursement Checking Account, the Borrower's Funds Account, and all other deposit and other accounts of the Borrower now or hereafter located at the Bondholder Representative (except for the Funds established pursuant to the Indenture).

Except as otherwise expressly provided in the Loan Documents, the Borrower waives presentment, demand for payment, notice of dishonor and any or all notices or demands in connection with the delivery, acceptance, performance, default or enforcement of the Note and consents to any or all delays, extensions of time, renewals, release of any party to the Note, the Mortgage, this Agreement or any other Loan Document and of any available security therefor, to any party to the Note, the Mortgage, this Agreement, or the other Loan Documents or to the actual holder thereof and any and all waivers or modifications that may be granted or consented to by the Trustee (with the authorization of the Bondholder Representative) with regard to the time of payment or with respect to any other provisions of the Note, the Mortgage, this Agreement or the

other Loan Documents, and agrees that no such action, delay or failure to act on the part of the Bondholder Representative shall be construed as a waiver by the Trustee (with the authorization of the Bondholder Representative) of, or otherwise affect, in whole or in part, its right to avail itself of any remedy with respect thereto. No notice to or demand on the Borrower shall be deemed to be a waiver of the obligation of the Borrower or of the right of the Issuer, Trustee, and/or the Bondholder Representative to take further action without further notice or demand as provided in the Note, the Mortgage, this Agreement, or the other Loan Documents.

The parties hereto hereby acknowledge and agree that the Low-Income Housing Tax Credit is an inseparable benefit of ownership of the Project which is transferred with the Transfer of ownership of the Project and that the Low-Income Housing Tax Credit may not be transferred or assigned by Bondholder Representative separately from its security interest in the Project nor by Borrower and its partners to any other Person separately from the Borrower and its partners' ownership of the Project. In the event that the Bondholder Representative (or its designee) obtains title to and ownership of the Project, the Borrower (or the Investor Limited Partner) shall have no right to claim the Low-Income Housing Tax Credit which is generated by the Project from and after the date on which the Bondholder Representative (or its designee) obtains title to and ownership of the Project. Therefore, only to the extent permitted under applicable Requirements of Law, from and after the date of foreclosure, deed-in-lieu of foreclosure, or otherwise obtaining title to the Project, Bondholder Representative (acting for an on behalf of the Trustee) may exercise and claim ownership and control of the Low Income Housing Tax Credit. In connection with the foregoing, Borrower grants to Bondholder Representative an irrevocable power of attorney, coupled with an interest, which Bondholder Representative may exercise from and after the date of foreclosure, deed-in-lieu of foreclosure, or otherwise obtaining title to the Project, pursuant to which Bondholder Representative may obtain and exercise all rights or documents deemed by the Bondholder Representative to be necessary to obtain, retain, or sell all or any portion of the Low Income Housing Tax Credit (but only to the extent permitted under applicable Requirements of Law).

Upon discovery by Bondholder Representative of any material deviations from the Plans and Specifications or of any defective material or labor being used in the Construction of the Project, Bondholder Representative may immediately order stoppage of construction and demand that any unsatisfactory work be replaced and that the condition be corrected, whether or not any unsatisfactory work has already been incorporated into the Improvements. After issuance of such an order in writing, the condition shall be corrected within thirty (30) days from the date of stoppage by Bondholder Representative, subject to Excusable Delays. Bondholder Representative shall have the right to withhold approval of all further requisitions of the Bond proceeds until the condition is corrected and no other work shall be done on the Improvements without the prior written consent of Bondholder Representative unless, and until, such condition has been fully corrected. Notwithstanding the foregoing, the Bondholder Representative acknowledges that its judgment with regard to any decision to halt work shall be reasonably exercised in light of the scope of the deficiency discovered in comparison to the current ongoing Construction of the Project and the actual impact of such deficiency on Borrower's and Contractor's ability to continue with other portions of the Construction of the Project regardless of the presence of such deficiency.

Section 11.3 **Attorneys Fees and Expenses**. If an Event of Default shall exist under this Agreement and the Issuer, the Bondholder Representative, or the Trustee employ attorneys or

actually incur other reasonable expenses for the collection of any amounts due hereunder, or for the enforcement of performance of any obligation or agreement on the part of the Borrower, the Borrower shall promptly pay upon written demand therefor, together with a reasonable accounting of such amounts due to the Issuer, the Bondholder Representative, or the Trustee, as applicable.

The Bondholder Representative agrees to accept performance on the part of the Investor Limited Partner or an Affiliate or the Guarantor as though the same had been performed by the Borrower under any of the Loan Documents. The Bondholder Representative will provide Investor Limited Partner and the Guarantor and the Trustee with copies of all notices provided to Borrower hereunder or under the Loan Documents at the time the notice is provided to Borrower.

Section 11.4 **Effect of Waiver**. In the event any agreement contained in this Agreement is breached by any party and thereafter such breach is waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 11.5 **The Issuer and the Trustee May File Proofs of Claim**. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Borrower or the property of the Borrower, the Trustee or the Issuer (with the prior consent of the Trustee), shall be entitled and empowered, by intervention in such proceeding or otherwise:

1) to file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Issuer and the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Issuer and Trustee, their agents, and counsel) allowed in such judicial proceeding; and

2) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same.

Section 11.6 **Restoration of Positions**. If a party has instituted any proceeding to enforce any right or remedy under this Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to a party, then and in every such case the parties shall, subject to any determination in the proceeding, be restored to the positions they held prior to commencement of such proceedings, and thereafter all rights and remedies of the parties shall continue as though no such proceeding had been instituted.

Section 11.7 **Suits To Protect the Project**. If the Borrower shall fail so to do after 30 days' prior written notice from the Issuer or the Trustee, the Issuer or the Trustee shall have power to institute and to maintain such proceedings as either of them may reasonably deem expedient to prevent any impairment in any material respect of the Project or any portion thereof, by any acts which may be unlawful or in violation of this Agreement, and such suits and proceedings as the Issuer or the Trustee (at the written direction of the Bondholder Representative) may reasonably deem expedient to protect its interests in the Project or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the

enforcement of, or compliance with, such enactment, rule, or order would have a Material Adverse Change or Effect on the Project or prejudicial to the interests of the Trustee in any material respect.

Section 11.8 Performance of Third Parties. The Trustee or the Issuer (with the prior consent of the Trustee) may permit third parties to perform any and all acts or take such action as may be necessary for and on behalf of the Borrower to cure any Event of Default hereunder. The acceptance by the Issuer or the Trustee of any such performance by third parties shall not in any way diminish or absolve the Borrower of primary liability hereunder.

Section 11.9 Exercise of the Issuer Remedies by Bondholder Representative. Whenever any Event of Default shall have occurred and be continuing, the Trustee shall not exercise any or all of the rights of the Issuer under this **Section 11** unless and until Trustee is directed with respect to that Event of Default by the Bondholder Representative and furnished with indemnity satisfactory to it with respect to the exercise of such right.

Section 11.10 Recourse. Subject to the terms, provisions, covenants and agreements set forth in this Agreement and the other Loan Documents, Issuer agrees to lend to Borrower, and Borrower agrees to borrow from Issuer, up to the amount of the Loan, which Loan shall be used by Borrower in accordance with the terms of this Agreement. Issuer (and Trustee and Bondholder Representative, as the case may be) shall have full recourse against Borrower and Guarantor, as well as against the Premises, for payment and performance of the Loan and the Loan Documents and for completion of the Improvements substantially in accordance with this Agreement. All payments due from Borrower to Issuer (and Trustee and Bondholder Representative, as the case may be) shall be made without offset or other reduction. Notwithstanding the foregoing, with respect to the requirements of this Agreement, the Note, and the other Loan Documents, nothing herein shall impair or modify the limitation of liabilities provided to limited partners under the Texas Revised Business Organizations Act.

ARTICLE 12
GENERAL PROVISIONS

Section 12.1 Amounts Remaining in Funds. Any amounts remaining in the Funds created under **Article 5** of the Indenture upon cancellation of the liens and trusts of the Indenture shall be distributed as provided in **Section 5.11** of the Indenture.

Section 12.2 Notices. All notices, demands, certificates, or other communications hereunder and under each other Loan Document shall be given to all parties identified below, shall be in writing (except as otherwise expressly provided herein) and shall be sufficiently given and shall be deemed given (i) when delivered by hand delivery or facsimile or (ii) five days after such notice is served by depositing the same with the United States Postal Service, or any official successor thereto, designated as Registered or Certified Mail, Return Receipt Requested, bearing adequate postage, or (iii) upon delivery by reputable private courier such as Federal Express, Airborne, DHL, United Parcel Service or similar overnight delivery service, and addressed as hereinafter provided. All parties identified below may, by written notice given by each to the others, designate any address or addresses to which notices, demands, certificates, or other

communications to them shall be sent when required as contemplated by this Agreement. Any notice, demand, certificate, report, financial statement, or other communication properly provided by legal counsel on behalf of any party hereunder shall be deemed properly provided by the party represented by such counsel. Until otherwise provided by the respective parties, all notices, demands, certificates, and communications to each of them shall be addressed as follows:

To the Issuer:	Austin Housing Finance Corporation 1000 East 11th Street, 2nd Floor Austin, Texas 78702 Attn: David Potter Telephone: (512) 974-3192
With a copy to:	McCall , Parkhurst & Horton L.L.P. 717 N. Harwood Street Ninth Floor Dallas, Texas 75201 Attn: Mark A. Malveaux Phone: (214) 754-9224
And to:	Ballard Spahr, LLP 300 East Lombard Street 18th Floor Baltimore, Maryland 21202 Attn: Teri Guarnaccia Telephone: (410) 528-5526
To the Borrower:	Housing First Oak Springs, LP 1430 Collier Street Austin, Texas 78704 Attn: David Weden Telephone: (512) 440-4001
With a copy to:	Locke Lord LLP 600 Congress Avenue Suite 2200 Austin, Texas 78701 Attn: Cynthia Bast, Esq. Telephone: (512) 305-4707
And to:	NEF Assignment Corporation, as nominee c/o National Equity Fund, Inc. 10 S. Riverside Plaza, Suite 1700 Chicago, IL 60606 Attn: General Counsel
And to:	Barnes & Thornburg LLP

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41 S. High Street, Suite 3300
Columbus, OH 43215-6104
Attn: Jordan R. Carr
Phone: (614) 628-1434
Attn: Holly H. Heer
Phone: (614) 628-1458

To the Trustee: BOKF, NA
Corporate Trust Department
5956 Sherry Lane, Suite 1201
Dallas, Texas 75225
Attn: Kathy McQuiston, Vice President and Trust Officer
Phone: (214) 932-3061
Email: kmcquiston@bankoftexas.com

With a copy to: Haynes & Boone
301 Commerce St., Ste. 2600
Ft. Worth, Texas 76102
Attn: Bill Greenhill
Phone: (817) 347-6602

To the Bondholder Representative: Thomas T. Houlihan
Capital One, National Association
5444 Westheimer, 6th Floor
Houston, Texas 77056
Phone: 713-435-5007
Fax: 713/435-5683
Email: thomas.houlihan@capitalone.com

Edward J. Santos
Capital One Community Development
299 Park Avenue, 14th Floor
New York, NY 22957
Phone: (646) 231-9029
Email: Edward.santos@capitalone.com

With a copy to: Greenberg Traurig, LLP
1000 Louisiana Street, Suite 1700
Houston, Texas 77002
Attn: Wayne Yaffee
Telephone: (713) 374-3655

Section 12.3 **Binding Effect**. This Agreement shall inure to the benefit of and shall be binding upon the Bondholder Representative, the Issuer, and the Borrower and their respective

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successors and assigns. Insofar as this Agreement provides for rights of the Trustee, this Agreement shall also inure to the benefit of the Trustee.

Section 12.4 **NO ORAL AGREEMENT**. THIS WRITTEN LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. If there is any conflict between the terms, conditions, and provisions of this Agreement and those of any other agreement or instrument, including any other Loan Document, the terms, conditions, and provisions of this Agreement shall prevail as among said parties to this Agreement.

Section 12.5 **Severability**.

1) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

2) The invalidity of any one or more phrases, sentences, clauses, or paragraphs contained in this Agreement shall not affect the remaining portions of this Agreement or any part thereof.

Section 12.6 **Amendments, Changes and Modifications**. This Agreement may not be modified or amended except by a written agreement signed by the parties hereto. Except as otherwise provided in this Agreement or in the Indenture, subsequent to the issuance of the Bonds and before the lien of the Indenture is satisfied and discharged in accordance with its terms, this Agreement may not be effectively amended, changed, modified, altered, or terminated without the written consent of Borrower, the holders of not less than a majority of the aggregate principal amount of the Bonds then Outstanding as provided in **Article 11** of the Indenture, and the Issuer. The Bondholder Representative shall have the right to waive or modify, conditionally or unconditionally, the conditions to its approvals and consents provided hereunder, without the consent of any party other than the Borrower.

Section 12.7 **Execution in Counterparts**. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.8 **Required Approvals**. Consents and approvals required by this Agreement to be obtained from the Bondholder Representative, the Borrower, the Issuer, or the Trustee shall be in writing and shall not be unreasonably withheld, conditioned or delayed unless otherwise specifically provided herein.

Section 12.9 **Limitation on Issuer's Liability**. (a) All obligations of the Issuer incurred under this Agreement, the Bond Regulatory Agreement, and the Indenture shall be limited

obligations of the Issuer, payable solely and only from the proceeds of the Bonds and revenues and other amounts derived by the Issuer from the Trust Estate. The Bonds shall be payable solely from the Project Revenues and other funds and property pledged under the Indenture for the payment of the Bonds, and no owner or owners of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the Issuer, the State, or any political subdivision or other public body of the State, nor to enforce the payment of the Bonds against any property of the Issuer, the State, or any such political subdivision or other public body, except as provided in the Indenture. No member, officer, agent, director, employee, attorney, or member of the Issuer, including any person executing this Agreement on behalf of the Issuer, shall be liable personally under this Agreement or for any reason relating to the issuance of the Bonds. No recourse shall be had for the payment of the principal of, premium, if any, or the interest on the Bonds, or for any claim based on the Bonds, or otherwise in respect of the Bonds, or based on or in respect of this Agreement or any amendment to this Agreement, against any member, officer, employee, director, agent, attorney, or member of the governing body, as such, of the Issuer, or any successor whether by virtue of any constitution, statute, or rule of law; or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of this Agreement and as part of the consideration for the issuance of the Bonds, expressly waived and released.

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

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

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

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

Section 12.10 Limitation on Investor Limited Partner's Liability. (a) The parties to this Agreement hereby acknowledge and agree that the Investor Limited Partner shall not have any liability to the other parties or to any third party as a general partner of the Borrower resulting from any action taken by the Investor Limited Partner pursuant to the Partnership Agreement, unless and until the Investor Limited Partner is admitted to the Borrower entity as a general partner or if arising as a result of the fraud or misrepresentation of the Investor Limited Partner. Except as applicable law provides otherwise, each of the Issuer and the Bondholder Representative agrees that it will not, in connection with any demand, claim or legal action concerning the Loan or Loan Documents, claim that the Investor Limited Partner is liable as a general partner as a result of the

Investor Limited Partner allegedly participating in the control of the Borrower for any reason or any action taken by either of them pursuant to its powers as a limited partner under the Partnership Agreement.

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

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

Section 12.11 **No Waiver; Consents**. No alleged waiver by the Trustee, the Bondholder Representative, the Borrower, or the Issuer will be effective unless in writing, and no waiver will be construed as a continuing waiver. No waiver may be implied from any delay or failure by the Trustee, the Bondholder Representative, the Borrower, or the Issuer to take action on account of any default or to exercise any right or remedy or any security. Consent by the Trustee, the Bondholder Representative, the Borrower or the Issuer to any act or omission may not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for consent to be obtained in any future or other instance. All rights and remedies are cumulative.

Section 12.12 **Purpose and Effect of Bondholder Representative Approval**. The Bondholder Representative's approval of any matter in connection with the Loan is for the sole purpose of protecting the Issuer's security and rights of the Trustee and the Bondholder Representative. No such approval will result in a waiver of any Event of Default hereunder.

Section 12.13 **No Commitment to Increase Loan**. From time to time, the Bondholder Representative may approve changes to the Plans and Specifications at the Borrower's request and also require the Borrower to make corrections to the work of construction, all on and subject to the terms and conditions of this Agreement. The Borrower acknowledges that no such action or other action by the Bondholder Representative will in any manner commit or obligate the Bondholder Representative to increase the amount of the Loan.

Section 12.14 **No Third Parties Benefited**. This Agreement is made and entered into for the sole protection and benefit of the Bondholder Representative, the Issuer, and the Borrower and their permitted successors and assigns and, to the extent expressly set forth herein, the Trustee. The parties hereto expressly recognize that the Trustee is a third party beneficiary to this Agreement and may enforce any right, remedy or claim conferred, given or granted to Trustee, Issuer, or the Bondholder Representative hereunder. No trust fund is created by this Agreement, and no other Persons have any right of action under this Agreement or any right to the proceeds of the Loan.

Section 12.15 **Authority to File Notices**. The Borrower irrevocably appoints the Bondholder Representative as its attorney-in-fact, with full power of substitution, following the occurrence and during the continuance of an Event of Default to file or record, at the Borrower's cost and expense and in the Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that the Bondholder Representative in its sole discretion considers necessary or desirable to protect the Project, if the Borrower fails to do so after receipt of five days' prior written notice from the Bondholder Representative. Nothing in this **Section 12.15** shall impose any obligations on the Bondholder Representative.

Section 12.16 **Affirmative Action**. The Borrower shall not discriminate in its employment practices against any employee or applicant for employment because of the applicant's race, creed, religion, national origin or ancestry, sex, age, sexual orientation or preference, marital status, color, physical disability, familial status and disability, mental condition or medical condition, including pregnancy, childbirth, or related condition.

Section 12.17 **Actions**. Each of the Trustee, the Bondholder Representative, and the Issuer has the right, but not the obligation, to commence, appear in, and defend any action or

proceeding that might affect its security or its rights, duties, or liabilities relating to the Loan, the Project, or any of the Loan Documents pursuant to the terms of **Section 7.3** hereof and otherwise in this Agreement and the other Loan Documents.

Section 12.18 Attorneys' Fees. In any lawsuit or arbitration arising out of or relating to this Agreement, the Loan Documents, or the Loan, including but not limited to any alleged tort action, regardless of which party commences the action, the prevailing party will be entitled to recover from each other party such sums as the court, referee, or arbitrator adjudges to be reasonable attorneys' fees in the lawsuit or proceeding, in addition to reasonable costs and expenses otherwise allowed by law; provided, however, the provision set forth in this sentence shall in no way be construed as permitting a prevailing party to recover attorneys' fees from the Issuer. Any reasonable attorneys' fees actually incurred by a party in enforcing a judgment in its favor under this Agreement will be recoverable separately from and in addition to any other amount included in the such judgment, and the attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any judgment. In all other situations, including any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships, the Borrower agrees to pay all of the Trustee's, the Bondholder Representative's, and the Issuer's costs and expenses, including reasonable attorneys' fees, that may be incurred in any effort to collect or enforce the Loan or any part of it or any term of any Loan Document; from the time(s) incurred until paid in full, all such sums will bear interest at the Default Rate.

Section 12.19 Assignment of Issuer's Rights. As security for payment of the Bonds, the Issuer will pledge the amounts payable hereunder and collaterally assign, without recourse or liability, to the Trustee, the Issuer's rights under this Agreement and the Note, including the right to receive payments hereunder (but excluding Unassigned Issuer's Rights), and hereby directs the Borrower to make said payments directly to the Trustee, or otherwise upon the order of the Trustee. The Borrower herewith consents to such collateral assignment and will make payments under this Agreement directly to the Trustee, or otherwise to the order of the Trustee without defense or set off by reason of any dispute between the Borrower and the Issuer, the Trustee, or any Bondholder Representative.

Section 12.20 Applicable Law. This Agreement is governed by the laws of the State of Texas without regard to the choice of law rules of that State.

Section 12.21 Heirs, Successors, and Assigns Participation. The terms of this Agreement will bind and benefit the heirs, legal representatives, successors, and assigns of the parties; provided, however, that the Borrower may not assign this Agreement or any Loan proceeds, or assign or delegate any of its rights or obligations, without the prior written consent of the Bondholder Representative and the Issuer in each instance. Also without notice to or the consent of the Borrower, the Bondholder Representative, and the Issuer may disclose to any actual or prospective purchaser of any securities issued or to be issued by the Bondholder Representative or the Issuer and to any actual or prospective purchaser or assignee of any participation or other interest in the Loan or any other loans made by the Bondholder Representative or the Issuer to the Borrower (whether under this Agreement or otherwise), any financial or other information, data, or material in Bondholder Representative's possession relating to the Borrower, any partners of the

Borrower, the Loan, or the Project. Nothing in this Agreement shall impose any restrictions on the ability of the Holders of the Bonds to sell or otherwise transfer the Bonds.

Section 12.22 Relationships With Other Bondholder Representative Customers. From time to time, the Bondholder Representative may have business relationships with the Borrower's customers, suppliers, contractors, tenants, partners, shareholders, officers, or directors, or with businesses offering products or services similar to those of the Borrower, or with Persons seeking to invest in, borrow from or lend to the Borrower. The Borrower agrees that the Bondholder Representative may extend credit to such parties and take any action it deems necessary to collect the credit, regardless of the effect that such extension or collection of credit may have on the Borrower's financial condition or operations. The Borrower further agrees that in no event will the Bondholder Representative be obligated to disclose to the Borrower any information concerning any other the Bondholder Representative customer.

Section 12.23 Disclosure to Title Company. Without notice to or the consent of the Borrower, the Bondholder Representative may disclose to any title insurance company insuring any interest of the Bondholder Representative under the Mortgage (whether as primary insurer, coinsurer, or reinsurer) any information, data, or material relating to the Borrower, the Loan, or the Project, and related to such title insurance coverage associated with the Project in the Bondholder Representative's possession.

Section 12.24 Improvement District. The Borrower may not vote in favor of, or directly or indirectly advocate or assist in, the incorporation of any part of the Project into any improvement or utility district, special assessment district, or other district without the Bondholder Representative's prior written consent in each instance.

Section 12.25 Restriction on Disposition of Personal Property. Except for the replacement of personal property made in the ordinary course of the Borrower's business with items of similar value, the Borrower may not sell, convey, or otherwise transfer or dispose of its interest in any tangible personal property in which the Bondholder Representative has a security interest or contract to do any of the foregoing, without the prior written consent of the Bondholder Representative in each instance.

Section 12.26 Interpretation. The language of this Agreement must be construed as a whole according to its fair meaning, and not strictly for or against any party. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender and the neuter state will include the other gender and the neuter state. The captions of the sections of this Agreement are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Agreement. The schedules to this Agreement are hereby incorporated in this Agreement.

Section 12.27 Miscellaneous. Time is of the essence in the performance by the Borrower of its obligations under this Agreement and the other Loan Documents. Any irreconcilability or inconsistency or conflict between the terms of the Mortgage and the terms of this Agreement or the Indenture shall be governed and controlled by the terms of this Agreement or the Indenture, as

applicable. Further, notwithstanding anything herein to the contrary, the Trustee (as assignee of Issuer) shall only enforce the rights and remedies of the Issuer hereunder under the Mortgage, the Indenture (as provided therein), or under this Agreement at the written direction of the Bondholder Representative.

Section 12.28 Publicity. The Borrower hereby agrees that the Bondholder Representative may publicize the financing of the Project and, in connection therewith, may erect signs at the Project and use the address, description and a photograph or other illustrative drawing of the Project.

Section 12.29 Participations. Borrower acknowledges and agrees that the Bondholder Representative may provide any information the Bondholder Representative may have about Borrower or about any matter relating to this Agreement to the Bondholder Representative, its parent, its subsidiaries, its affiliates or their successors, or to any one or more purchasers or potential purchasers of the Bonds (or interests therein). Borrower agrees that the Bondholder Representative may at any time sell, assign or transfer one or more interests or participations in all or any part of its rights or obligations in the Note and the Bonds to any or more purchasers whether or not related to the Bondholder Representative. Borrower authorizes the Bondholder Representative to disseminate any information it has pertaining to the Loan and the Bonds, including, without limitation, credit information on Borrower, any of its principals, or any other party liable, directly or indirectly for the Loan and the Bonds, to any such assignee or participant or prospective assignee or participant. Borrower shall execute, acknowledge, and deliver any and all instruments reasonably requested by the Bondholder Representative to satisfy such assignee or participant that the Loan is outstanding in accordance with the terms and provisions of the Note and the Loan Documents.

Section 12.30 Loan Commission. The Bondholder Representative is not obligated to pay any brokerage commission or fee in connection with or arising out of the Loan. The Borrower must pay any and all brokerage commissions or fees arising out of or in connection with the Loan as a result of any commitment made by the Borrower.

Section 12.31 Compliance with Usury Laws. Notwithstanding any provision of this Agreement, the Note, or any of the Loan Documents to the contrary, it is hereby agreed that in no event (including without limitation the acceleration of the Note) shall the amount of interest contracted for, charged, received, reserved, or taken in connection with the Loan (including interest on the Note together with any other costs or considerations that constitute interest under applicable law which are contracted for, charged, received, reserved, or taken pursuant to the Loan Documents) ("**Interest**"), cause the rate of interest on the Notes to exceed the maximum lawful rate. For purposes of this **Section 12.31** to the maximum extent permitted by law, Interest shall be: (i) spread over the term of the Loan; (ii) if appropriate, characterized as a premium for the privilege of making an optional prepayment of the Loan; and (iii) computed after giving effect to the provisions of any other Loan Documents which require the cancellation or refunding of Interest. Default Rate Interest, if any (after the application of the foregoing provisions), provided for in this Agreement, the Note, or any of the Loan Documents shall be canceled automatically as of the date of such acceleration or mandatory prepayment or, if theretofore paid, shall be credited on the principal of the Note or if the principal of the Note has been paid in full, refunded to the Borrower. The provisions of this **Section 12.31** shall control all agreements, whether now or

hereafter existing and whether written or oral, by the Issuer, the Borrower, the Trustee, and the Holders.

This Agreement is also subject to the condition that amounts paid hereunder representing late payments or penalty charges or the like shall only be payable to the extent permitted by State law or applicable federal law.

Section 12.32 Right To Contest Liens, Taxes, Etc. Notwithstanding anything to the contrary set forth in this Agreement and the other Loan Documents, the Borrower will have the right to contest in good faith any claim, charge, demand, levy, or assessment payable to a person or entity other than the Bondholder Representative, the nonpayment of which would constitute an Event of Default, but only with the Bondholder Representative's written consent. If the Bondholder Representative grants such consent, such nonpayment will not constitute an Event of Default so long as such consent remains effective. The Bondholder Representative will not unreasonably withhold, delay or condition its consent, provided that the Bondholder Representative may reasonably require Borrower to provide a surety bond satisfactory to the Bondholder Representative or deposits with the Bondholder Representative cash collateral sufficient, in the Bondholder Representative's sole and reasonable discretion, to fully discharge such claim, charge, demand, levy or assessment in the event the Borrower should not prevail in such contest. The Bondholder Representative may withdraw such consent at any time if: (a) the Borrower fails to prosecute such contest diligently, in full compliance with all conditions to the Bondholder Representative's consent and in a manner not prejudicial to the Bondholder Representative or to the Project, or (b) the Bondholder Representative, in its sole discretion, determines that such contested claim, charge, demand, levy, or assessment has a Material Adverse Change or Effect on the Project or the Bondholder Representative or that any bond or cash collateral previously accepted by the Bondholder Representative has become insufficient.

Section 12.33 Americans with Disabilities Act. The Bondholder Representative and the Borrower shall be in full compliance with all applicable federal and state laws, including those of the Americans with Disabilities Act ("**ADA**"), 42 U.S.C. 12101 et seq. and its implementing regulations. Under the ADA, the Bondholder Representative and the Borrower shall provide for reasonable accommodations to allow qualified individuals access to and participation in their programs, services and activities. In addition, the Bondholder Representative and the Borrower shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Firms granted subawards (i.e., subcontractors, subgrants, contracts under loans, etc.) shall comply with the ADA and certify and disclose accordingly. The Bondholder Representative and the Borrower shall provide certificates attesting to compliance with the provisions of this **Section 12.33**.

Section 12.34 Integration and Relation to Commitment. The Loan Documents (a) integrate all the terms and conditions mentioned in this Agreement, (b) supersede all oral negotiations and prior writings with respect to their subject matter, including the Commitment, and (c) are intended by the parties as the final expression of their agreement with respect to the terms and conditions set forth in those documents and as the complete and exclusive statement of the terms agreed to by the parties. No representation, understanding, promise, or condition is enforceable against any party unless it is contained in the Loan Documents. If there is any conflict among the terms, conditions, and provisions of this Agreement and those of any other agreement

or instrument, including any other Loan Document (excluding the Indenture), the terms, conditions, and provisions of this Agreement will prevail.

Section 12.35 Venue. Notwithstanding anything to the contrary set forth in this Agreement and/or any of the other Loan Documents, the parties hereto hereby agree that the state and federal courts located in Travis County, Texas, shall have exclusive jurisdiction and venue with respect to all actions brought by or against any party under or pursuant to this Agreement.

Section 12.36 JURY WAIVER. **EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.**

Section 12.37 Increased Costs. If any law, regulation or change in any law or regulation or in the interpretation thereof, or any final, non-appealable ruling, decree, judgment, guideline, directive or recommendation (whether or not having the force of law) by any regulatory body, court, central bank, or any administrative or Governmental Authority charged or claiming to be charged with the administration thereof (including, without limitation, a request or requirement which affects the manner in which the Bondholder Representative allocates capital resources to its commitments including its obligations hereunder) shall either (a) impose upon, modify, require, make or deem applicable to the Bondholder Representative or any of its Affiliates, subsidiaries or participants any reserve requirement, special deposit requirement, insurance assessment or similar requirement against or affecting the Loan, or (b) subject the Bondholder Representative or any of its Affiliates, subsidiaries or participants to any tax, charge, fee, deduction or withholding of any kind whatsoever in connection with the Loan or change the basis of taxation of the Bondholder Representative or any of its Affiliates, subsidiaries or participants (other than a change in the rate of tax based on the overall net income of the Bondholder Representative or such participant), or (c) impose any condition upon or cause in any manner the addition of any supplement to or increase of any kind to the Bondholder Representative's or an Affiliate's, subsidiary's or participant's capital or cost base for issuing or owning a participation in the Loan which results in an increase in the capital requirement supporting the Loan, or (d) impose upon, modify, require, make or deem applicable to the Bondholder Representative or any of its Affiliates, subsidiaries or participants any capital requirement, increased capital requirement or similar requirement, such as the deeming of the Loan to be an asset held by the Bondholder Representative or any of its Affiliates, subsidiaries or participants for capital adequacy calculation or other purposes (including, without limitation, a request or requirement which affects the manner in which the Bondholder Representative or any participant allocates capital resources to its commitments including its obligations hereunder or under the Loan), and the result of any events referred to in (a), (b), (c) or

(d) above shall be to increase the costs in any way to the Bondholder Representative or any Affiliate, subsidiary or participant of issuing, maintaining or participating in the Loan or reduce the amounts payable by Borrower hereunder or reduce the rate of return on capital, as a consequence of the issuing, maintaining or participating in the Loan, to a level below that which the Bondholder Representative, its Affiliates, subsidiaries or participants could have achieved but for such events; then and in such event, and to the extent such law, regulation or change in law or regulation or the interpretation thereof, or any final non-appealable ruling, decree, judgment, guideline, directive or recommendation allows the terms and conditions of this **Section 12.37** to become operative or enforceable under federal or State law, Borrower shall, promptly upon receipt of written notice to Borrower, together with a reasonable accounting, by the Bondholder Representative of such increased costs and/or decreased benefits, pay within 60 Business Days of demand therefor to the Bondholder Representative all such additional amounts which, in the Bondholder Representative's or participant's commercially reasonable good faith calculation as allocated to the Loan, shall be sufficient to compensate it for all such increased costs and/or decreased benefits, all as reasonably accounted for and certified by the Bondholder Representative or such participants in said written notice to Borrower. Such certification shall be accompanied by a reasonable accounting concerning the calculation of such increased costs and/or decreased benefits and shall be conclusive and binding on the parties hereto, absent manifest error. In determining such amount, the Bondholder Representative or any participant may use any reasonable averaging or attribution methods.

Section 12.38 USA Patriot Act Notification. The following notification is provided to Borrower pursuant to Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318:

> IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all Financial Institutions to obtain, verify, and record information that identifies each person or entity that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for Borrower: When Borrower opens an account, if Borrower is an individual, Bondholder Representative will ask for Borrower's name, taxpayer identification number, residential address, date of birth, and other information that will allow Bondholder Representative to identify Borrower, and, if Borrower is not an individual, Bondholder Representative will ask for Borrower's name, taxpayer identification number, business address, and other information that will allow Bondholder Representative to identify Borrower. Bondholder Representative may also ask, if Borrower is an individual, to see Borrower's driver's license or other identifying documents, and, if Borrower is not an individual, to see Borrower's legal organizational documents or other identifying documents.

Section 12.39 WAIVER OF SPECIAL DAMAGES. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST THE OTHERS, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR

ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE BONDS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

Section 12.40 No Offset. All payments due by Borrower to Issuer under the Loan Documents are to be made by the Borrower without offset or other reduction.

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DRAFT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

BORROWER:

HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By: _____
David Weden, CFO

DRAFT

ISSUER:

AUSTIN HOUSING FINANCE CORPORATION

By:_____
Rosie Truelove
Treasurer

Attest:

_____
Secretary

DRAFT

BONDHOLDER REPRESENTATIVE:

CAPITAL ONE, NATIONAL ASSOCIATION

By:_____
Thomas T. Houlihan, Senior Vice President

DRAFT

ACKNOWLEDGED BY TRUSTEE:

BOKF, NA, a national banking association

By:_____
Kathy McQuiston
Vice President

DRAFT

SCHEDULE A

LEGAL DESCRIPTION OF PROJECT

As described in the Mortgage

DRAFT

SCHEDULE A-1

PERMITTED ENCUMBRANCES

As described in Exhibit B to the Mortgage

DRAFT

SCHEDULE B

PROMISSORY NOTE

$11,500,000

Austin, Texas
December 1, 2017

FOR VALUE RECEIVED, HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership (the "Borrower"), promises to pay in lawful money of the United States of America to the order of the AUSTIN HOUSING FINANCE CORPORATION, its successors or assigns (the "Issuer"), the principal sum of Eleven Million Five Hundred Thousand and No/100 Dollars ($11,500,000.00), with interest thereon from the date of delivery hereof at the rates per annum on the outstanding principal balance hereon from time to time as provided with respect to the Bonds in the hereinafter referred to Indenture. Terms not otherwise defined in this Note shall have the respective meanings as set forth in the Indenture. All interest hereunder shall be computed on the basis of a year of 360 days, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

The principal and interest on this Note shall be payable at the times and in the amounts determined as provided in **Section 4.2** of the Loan Agreement dated as of even date herewith, among the Borrower, the Issuer and Capital One, National Association (the "Loan Agreement"), with the final payment of all outstanding principal and interest on this Note to be paid on November 1, 2019. Both principal and interest under this Note shall be payable at the Operations Office of BOKF, NA, a national banking association, at 5956 Sherry Lane, Suite 1201, Dallas, Texas 75225, Attention: Kathy McQuiston (the "**Trustee**"). The Borrower may make prepayments upon this Note as provided in **Section 10.1** of the Loan Agreement.

This Note is made pursuant to the Loan Agreement wherein, among other things, the Issuer has agreed to loan to the Borrower and the Borrower has agreed to accept a loan in the aggregate principal amount of $11,500,000.00, being the proceeds from the sale of the Issuer's Multifamily Housing Mortgage Revenue Bonds (Housing First Oak Springs Project) Series 2017, in the principal amount of $11,500,000.00 (the "Bonds"), said proceeds to be disbursed to the Borrower from time to time in accordance with the provisions of said Agreement. Said Bonds are being issued by the Issuer pursuant to a Trust Indenture dated as of December 1, 2017, between the Issuer and the Trustee (the "Indenture").

During the existence of any Event of Default as described in **Section 11.1** of the Loan Agreement, all unpaid principal of and accrued and unpaid interest on this Note may be declared to be forthwith due and payable in the manner and with the effect provided in the Loan Agreement. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent occurrence of an Event of Default.

The indebtedness evidenced by this Note is secured by among other things a Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated December 1, 2017, and by certain other personal property collateral.

The obligations of the Borrower to make Basic Payments, Additional Charges, and payment of any other amounts due under the Loan Agreement 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, setoff, recoupment, or counterclaim which the Borrower may have or assert against the Issuer, the Trustee, or any other person and/or entity.

If this Note shall be placed in the hands of an attorney or attorneys for collection, the Borrower agrees to pay, in addition to the amount due hereon, the reasonable costs and expenses of collection, including reasonable attorneys' fees. All parties to this Note, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice or protest and notice of dishonor.

The Note is subject to a put option as provide for in the Indenture to require payment on the Construction Term Maturity Date.

Executed as of the date first above written.

HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By:_____
David Weden, CFO

DRAFT

ENDORSEMENT

Pay to the order of BOKF, NA, a national banking association, without recourse, as Trustee under the Indenture referred to in the within mentioned Note, as security for the Bonds issued under the Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

AUSTIN HOUSING FINANCE CORPORATION

By: _____

Its: Treasurer

DRAFT

SCHEDULE C

PROJECT EXPENSES
(Affordable Housing)

The Budget attached as **Schedule C-1** to this Agreement is an analysis, caused to be prepared by the Borrower and approved by the Bondholder Representative, of the total amount needed by the Borrower to construct the Improvements and to perform the Borrower's other obligations under the Loan Documents. The categories of costs are further broken down by line items, each for a specific type of cost associated with construction or performance of the Borrower's obligations under the Loan Documents.

Whenever a revised Budget is required, the Borrower must prepare and submit it for the Bondholder Representative's approval. Any revised Budget approved by the Bondholder Representative will be a more recent version of the analysis provided in the Budget, and must include revised versions of any detailed breakdowns included in the Budget.

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SCHEDULE C-1

BUDGET

[TO BE ADDED]

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SCHEDULE D

DISBURSEMENT SCHEDULE

All capitalized terms not defined herein shall be defined as they are defined in the Indenture and the Loan Agreement, as applicable.

1. Conditions to Disbursement

Before the Bondholder Representative becomes obligated to consent to any disbursement under this Agreement, all conditions to the disbursement must be satisfied at the Borrower's sole cost and expense in a manner acceptable to the Bondholder Representative, or waived in writing by Bondholder Representative. The Borrower acknowledges that delays in disbursements may result from the time necessary for the Bondholder Representative to verify satisfactory fulfillment of any and all conditions to a given disbursement. If the Bondholder Representative in its sole discretion purchases the Bonds or consents to a particular disbursement, before all applicable conditions are satisfied, such fact will not be a waiver of such conditions as to any other disbursement unless that specific condition is waived in writing by the Bondholder Representative.

a. Bond Closing

The Bondholder Representative is not required to purchase the Bonds until the following requirements have been received, satisfied, or waived in writing by the Bondholder Representative:

1) The Bondholder Representative must have received and approved the Bond Documents and all Loan Documents duly executed and, where required, acknowledged.

2) The Bondholder Representative must have received and approved copies of the fully executed Indenture, Regulatory and Restrictive Use Agreements (as then in affect) and the Ground Lease (and an estoppel certificate from the Ground Lessor on a form satisfactory to the Bondholder Representative).

3) The Bondholder Representative must have received and approved copies of the fully executed Indenture, each Regulatory and Restrictive Use Agreement (as then in effect).

4) The Bondholder Representative must have received evidence that the proceeds of the Bonds will be loaned to the Borrower pursuant to the Loan Agreement and, except for proceeds to be used to pay Costs of Issuance, the proceeds will be deposited in the Project Fund.

5) The Bondholder Representative must have received evidence satisfactory to the Bondholder Representative that the Borrower's Sources, taking into account the amount and timing thereof, are sufficient to pay the Total Project Expenses on a timely basis.

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6) The Bondholder Representative must have received evidence of a determination pursuant to Section 42(m)(2)(D) of the Code (confirming a reservation of the Low Income Housing Tax Credit).

7) The Bondholder Representative must have received (x) a copy of the Partnership Agreement; (y) a copy of the filed Certificate of Formation for Borrower and such other evidence of Borrower's and the General Partner's existence and good standing, and (z) copies of all development agreements (including the Development Agreement), management agreements, investment agreements, deficit funding facility agreements, equity notes, purchase options, and other documents and agreements referenced in the Partnership Agreement, and all modifications and amendments thereto, or otherwise required in connection therewith by the Investor Limited Partner;

8) Copies of the fully executed Subordinate Loan Documents (and related Intercreditor Agreements with respect thereto for each Subordinate Loan and Grant), and no event of default is then continuing under the Subordinate Loan Documents;

9) The Mortgage and the Assignment of Mortgage, each Regulatory and Restrictive Use Agreement (as then applicable), and all financing statements required by the Bondholder Representative must be executed and, where required, acknowledged by all parties thereto and each be delivered to a title insurer, in a manner satisfactory to the Bondholder Representative for recording in the office of the county clerk in which the Project is located. If required by the Bondholder Representative, the Borrower and the holder of each lien or encumbrance that is not a Permitted Encumbrance must execute in recordable form a Subordination Agreement, in form and substance acceptable to the Bondholder Representative, to be recorded concurrently with the Mortgage.

10) A title insurer acceptable to the Bondholder Representative must execute an instruction letter in a manner satisfactory to the Bondholder Representative agreeing to issue a loan policy of title insurance satisfying the requirements of **Schedule K** (the "**Title Policy**"), in the amount of the Loan and one in the amount insuring the Mortgage as a first priority encumbrance against the Project, subject only to the Permitted Encumbrances and other exceptions as may be consented to by the Bondholder Representative in writing, together with such endorsements as the Bondholder Representative may require. The Bondholder Representative must have reviewed and approved a current ALTA survey of the Project prepared at the Borrower's expense by a licensed surveyor acceptable to the Bondholder Representative, certified to the Bondholder Representative and the title insurance company.

11) The Borrower shall deliver to the Bondholder Representative copies of or certificates acceptable to the Bondholder Representative evidencing, all policies of insurance required pursuant to the Mortgage and the Bondholder Representative's insurance requirements.

12) The Budget attached to the Agreement as **Schedule C-1** must have been approved by the Bondholder Representative and the Bondholder Representative shall have received and approved a listing of the Borrower's Sources for the funding of the Project (including the sources of the ATCIC Sponsor Fourth Loan (and the timing of the funding of such sources).

13) The Plans and Specifications must have been approved by the Bondholder Representative and by all governmental authorities as needed for lawful commencement of the Construction of the Project.

14) The Capital Contribution Account and the Disbursement Checking Account to be maintained in the name of the Borrower with the Bondholder Representative must be opened with the Bondholder Representative in accordance with the Bondholder Representative's customary policies for the establishment of such accounts.

15) All executed contracts and subcontracts with respect to the Construction of the Project must be acceptable to the Bondholder Representative and be in full force and effect.

16) The Bondholder Representative must have received an environmental disclosure statement prepared and certified by the Borrower using the Bondholder Representative's prescribed form, and the information set forth in it must be acceptable to the Bondholder Representative. If the Bondholder Representative so requires, it must also receive a Phase I Report and (if applicable) a Phase II Report prepared by a consultant acceptable to the Bondholder Representative stating that there are no Hazardous Substances present in, on, under, or around the Project, and that there is no condition or circumstance which warrants further investigation or analysis in the opinion of the preparer of the report. The Bondholder Representative shall also receive satisfactory evidence, if required, of the abatement, removal, disposal, or correction of all unacceptable conditions identified in such reports, and the Borrower must execute an operations and maintenance plan on the Bondholder Representative's form or otherwise acceptable to the Bondholder Representative if asbestos containing materials or lead paint will continue to be present on the Project after abatement.

17) The Bondholder Representative's loan fees required pursuant to the Agreement, and the Issuer's Fees as then due under the Indenture, have been paid as set forth therein. The Borrower shall have paid all of the Bondholder Representative's reasonable costs and fees due in connection with the Loan, including, without limitation, appraisal, administrative, closing, escrow, and title fees (which title fees will include, among other things, for all required endorsements to the Title Policy as provided in **Schedule K,** in such number as the Bondholder Representative specifies), cost engineering fees, environmental fees, and legal expenses. Said items must be paid by the Borrower out of sources other than the Borrower's Sources except to the extent included in the Budget.

18) The Bondholder Representative must have received and approved such financial statements, tax returns, and other financial information which it may require regarding the financial condition of the Borrower, any of its general partners or joint venturers, any guarantors, any other parties, or the Project.

19) The Bondholder Representative must have received and approved certified copies of such of the entity formation documents of the Borrower, General Partner, and the Guarantor, as the Bondholder Representative may require, including, without limitation, a copy of the Partnership Agreement executed by all of the general and limited partners, including, without limitation, all limited partners who will be providing equity contributions to the Borrower.

20) The Bondholder Representative must have received and approved evidence satisfactory to the Bondholder Representative that the Project is exempt from property taxes (including an opinion to that effect from counsel to the Borrower).

21) The Bondholder Representative must have received and approved each AHAP Contract.

22) either (a) a Payment and Performance Bond, or (b) if a Payment and Performance Bond cannot be provided to the Contractor or the primary subcontractor as the case may be, a letter of credit issued by a Financial Institution acceptable to the Bondholder Representative (which in any event shall have a Fitch rating of B or higher and if the institution is not rated by Fitch, then having an S&P rating of A or higher or a Moody's rating of A1 or higher) with a face amount of at least 15% of the budgeted hard costs for the Improvements (which amount shall not include the amount of Contractor profit, overhead and general requirements included in the Construction Contract, to the extent each is budgeted as soft costs) and on a form acceptable to Bondholder Representative. If at any time the Bondholder Representative, in its reasonable discretion, determines that the creditworthiness of the issuer of any letter of credit issued under this **Section 1(a)(22)** is no longer acceptable, the Borrower shall cause such letter of credit to be replaced within 30 days of written notice thereof with a letter of credit issued by a Financial Institution acceptable to Bondholder Representative, or (c) a dollar amount equal to at least 15% of the budgeted hard costs for the Improvements has been deposited into a blocked account located at the Bondholder Representative. Bondholder Representative shall have received and approved lien waivers for all materials supplied and work performed prior to the Bond Closing in a manner satisfactory to Bondholder Representative.

23) The Bondholder Representative must have received and approved an executed copy of the Architecture Contract and the Construction Contract;

24) The Bondholder Representative must have received evidence satisfactory to the Bondholder Representative that all utilities will be provided which are necessary to develop and occupy the Project, including written assurances from such utility companies as the Bondholder Representative may require. The Bondholder Representative must also receive evidence satisfactory to the Bondholder Representative of the availability of such amounts of potable water as are necessary to develop and occupy the Project, as contemplated by the Agreement.

25) The Bondholder Representative must have received evidence of such zoning (including variances) and other land use entitlements and building permits as may be necessary to lawfully commence and carry on construction of the Improvements to completion, and thereafter to operate and occupy the Project as an apartment complex as contemplated hereby (except that actual issuance of permits necessary to commence construction may be evidenced by a city letter confirming availability of building permit(s) subject only to payment of the applicable fees).

26) The Bondholder Representative must have received an opinion of the Borrower's and a Guarantor's counsel in form, scope, and substance reasonably satisfactory to the Bondholder Representative, covering the due formation and good standing of the Borrower

and the General Partner, the Borrower's authority to enter into the transaction contemplated by the Loan Documents, conflict with applicable laws and other agreements, material litigation, enforceability, and such other matters as the Bondholder Representative shall require. If the Loan Documents include a Guaranty, the Bondholder Representative must have received an opinion of each Guarantor's counsel to the same effect regarding the Guaranty and each Guarantor.

27) The Bondholder Representative must have received evidence satisfactory to it that all of the conditions under any applicable development agreement for the development and construction of the Project have been satisfied in full by the Borrower.

28) The Bondholder Representative must have received and approved a copy of each Regulatory and Restrictive Use Agreement (as then in effect) or similar document affecting the Project in final form.

29) The Bondholder Representative must have received and approved evidence that use of the proceeds of the Bonds will meet the 50% aggregate basis test under Section 42(h)(4)(B) of the Code.

30) The Bondholder Representative must have received and approved the Borrower's standard form of residential lease to be used for the Project.

31) The Bondholder Representative must have received and approved a list of all contractors, subcontractors, and the material suppliers to be employed in connection with the Construction of the Project (setting forth the nature of the work to be performed, the labor and materials to be supplied and the dollar amount of such work or materials). If requested by the Bondholder Representative, the Borrower shall also submit copies of all bids received for each item of work to be performed as well as copies of executed subcontracts with accepted bidders.

32) The Bondholder Representative must have received evidence that (A) the General Partner Contribution has fully funded and been used to pay budgeted items, and (B) the initial funding of the first installment of the Capital Contribution from the Investor Limited Partner, in the amount set forth in **Schedule J** to the Loan Agreement (net of amounts paid for Costs of Issuance and amounts retained by the Investor Limited Partner for its fees as provided in the Partnership Agreement), shall have been deposited in the Capital Contribution Account for the purposes set forth in **Schedule J** to the Loan Agreement (which may occur simultaneously with the Bond Closing).

33) No mechanic's lien shall be recorded against the Project, unless the Borrower has (i) furnished and perfected a surety bond issued by a company satisfactory to the Bondholder Representative and on a form and in an amount satisfactory to Bondholder Representative, or (ii) provided 150% cash deposit with the title company and the title company has deleted such lien from the down date endorsement the Borrower.

34) The Bondholder Representative must have received evidence that the requirements of **Section 4.7** have been met.

35) The Bondholder Representative must have received and approved evidence that ATCIC is a duly existing non-profit corporation.

36) The Bondholder Representative must have received and approved proof in form and substance satisfactory to Bondholder's Representative that the required permits building and otherwise, and authorizations from all appropriate governmental authorities necessary or required in connection with the Construction of the Project have been obtained, or will be obtained when they become necessary (such as a will issue letter), together with copies of all other required governmental permits.

37) The Bondholder Representative must have received and approved a pro forma operating statement for the Project.

38) The Bondholder Representative must have received and approved an Appraisal of the Project, reflecting the Appraisal Value of the Project and which shall include the valuation of the Low Income Housing Tax Credit, anticipated to be available with respect to the Project reflecting a Loan to Value Ratio of not more than 80% (as restricted and as stabilized as is and including value of the Capital Contribution).

39) Bondholder Representative shall have approved and received the identity and experience of the management company, together with all management contracts, development agreements, operating agreements, franchise agreements, or other contractual arrangements affecting the operation of the Project.

40) The Bondholder Representative must have received and approved a market study or any market survey data prepared for Borrower.

41) The Bondholder Representative must have received and approved an agreement from the Contractor, consenting to the assignment of the Construction Contract and the Plans and Specifications to Trustee, and providing for the subordination of all statutory and contractual liens and claims of that Contractor against the Project.

42) Bondholder Representative shall have received and approved the Plans and Specifications (which shall have been approved, as applicable, by the Credit Agency, the Investor Limited Partner and by the Bondholder Representative's Project Engineer) and all applicable departments of the Bondholder Representative, and which shall in any event comply, as applicable, with the Americans with Disabilities Act, as amended.

43) Bondholder Representative shall have received and approved evidence no portion of the Project is in any "wetlands" or is located on or over a ground fault.

44) Bondholder Representative shall have received and approved certificates of a reporting service acceptable to Bondholder Representative, reflecting the results of a search of the central and local Uniform Commercial Code records made not earlier than thirty (30) days prior to the date hereof, showing no filings against Borrower or any of the collateral for the Loan except those, if any, approved by Bondholder Representative or to be paid in connection with the Bond Closing.

45) Bondholder Representative shall have received and approved fully executed copies of the Commercial Leases covering the Retail Space and the Clinic Space, which shall each then qualify as an Approved Lease, and if all or a portion of the Retail Space and/or the

Clinic Space is being treated as a commercial service facility for purposes of qualified basis for the Project under Section 42(d)(4)(c)(iii) of the Code, evidence supporting such determination of qualification.

46) The Collateral Account shall have been opened and funded with proceeds of the ATCIC Sponsor Fourth Loan in a manner satisfactory to the Bondholder Representative.

47) Evidence of the funding sources for the development of the Project.

48) Evidence that there will be a tax abatement for ad valorem tax for the Project in a manner satisfactory to the Bondholder Representative.

(b) Initial Disbursement and Subsequent Disbursements.

After the Bonds have been purchased, the Bondholder Representative is not required to approve any Requisition for disbursements by the Trustee of any Loan proceeds from the Project Fund or to the disbursement or release of any other of the Borrower's Sources held by the Bondholder Representative if:

1) Any of the items set forth in **subsection 1(a)** above, which was not satisfied as a condition of closing, has not been satisfied or specifically waived by the Bondholder Representative in writing as a condition of making disbursements.

2) The Bondholder Representative fails to receive (i) a Draw Request (as defined below) accompanied by such documentation and information as the Bondholder Representative may require, (ii) any other documentation or information that the Bondholder Representative may require under **Section 2** of this Disbursement Schedule, or the Bondholder Representative considers any such Draw Request, documentation or information to be unacceptable. Without limiting the foregoing, if the Draw Request is for amounts in the Project Fund, the Draw Request shall be accompanied by a completed, signed Requisition in the form attached to the Indenture as Exhibit A and if the disbursement is from the Project Fund, such disbursement request shall be accompanied by a completed, signed Requisition in the form of the appropriate Exhibit attached to the Indenture.

3) With respect to any advance or disbursement for hard costs, Bondholder Representative shall not have received an AIA Document G 702 and G 703 (1992 Edition), completed by each appropriate Contractor and certified by the Architect (if required by Bondholder Representative);

4) With respect to any advance for soft costs (including contingencies), Bondholder Representative shall not have received all vouchers, invoices, and other evidence required by Bondholder Representative;

5) Borrower shall not have delivered to Bondholder Representative and its Project Engineer, for their approval, evidence (which shall include a report of an inspection by

its Project Engineer) that (i) construction is proceeding in a manner to ensure completion of the Improvements by the Bondholder's Representative's Required Completion Date; (ii) the amount theretofore invested by Borrower in the Land and the Improvements, together with the Borrower's Sources remaining for the development of the Improvements, are adequate to meet all costs incurred and to be incurred in connection with the Improvements; and (iii) that construction of the Improvements has been substantially in accordance with the Plans and in accordance with the Loan Documents, which shall include, without limitation, any other due diligence with respect to the Project required by Bondholder Representative's Project Engineer;

6) Bondholder Representative shall not have received, at Borrower's cost and expense, a satisfactory "downdate endorsement" and all other endorsements if or as required by Bondholder Representative to the Title Policy in connection with the advance as disbursed;

7) If and to the extent required by the Bondholder Representative, prior to the pouring of a slab and upon completion of that slab, Borrower shall not have delivered a current survey evidencing the intended and actual location of the slab, showing no encroachment. If and to the extent required by Bondholder Representative, Borrower shall have delivered a slab survey, if the proceeds of the advance are for, among other things, costs associated with the slab to the Improvements, showing, among other things, no encroachments on or over any boundary line, easement, setback line, or other restricted area;

8) Any part of the Project then subject to the Mortgage is materially damaged and not repaired (to the extent expressly required by the Loan Agreement), unless the Bondholder Representative receives funds from the Borrower or insurance proceeds sufficient to pay for all repairs in a timely manner in accordance with the terms of the Mortgage.

9) Any part of the Project then subject to the Mortgage, or any interest in any of it, is affected by eminent domain or condemnation proceedings.

10) The Loan is "out of balance" and the Borrower fails to timely comply with any demand by the Bondholder Representative to deposit funds, and/or the Bondholder Representative does not consent to any revised Budget proposed by the Borrower.

11) A Default or an Event of Default is continuing.

12) A default has occurred and is continuing under any of the Requirements.

13) The Investor Limited Partner has failed to contribute any installments of its Capital Contribution when all of the conditions set forth in the Partnership Agreement for the specific installment are satisfied.

14) Funds shall not have been expended by Borrower as approved by the Bondholder Representative or any uncured material default exists under any liens or encumbrances (other than Permitted Encumbrances).

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15) Prior to the first disbursement for hard costs, a copy of a filed Affidavit of Commencement, in the form of **Schedule N** attached hereto, is filed within thirty (30) days after commencement of Construction of the Improvements with the County Clerk of Travis County, Texas, and satisfying the requirements of the Texas Property Code, as amended (which shall evidence that commencement of construction of the Improvements began after the date the Mortgage was recorded) is not submitted to Bondholder Representative.

16) If received by the Borrower at the time, the Bondholder Representative shall not have received original recorded counterparts of each Regulatory and Restrictive Use Agreement (if then issued), Mortgage, the Assignment, and the related financing statements, and copies of all documents relating to the conveyance of the land relating to the Project to the Borrower, including, without limitation, the recorded Memorandum of Ground Lease to the Borrower, in a manner satisfactory to the Bondholder Representative.

17) The Borrower fails to satisfy any other conditions to funding set forth in the Loan Documents and required by the Bondholder Representative and such failure is continuing.

(c) Final Hard Cost Disbursement.

The Bondholder Representative is not required to approve the final disbursement for payment of hard costs (including for Retainage) of Loan proceeds by the Trustee from the Project Fund or other funding source until all of the following conditions are satisfied or waived in writing by the Bondholder Representative:

1) The Project must be fully completed in accordance with the Plans and Specifications and all Requirements in all material respects.

2) Thirty-one (31) days have elapsed after the later of (i) "completion" of the Improvements, as defined in and required by Section 53.106 of the Texas Property Code, or (ii) the date of filing with the county clerk of Travis County of an Affidavit and Certificate of Completion (the "**Affidavit of Completion**"), executed by Borrower, the Contractor, and Architect, in the form of **Schedule O** attached hereto, or (iii) the date Borrower has otherwise fully and completely satisfied the requirements of Section 53.106 of the Texas Property Code, including, without limitation, providing a copy of any such affidavit to all parties, and within the time periods, required by such Section 53.106.

3) The Bondholder Representative must receive evidence that all certificates of occupancy or other permits necessary for occupancy of all of the Project have been obtained from the appropriate governmental authorities.

4) The Bondholder Representative must receive a final Draw Request, accompanied by written certification by the Architect and the Contractor that the Project as completed conform to the Plans and Specifications and all Requirements, (including, without limitation, an AIA G 704 Certificate of Substantial Completion with respect to the Project executed by the Architect) and by such other documentation and information as the Bondholder Representative may require under **Section 2** of this Disbursement Schedule.

5) The Borrower must provide endorsements to the Bondholder Representative's title insurance policy insuring lien free completion of the Project as well as first lien priority of the final disbursement.

6) The Bondholder Representative must receive complete as built Plans and Specifications for the completed Improvements certified by the Architect as being complete and accurate.

7) The Bondholder Representative must receive and approve an ALTA as built survey of the completed Project without any encroachments or exceptions of any kind except as acceptable to the Bondholder Representative in its reasonable determination, prepared by a licensed surveyor, certified to the Bondholder Representative and the title insurer.

8) An affidavit of bills paid and/or lien release, in a form acceptable to Bondholder Representative, executed by each Contractor, Architect, subcontractor, material suppliers, and such other persons or entities as the Bondholder Representative may require to satisfy itself that the Project (and all other improvements to the Land completed through the date of any such affidavit) has been completed lien-free and that the costs of all materials furnished and labor performed in connection with such construction have been paid in full subject to Retainage.

9) An affidavit of bills paid and/or lien release, in a form reasonably acceptable to Bondholder Representative, executed by the Contractor.

10) No Default or Event of Default shall have occurred and be continuing.

2. Draw Requests.

Before the Bondholder Representative becomes obligated to make any disbursements from the Capital Contribution Account (if then on deposit with the Bondholder Representative), or of any of the DSHS Third Loan or approve any Requisitions made on the Project Fund, it must receive a written request signed by the Borrower or the Borrower's agent designated in **Section 7** of this Disbursement Schedule, using a form acceptable to the Bondholder Representative ("**Draw Request**"), accompanied by such documentation and information as the Bondholder Representative may reasonably require (if the Draw Request requests amounts in the Project Fund, the Draw Request shall be accompanied by a fully completed, signed Requisition). If the Bondholder Representative approves a Requisition, the Bondholder Representative will then submit the Requisition to the Trustee. In each Draw Request, the Borrower shall request disbursement for one or more specified line item(s) of the Budget. Each Draw Request shall be accompanied by the items required pursuant to **Section 5.2** of the Indenture (which may include, without limitation, the approval of the Issuer). In addition, if an Event of Default is then continuing, each Draw Request shall be accompanied by checks (to be drawn on the Disbursement Checking Account) made out to each of the Borrower's merchants, vendors, materialmen, suppliers, laborers, subcontractors, and other appropriate parties in the amount of the funds owed to such parties after appropriate adjustment for any retainages. The Bondholder Representative shall not be obligated to fund any Draw Request earlier than ten (10) Business Days after receipt of a complete supporting package. Borrower may submit Draw Requests to the Bondholder

Representative no more frequently than once each calendar month, unless the Bondholder Representative has given its prior written consent in each instance.

With each Draw Request, the Borrower shall submit to the Bondholder Representative such items of information and documentation, including invoices, canceled checks, lien waivers, and other evidence as may be required by the Bondholder Representative to show that the Borrower is in compliance with the Loan Documents. All such items must be acceptable in form and substance to the Bondholder Representative.

Each Draw Request shall constitute the Borrower's representation and warranty to the Bondholder Representative that:

The Loan is "in balance" as defined in the Agreement.

All of the documentation submitted with the Draw Request is genuine and unaltered.

All disbursements made to date as well as those being currently requested were and will be in strict compliance with the Budget, unless the Borrower has notified the Bondholder Representative in writing to the contrary and the Bondholder Representative has approved such deviation (unless the Bondholder Representative's consent is not required by the terms of the Agreement).

The funds requested by the Draw Request (whether from the Capital Contribution Account or the Project Fund) will pay in full all invoices received by the Borrower or by the Contractor to the date of the Draw Request (or otherwise the subject of the Draw Request) for labor, materials, and services furnished in connection with the Construction of the Project Fund (net of applicable retainage).

The Borrower has caused or will promptly cause the amounts requested by the Draw Request to be paid to the respective individuals or entities for which such amounts were requested.

All amounts disbursed by the Bondholder Representative pursuant to each previous Draw Request have been paid in the amounts and to the respective individuals or entities for which such amounts were requested.

The payments made pursuant to the Draw Request are for Qualified Project Costs.

3. Disbursement Amounts.

For each line item of the Budget, the Bondholder Representative shall approve Requisitions and/or make disbursements of Borrower's Sources in amounts which, when totaled, do not exceed the maximum allocation of funds for that line item, as shown in the Budget, taking into account all prior disbursements, any reallocations of Borrower's Sources made by the Bondholder Representative and all applicable retention requirements (or made by the Borrower and reported to the Bondholder Representative if the approval of the Bondholder Representative

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is not required), the Borrower may at any time and from time to time, by written notice to the Bondholder Representative, reallocate from the construction contingency item in the Budget to other items of hard construction costs an aggregate amount equal to the same percentage of the original amount of the construction contingency line item as the then percentage of completion (as determined by the Bondholder Representative's inspector) of the work to be performed under the Construction Contract. Whenever the portion of the work to be performed under the Construction Contract represented by any line item of the Budget has been completed to the reasonable satisfaction of the Bondholder Representative and all costs represented by that line item have been paid in full and statutory lien waivers obtained from the Contractor and all subcontractors and others who or which are to be paid from that line item, the Borrower may at any time and from time to time, by written notice to the Bondholder Representative, reallocate unused funds from that line item to any other one or more line items. If at any time the Bondholder Representative is holding the Borrower's Funds in the Capital Contribution Account, or of deposits of the DSHS Third Loan, and/or the ATCIC Sponsor Fourth Loan, or in the Borrower's Funds Account, the Bondholder Representative shall make all disbursements first from such funds until they are exhausted, in the manner provided in **Section 7** of this Disbursement Schedule. On the first day of each month occurring from and after the date hereof (whether or not the Bondholder Representative disburses or is obligated to disburse or approves a Requisition to disburse any of the proceeds of the Loan and whether or not the Bondholder Representative releases or is obligated to release any funds from the Capital Contribution Account), the Borrower shall pay to the Bondholder Representative a Construction Inspection Fee set forth in **Section 5.18** of the Loan Agreement per inspection. In the event that the Bondholder Representative permits the Borrower to make more than one Draw Request in a month, the Borrower shall pay to the Bondholder Representative the fees for such additional inspection.

Notwithstanding the preceding paragraph, the Borrower shall not be entitled to reallocate from any line item to pay any additional costs resulting from a change which would necessitate the Bondholder Representative's approval under **Section 5.10** of the Loan Agreement or other Section of this Agreement unless and until the Bondholder Representative's approval has been given (as required).

4. Disbursements of Certain Costs Not Requiring Retention.

For each line item of the Budget other than hard costs, if otherwise approved, the Bondholder Representative shall make one or more disbursements to the Borrower or for its account in the amount applied for in Borrower's Draw Request, without retention for Retainage.

5. Disbursements of Costs Requiring Retention.

Retainage shall be withheld from each disbursement from the Project Fund and from the Capital Contribution Account and from disbursements of deposits of the DSHS Third Loan and for payment of artisans and mechanics or any other party who performs labor or service for Construction of the Project under a subcontract with Contractor, or such other general contractor approved by the Bondholder Representative shall be withheld until all conditions to the Bondholder Representative's final disbursement have been satisfied or waived in writing by the Bondholder Representative.

The Borrower, at its option, may request disbursement of the Retainage before requesting the final disbursement of Borrower's Sources, provided that all conditions to the final disbursement have been satisfied or waived in writing by the Bondholder Representative.

6. The Borrower's Funds.

At all time when the Bondholder Representative is holding Borrower's Funds in the Borrower's Funds Account or in the Capital Contribution Account, the Bondholder Representative shall make all disbursements first from Borrower's Funds until they are exhausted, subject however to the condition that 95% of the proceeds of the Bond proceeds be spent on Qualified Project Costs.

7. Disbursement Procedures.

(a) Disbursements.

Disbursements of all of Borrower's Sources shall be made to the Disbursement Checking Account, except as otherwise provided in the Agreement or as otherwise agreed in writing by the Bondholder Representative and the Borrower, and delivered to the Trustee.

(b) Authorized Signers.

All Draw Requests and other documents in connection with the administration of the Loan must be signed by a duly authorized representative of the Borrower listed in **Schedule D-1**.

(c) The Developer Fee.

The Developer Fee is payable only to the extent and at the times specified in the Budget, notwithstanding anything contrary contained in the Partnership Agreement or any other document executed in connection with the Partnership Agreement; provided, however, this provision does not authorize the Borrower to pay any Developer Fee earlier than provided for in the Partnership Agreement.

Notwithstanding anything herein to the contrary, until the full and final payment of the Note, no Developer Fees or overhead shall be paid; provided, however, that notwithstanding the foregoing, if no Event of Default is then existing (or would result from that payment), Developer Fees may be then paid from the Capital Contributions as follows:

1) On the Bond Closing, up to $292,294.00 of budgeted Developer Fees may be paid from the first Capital Contribution set forth in **Schedule J**.

2) Upon Substantial Completion of the Improvements, up to $292,294.00 of budgeted Developer Fees may be paid from the second Capital Contribution set forth in **Schedule J**.

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All other remaining developer fees (if any) shall be deferred and may be paid on or after the full and final payment of the Note. Notwithstanding the foregoing, in no event may developer fee or overhead be paid in an amount that would exceed the amount permitted under the Partnership Agreement or in any other way violate the Partnership Agreement or the terms of the Subordinate Loan Documents.

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SCHEDULE D-1

AUTHORIZED SIGNERS

David Evans

David Weden

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SCHEDULE E

PRO FORMA SCHEDULE

Construction Commencement: After the date of Bond Closing and before the date that is thirty (30) days after Bond Closing

Substantial Completion: Fifteen (15) months from the date of Bond Closing (as may be extended for up to an aggregate combined amount of 60 days as a result of Excusable Delays).

Maturity Date: Twenty (20) calendar months after the date of Bond Closing (subject to the put option available on the Construction Term Maturity Date, as may be extended pursuant to **Section 4.2(e)**)

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SCHEDULE F

[RESERVED]

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SCHEDULE G

LIST OF PLANS AND SPECIFICATIONS

As previously provided to and approved by the Bondholder Representative (a copy of the Plans and Specifications is on file with the Bondholder Representative).

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SCHEDULE H

INSURANCE REQUIREMENTS

General Requirements

1. This document provides a summary of the insurance requirements in the loan documents and if any conflict exists between this document and the loan documents, then the loan documents prevail.

2. All insurance policies must contain the complete address of the property (or a recognizable legal description), be for terms of at least one year, with premium prepaid, be subject to the approval of the Bondholder Representative as to insurance companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates. All policies must have a cancellation provision that provides that the carrier will notify the Bondholder Representative in writing at least ten (10) days in advance of any policy reduction or cancellation for nonpayment of premium, and at least thirty (30) days for any other reason.

3. Blanket or master insurance policies for several buildings or locations are allowed if the property is fully protected as if a separate policy has been issued for 100% of replacement cost of the improvements at the time of the loss and property is identifiable in the policy. Other requirements are as follows:

- **Mortgagee clause:** All insurance policies covering the property must include a standard, non-contributory, mortgagee clause naming EXACTLY: Capital One, National Association, its successors and assigns, 5444 Westheimer Road, 6th Floor, Attention: 31762, Houston, Texas 77056. (a) as an additional insured under all liability insurance policies, (b) as the first mortgagee on all property insurance policies and (c) as the loss payee on all loss of rents or loss of business income insurance policies; (d) in the event of loss, notice of loss is required to be sent to Bondholder Representative.

- **Carriers:** All insurance carriers must be fully licensed and authorized to do business in the state within which the property is located and who have and maintain a rating of at least A from Standard & Poor's or equivalent or if the loan is less than $15,000,000, have a Best's general policyholder's rating of A or better and a financial size category of V or greater.

Property Insurance Requirements

4. The borrower must keep the improvements of the property insured at all times by carriers satisfactory to Bondholder Representative against loss by fire and other hazards.

- **Hazard insurance** is required to provide coverage against loss or damage to the property from fire, windstorm, hail, and such other insurance with respect to the Property or on any replacements or substitutions thereof of additions thereto as may from time to time be required by Bondholder Representative against other insurable hazards or casualties which at the time are commonly insured against in the case of property similarly situated including, with limitation, sinkhole, mine subsidence, earthquake and environmental insurance, due regard being given to the height and type of buildings, their construction, location, use and occupancy. Such insurance must (1) be written on an "All Risk" basis with replacement cost in an amount not less than 100 percent of the replacement cost of the improvements without any deduction for depreciation (Replacement value for the cost of excavations, foundations and footings below the lowest basement floor may be excluded.), and (2) either contain no coinsurance clause or contain a coinsurance clause that is offset by an annually updated "agreed amount endorsement". Borrower shall also maintain insurance against loss

or damage to furniture, furnishing, fixtures, equipment and other items (whether personalty or fixtures) included in the property to the extent applicable. If the hazard policy covers more than one year, an "Inflation Guard" endorsement is required to provide for annual adjustment of the insurance amount based on inflation. "Ordinance or Law Coverage" or "Enforcement" endorsement is required if any of the improvements or the use of the property shall at any time constitute legal nonconforming structures or uses, unless there is evidence acceptable to Bondholder Representative that, in the event of a loss, the municipality will permit Borrower to rebuild to the specifications that existed at the time of the loss. There should be, at a minimum, coverage for the following: (i) loss of undamaged portion of the Mortgaged Premises due to enforcement of any ordinance or law in the overall policy amount; (ii) demolition cost with no less than the full demolition expense of the single largest structure on the Mortgaged Premises; and (iii) increased cost of construction in an amount sufficient to replace or rebuild the single largest structure of the Mortgaged Premises to comply with applicable building codes. The maximum deductible amount is $25,000.

- **Business/Rent loss insurance** is required for all income properties to cover losses due to fire and other hazards. A minimum of twelve (12) months' coverage is required. Coverage must be adjusted annually to reflect current rent rolls or revenues.

- **Building ordinance or law coverage** is required where the Property represents a "nonconforming" use under current building, zoning or land use laws or ordinances. This coverage may be waived if Bondholder Representative is provided with satisfactory evidence that, in the event of loss, the municipality will permit the Property to be rebuilt to the specifications of the Property that existed at the time of the loss. Building Ordinance or Law Coverage must include coverage for all of the following:

  (1) The cost to demolish and clear the site of undamaged parts of the Property as such demolition may be required by enforcement of any building, zoning or land use law or ordinance (The amount of coverage must be no less than the full demolition expense of the single largest structure on the property.)

  (2) Loss of undamaged portion of the Property due to enforcement of any ordinance or law (The coverage must be in the overall policy amount.)

  (3) Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable building codes (Such coverage must be in an amount sufficient to replace or rebuild the single largest structure on the Property in compliance with applicable building codes.)

5. A separate Building Ordinance or Law Coverage Endorsement if the master/blanket policy includes Building Ordinance or Law Coverage for all locations covered under the policy will not be required. Bondholder Representative will approve the amount of coverage on a per property basis.

- **Steam boiler and machinery insurance** is required where steam boilers, pipes, turbines, engines or other pressure vessels are in operation on the Mortgaged property. The policy should be in an amount equal to at least $2 million or 100% of the full replacement cost of the buildings) housing the equipment. A rider to include electrical machinery and equipment, air conditioning, refrigeration and mechanical objects is recommended and may be required.

- **Flood insurance** is required if the improvements or any part thereof are now or in the future become situated in an area designated by the Federal Emergency Management Agency ("FEMA") as a special flood hazard

area. Coverage should be in an amount equal to the lesser of (a) replacement cost of the affected improvements or (b) the maximum limit of coverage available through the appropriate National Flood Insurance Administration program. The maximum deductible amount is $5,000 or one percent of the applicable amount of coverage, whichever is less.

- **Windstorm Insurance** is required in the amount of the insurable value of the Improvements with a deductible amount of the lesser of 2% of coverage or $200,000.00. The foregoing requirement for windstorm insurance shall be adjusted to reflect then current windstorm insurance requirements for like projects located in the same geographic location of the Improvements ("Comparable Properties"); provided that Bondholder Representative reserves the right to determine what shall be considered Comparable Properties and the right to independently verify such windstorm insurance requirements for Comparable Properties; provided further, Bondholder Representative will consider higher deductibles for the foregoing windstorm insurance requirements based on market trend changes in the multifamily housing industry.

Builders Risk Insurance Requirements

6. Builders risk insurance coverage is required for new construction, renovation or alteration of existing improvements which exceed the lesser of 10% of the principal amount of the loan or $500,000. The policy should cover "all risks" to the premises and improvements, including materials stored on the property and elsewhere, in an amount equal to 100% of the replacement cost of the improvements, and include the perils of collapse, water damage and flood. A deductible for wind damage in the amount of the greater of (i) 2% of such wind damage, or (ii) $50,000.00 is permitted. The insurance required under this paragraph shall be made available on or before the first advance of the Capital Contribution or Loan, as applicable, of the Loan or the Capital Contribution, as applicable, for the slab.

Liability Insurance Requirements

7. The borrower must obtain or be covered by at least $1 million for bodily injury and property damage for any single occurrence, with a general aggregate limit of $2 million. However, coverage for bodily injury and property damage for a single occurrence must be increased to $2 million with a general aggregate limit of $3 million for properties with elevators. Coverage must include, but not be limited to, the following: (i) swimming pool liability where applicable; (ii) host liquor liability where applicable; (iii) elevator collision liability where applicable (if not included in standard general liability policy); (iv) comprehensive automobile liability (owned, non-owned and/or leased); (v) garage keeper liability, if applicable; (vi) worker's compensation and employer's liability when required by applicable law, ordinance or other regulation; (vii) bailee's liability (added either to property damage or CGL policy); (viii) employee fidelity coverage for third-party managed Property, the Borrower must obtain evidence of such coverage by the manager for the benefit of the Borrower (or the Borrower, if self-managed) in an amount equal to a minimum of three (3) months rental income or gross revenue generated from the Property (added either to property damage or CGL policy). Bondholder Representative may require additional amounts if it is determined that special risks exist. Liability coverage must provide for claims to be made on an occurrence basis. Master/blanket policies are acceptable provided that those policies clearly show that both the occurrence and general aggregate limits contained therein apply per location or per project. The foregoing policies may contain a deductible up to $5,000.00.

Evidence of Insurance

8. At the closing of the Mortgage loan, the borrower must supply Bondholder Representative with either the original policies or certified true copies thereof, when possible. If an insurance binder or a certificate of insurance and an Evidence of Insurance Form (ACORD Form 27) is provided at closing, the original policy(ies) or certified duplicate copy must be received within sixty (60) days of closing. During the life of the Mortgage loan, renewal policies must be in Bondholder Representative's office at least 30 days prior to the expiration date of the existing policy(ies). Continuous coverage is required by Bondholder Representative, so if a policy is not in Bondholder Representative's possession prior to the expiration date of the existing policy, a policy will be force placed with an insurance carrier of Bondholder Representative's choice. Requirements for the acceptance of other than the original policy of hazard insurance are as follows:

(4) Receipt of a legible copy of the master of the blanket policy with all related endorsements, including the signature of an officer or authorized agent, indicating the address of the Mortgaged premises and the amount of coverage attributable to the security for the Mortgage.

(5) Receipt of a copy of the standard non-contributory mortgagee clause as provided above.

(6) If the policy is a duplicate policy, it must be stamped "true and certified duplicate copy". It must contain duplicates of all riders, forms, attachments and endorsements that are attached to said Master Policy as they relate and apply to the specific property known as "insured premises", on which Bondholder Representative holds the first mortgage.

9. Bondholder Representative will require proof each year (by a Certificate of Insurance) that the borrower has workers' compensation insurance and employer's liability insurance in effect on the Mortgaged Premises. IF THESE COVERAGES ARE PROVIDED BY THE MANAGEMENT COMPANY FOR ITS EMPLOYEES, PLEASE ADVISE.

The address of the Bondholder Representative is as follows:

Capital One, National Association

299 Park Avenue, 14th Floor

New York, New York 10171

Attention: Edward J. Santos

10. Notwithstanding anything to the contrary set forth herein or in any of the other Loan Documents, the foregoing insurance requirements shall be adjusted to reflect then current insurance requirements for like projects located in the same geographic location of the Improvements ("Comparable Properties") provided that Bondholder Representative reserves the right to determine what shall be considered Comparable Properties and to independently verify the insurance requirements for such Comparable Properties. Without limiting the foregoing, Bondholder Representative will consider higher deductibles for the foregoing insurance based on market trend changes in the multifamily industry.

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SCHEDULE I

[RESERVED]

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SCHEDULE J

EQUITY FUNDING SCHEDULE

INVESTOR EQUITY CONTRIBUTION SCHEDULE

INSTALLMENT	EVENT[1/]	AMOUNT	PURPOSE
1[2]	Investment Closing	$ 1,581,716[3/]	Investor Limited Partner shall retain $52,000 to reimburse Investor Limited Partner for its closing costs, then pay Bad Costs, then to pay non-deferred developer fee of $292,294 as and when provided in Partnership Agreement and then to pay Good Costs of Construction (other than deferred items)
2[2/]	C/O	$ 5,528,180	Pay Loan in full, then pay budgeted items, then pay budgeted developer fee of $292,294 and fund a lease-up reserve of $63,200 and a replacement reserve of $15,000, each as provided in Partnership Agreement, and then pay Loan
3[2/]	Conversion	$ 679,711	Pay Loan in full (if not then paid), then to pay budgeted projected items (if any), then fund Operating Reserve up to the aggregate amount of $212,040 (from all fundings of the Operating Reserve), pay developer fees of $467,671 and as otherwise provided in the Partnership Agreement
4	Form 8609	$ 116,918	Pay developer fees as provided in Partnership Agreement
TOTAL CONTRIBUTION		$ 7,906,525	

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1/ The funding, timing and amount of the contributions will be made in accordance with the terms and conditions of the Partnership Agreement.

2/ To be funded into the Capital Contribution Account.

3/ Funded on a draw basis, net of $52,000 to reimburse Investor Limited Partner for its due diligence

SCHEDULE K

TITLE INSURANCE REQUIREMENTS

The purpose of this document is to provide information to the Borrower and title company regarding title insurance requirements for loans originated by Capital One, National Association ("Bondholder Representative") which are secured by properties located in the State of Texas and initially intended to be held in Bondholder Representative's own loan portfolio. If one or more of the properties securing the subject loan are in a state other than Texas, Bondholder Representative requires a title commitment rather than a preliminary title report and an ALTA Loan Policy (1970 or 1992) with comprehensive mechanic's lien coverage. For properties located outside the State of Texas, Bondholder Representative provides additional closing and title insurance requirements. For properties located in the State of Texas, this document provides requirements for the commitment to insure title ("Title Commitment"), the interim construction title binder ("Title Binder"), the Mortgagee policy of title insurance ("Title Policy") and for the closing functions and procedures to be performed by the title company ("Escrow Closing"). Time constraints provided in these instructions are very important in order to prevent delays in closing and funding. Additional requirements for a particular loan shall be at the sole discretion of Bondholder Representative.

Title Commitment

The Title Commitment is required well in advance of closing, must be prepared using the Texas Land Title Association ("TLTA") form T-7 and meet the following requirements:

1. Each title insurance policy must be written by an insurer authorized to do business in the State of Texas, licensed by the Texas Insurance Commission and have an acceptable rating from at least one of the independent rating agencies as follows:

   (a) "Financial Stability Rating" of "S" (Substantial) or better or a "Statutory Accounting Rating" of "C" (Average) or better from Demotech, Inc.;

   (b) a "BBB" or better rating from Duff and Phelps Credit Rating Company;

   (c) a "C" or better rating from LACE Financial Corporation;

   (d) a "BAA" or better rating from Moody's Investor Service, or

   (e) a "BBB" or better rating from Standard and Poor's, Inc.

   Bondholder Representative reserves the right to approve the title insurance underwriter. Coinsurance will only be allowed with prior written approval of Bondholder Representative. Reinsurance may be required in certain cases. Bondholder Representative must be notified in advance if Coinsurance or Reinsurance is expected or being considered.

2. Name of Insured: The Insured in Schedule A shall be as follows: "Capital One, its successors and assigns".

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3. Coverage shall be for the full amount of the loan;

4. The effective date must be within 90 days of the anticipated date of closing; and

5. The Title Commitment must include, as attachments, legible copies of all recorded instruments which are listed as exceptions (both Schedule B and C) to the coverage of the Title Commitment, including legible copies of recorded plats.

Title Binder

Acceptance of a Title Binder in lieu of a Title Policy on construction and development loans is an exception to Bondholder Representative's loan policy and must be approved by Bondholder Representative, which approval may be conditioned on satisfaction of additional loan covenants. In the event that the subject loan involves development or construction and Bondholder Representative has approved its usage, the Title Binder must be prepared using Form T-13 and meet the following requirements:

1. The "pre-start" exception on Item 1(a) of Schedule C must be deleted, and

2. Meet all of the requirements listed below for a Title Policy.

Title Policy

Bondholder Representative may require the title company to deliver a pro forma Title Policy in advance of the loan closing. The Title Policy must be prepared using TLTA form T-2 and meet the following requirements:

1. Name of Insured. The Insured in Schedule A, Paragraph 1, shall be as follows: "Capital One, National Association and each successor in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of the Conditions and Stipulations."

2. Description of Mortgage. The description of the deed of trust appearing in Schedule A, Paragraph 3, must include the precise name of the security instrument (e.g. "Multifamily Deed of Trust, Assignment of Rents and Security Agreement"); the names of the parties; the date of the deed of trust; the principal amount of the loan; and recording data, i.e. the recorder's office, the date of recordation and the book and page numbers and/or instrument number. If a separate Assignment of Leases is to be utilized, it should be included in Schedule A, in the same paragraph as the Mortgage as described above.

3. Legal Description. The legal description on the Title Policy must be identical to the legal description contained on the survey. Rights under access easements and off-site utility easements must also be insured.

4. Title Vesting. The name should include partnership/corporate status and state of organization.

5. Lien Status. The insured lien must be shown as a first and superior lien except as to current ad valorem taxes. Schedule B Exceptions must include the following:

   (a) Recording information for each instrument to which it refers.

   (b) A description of the UCC Financing Statements(s) that will be recorded in the appropriate governmental records, as instructed in the "Escrow Closing Instruction Letter" to be provided by Bondholder Representative's Counsel, with clerk's file numbers or other applicable identifying information, along with the date and place of recording.

6. Unacceptable Schedule B Exceptions. The following Schedule B exceptions are not permitted:

   (a) Exception For Taxes Which Are Due And Payable. Any taxes which are due and payable must be paid prior to closing. An exception for future taxes and assessments not yet due and payable is permitted. An exception for taxes due for prior years because of a change in usage (i.e. agricultural exemption or open space exemption) is not permitted. The Tax Deletion Endorsement is required (TLTA form T-30).

   (b) Survey Exception. A survey has been or will be prepared. A copy of the Title Commitment must be provided to the surveyor as soon as available, together with any documents listed as exceptions to the Title Commitment and describing easements located on or affecting the project. The Bondholder Representative's Closing Department has contact information regarding the surveyor. The Survey Deletion Endorsement (i.e. area and boundary deletion) is required (Texas Rule P-2). If the title company takes exception to items shown on the survey, a Comprehensive Endorsement (TLTA form T-19) may be required.

   (c) Blanket Exception. Blanket exceptions of any kind, including those for subordinate liens, are not permitted, except as required by the Texas Title Insurance Rate Rules.

   (d) Maintenance fee liens not subordinated. Maintenance association fee liens must be subordinated to Bondholder Representative's first lien. Unless waived in writing by Bondholder Representative, a subordination agreement will be required before closing for review and approval by Bondholder Representative's Counsel if those liens are not already subordinated.

   (e) Mechanics' And Materialmen's Lien Exception. Except on construction or development loans, there will be no exception for mechanics' and materialmen's liens. On construction or development loans, it is permitted to have a blanket exception for mechanic's and materialmen's liens recorded after the date of recording of Bondholder Representative's deed of trust, and upon completion of improvements, a TLTA T-3 Endorsement Form must be issued deleting any mechanic's and materialmen's lien exceptions. If there are any special requirements (e.g., stipulations against liens, owner's affidavits, etc.) which must be met, Bondholder Representative must be notified immediately.

(f) All laundry leases and other commercial leases creating possessory rights must be subordinated to Bondholder Representative's first lien, and subordination/estoppel certificates must be signed for each. The seller/owner must be contacted regarding this requirement if the title search reveals any such lease(s). Subordination agreements must be approved by Bondholder Representative in advance.

(g) Bondholder Representative reserves the right to object to any title exception, including the preprinted exceptions contained in TLTA Form T-2.

7. UCC Searches. Except when waived by Bondholder Representative, UCC searches must be conducted at the expense of borrower, at both the state and county levels, of the appropriate UCC filing records for any filings in the name of the borrower, the owner(s) and the project name. If the borrower/owner is a corporation, the searches shall be in the name of the corporation; if the borrower/owner is a partnership, the searches shall be in the name of the partnership and in the name of each manager thereof; and if the project is owned by one or more individuals, then the searches shall be in the names of such individuals and any trade name employed by them. Bondholder Representative's Closing Department must be contacted to verify names to search. Copies of items which create security interests against the named party must be ordered to determine if they affect the insured. Results of searches must be sent to Bondholder Representative's Closing Department as soon as they are available.

8. Tax Certificates. Tax certificates for ad valorem property taxes must be ordered from all applicable taxing authorities, including associations when applicable. Tax Certificates must be sent to Bondholder Representative's Closing Department as soon as they are available.

9. Required Endorsements and Policy Provisions. The following endorsements are typically required with the final Title Policy. The final determination of required endorsements will be provided in the Escrow Closing Instruction Letter prepared by Bondholder Representative's Counsel.

(a) Any arbitration provisions of the Title Policy must be deleted.

(b) The exception for parties in possession must be deleted upon satisfactory inspection by the Title Company.

(c) If the insured property is within a planned unit development, a Planned Unit Development Endorsement (TLTA form T-17).

(d) When required by Bondholder Representative at the time of conversion to the permanent financing, a Comprehensive Endorsement (TLTA form T-19).

(e) If access to the insured property is by easement, an Access Endorsement (TLTA form T-23) and the Title Policy must include the easement as part of the insured property on Schedule A.

(f) If the legal description of the insured property describes two or more adjacent tracts of property, a Contiguity Endorsement (TLTA form *T-25)*.

(g) Tax Deletion Endorsement (TLTA form T-30).

(h) If the property is for residential usage, an Environmental Protection Lien Endorsement (TLTA form T-36).

(i) Bondholder Representative may require other endorsements or express insurance, including but not limited to the following: First Loss Endorsement (TLTA form T-14), Last Dollar Endorsement (TLTA form T-15), Aggregation Endorsement (TLTA form T-16), Adjustable Rate Endorsement (TLTA form T-33), Revolving Credit Endorsement (TLTA form T-35).

10. Required Delivery. The final Title Policy, with all required endorsements, must be in Bondholder Representative's office within seventy-two (72) hours of funding.

Escrow Closing

Bondholder Representative requires the title insurer or its affiliate or agent to act as escrow agent for the loan proceeds and to conduct the closing.

1. Disbursement and Insured Closing Letter. If the title company is an agent of the title insurer, it will be necessary to have the title insurance company provide Bondholder Representative with an insured closing protection letter from the title insurer prior to closing. The title company should contact the Bondholder Representative's Closing Department to determine if an insured closing letter is on file. The original letter should be addressed to Bondholder Representative. The insured closing protection letter must authorize the title company to close the loan and disburse the loan proceeds in accordance with an Escrow Closing Instruction Letter to be provided by Bondholder Representative or Bondholder Representative's Counsel prior to closing. A copy of the HUD- 1 Settlement Statement should be faxed to Bondholder Representative at least 24 hours prior to closing. Bondholder Representative must approve in advance any fee attorney to be utilized and will not disburse funds through a fee attorney.

2. Pay-off Estimates. Bondholder Representative does not obtain estimates of the pay-off figures for existing indebtedness secured by the project. It will be the responsibility of the title company to obtain in writing and verify the amount(s) required to retire any and all outstanding loans and, in cooperation with the borrower (or seller, if any), to arrange for satisfactory releases of existing mortgages and termination statements of existing financing statements.

3. Costs and Expenses. Bondholder Representative's Closing Department shall provide a separate letter prior to closing which details all Bondholder Representative related settlement charges. The services and costs of the escrow agent and title insurance company are to be performed without cost to the Bondholder Representative or Bondholder Representative's Counsel. Arrangements with the borrower should be made for the payment of all such costs. The escrow agent should collect adequate funds from the

borrower to send the Financing Statements by overnight mail to a recording service to ensure the documents will be received back from the county and state to meet the delivery requirements listed in this document.

4. Title Policy. The Title Policy must be issued by the title insurance underwriter specified in the title commitment furnished for the loan closing.

5. Property Insurance. Bondholder Representative's Closing Department will be responsible for reviewing and approving the required insurance policies. The escrow agent will be required to verify with Bondholder Representative's Closing Department, prior to funding, that insurance coverages are adequate.

6. Loan Documents and Closing. Bondholder Representative's Counsel prepares loan documents and an Escrow Closing Instruction Letter. Any changes made on legal documents at closing must be approved in advance by Bondholder Representative's Counsel. The title company is responsible for the completion, execution, attestation and notarization, where necessary of each of the loan documents in accordance with the Escrow Closing Instruction Letter.

7. Disbursing Funds. Loan funds necessary for closing by Bondholder Representative are wired to the escrow agent. Funds may be disbursed only at such time as:

   a. The loan documents are properly executed,

   b. The escrow agent is in a position to deliver the Title Policy and required endorsements to the Bondholder Representative pursuant to the Title Commitment and in compliance with the terms of this document and the Escrow Closing Instruction Letter,

   c. All water charges, sewer assessments, special assessments and real estate taxes currently due and payable are paid, or the escrow agent has arranged to pay, from loan proceeds or borrower funds, any of these items which are due and not yet paid,

   d. All prior financing statements filed in the name of the borrower, as debtor, with the office of the Secretary of State are satisfied and released or the escrow agent has arranged to pay, from loan proceeds, any item which has not yet been paid and shall obtain a release,

   e. The required insurance coverages acceptable to Bondholder Representative are in place and have been paid for, and

   f. The Bondholder Representative's Closing Department has provided instructions in person or by facsimile to disburse the loan funds in accordance with the approved Settlement Statement.

8. Document Recording. It is essential that recordation of the Deed of Trust and the Financing Statement (UCC-1) (the "Recorded Documents") take place on the same day as the loan funding whenever possible. Therefore, documents should be hand-carried to the county clerk's office. If documents are going out of town, including those to the Secretary of State's office, they should be sent by overnight delivery to a recording service or local agent of the title company in anticipation of the wire transfer being received, so that they will be in the recording office when the funding is to occur. Bondholder Representative must have one recorder-certified copy of each recorded document no later than seventy two hours following the closing. All of the recorder-certified copies must reflect the recording date and be accompanied by the recorder's receipt reflecting the recording date.

9. Post-closing.

a. **If not received by Bondholder Representative at closing, Bondholder Representative's Closing Department must receive the following within twenty four hours after closing:**

(1) One (1) original and one (1) certified copy of the Note.

(2) One (1) original and one (1) certified copy of each Guaranty (if more than one).

(3) One (1) original and one (1) certified copy of each of the loan documents.

(4) One (1) original and one (1) certified copy of the resolutions of the borrower.

(5) Two (2) certified copies of the HUD- 1 Settlement Statement.

(6) Payment for loan fees, preliminary interest and escrow reserves should be made out in separate checks, payable to Capital One, National Association.

b. **Within seventy-two (72) hours after closing, Bondholder Representative must receive the following:**

(1) One (1) original and one (1) certified copy of the Mortgagee Title Policy (or Title Binder) including "jackets", with all required endorsements.

(2) One (1) recorder certified copy of each of the Recorded Documents. All of the recorder-certified copies must reflect the recording date and be accompanied by the recorder's receipt reflecting the recording date.

(3) One (1) recorder-certified copy of each of the UCCs. All of the recorder-certified copies must reflect the recording date and be accompanied by the recorder's receipt reflecting the recording date.

c. **Within twenty-one (21) days after closing, Bondholder Representative must receive the following:**

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(1) The original Recorded Documents.

(2) The original UCCs.

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Confirmation and Notification

Bondholder Representative must be notified immediately to confirm ability of title company and escrow agent to meet the above requirements and deadlines. For closing review purposes, the Title Commitment and title exception documents will be reviewed by Bondholder Representative's Counsel and Bondholder Representative's Closing Department. Please contact Bondholder Representative's Closing Department for contact information regarding Bondholder Representative's Counsel. The Bondholder Representative's Closing Department contact information is as follows:

Capital One, National Association
5444 Westheimer, 6th Floor
Attn: 31762
Houston, Texas 77056

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SCHEDULE L

SURVEY REQUIREMENTS

1. The purpose of this document is to provide information to the borrower, surveyor, and title company regarding survey requirements for loans originated by Capital One, National Association ("Bondholder Representative") that are initially intended to be held in Bondholder Representative's own loan portfolio. Please note that Bondholder Representative requires a current survey on all commercial real estate loans. Since Bondholder Representative requires that the certification on the survey be addressed to the borrower, the title company and the Bondholder Representative, usually an existing survey is inadequate for loan purposes. Bondholder Representative will accept revised or updated surveys meeting the Survey Requirements as detailed in this document. Any questions concerning these requirements should be directed to Bondholder Representative's Closing Department. It is recommended that the borrower reference these requirements when obtaining bids and engaging qualified surveyors.

2. A satisfactory survey is required prior to closing of all Loans. An acceptable "slab" survey is required prior to application for the first construction advance for building foundations. An "as built" survey is typically required by the title company to obtain a completion endorsement and thus may be required at the sole discretion of Bondholder Representative upon completion of the improvements.

3. Surveys must be acceptable to the title insurance company insuring the lien of the Mortgage for purposes of insuring title free and clear of any survey exceptions. Surveys must either be prepared in accordance with the latest approved version of the Minimum Standard Detail Requirements for American Land Title Association ("ALTA") Land Title Surveys, jointly established and adopted by ALTA, ACSM and NSPS, and must meet the requirements of the Urban Survey thereunder, or if the subject property is located in the State of Texas, the survey may be prepared in accordance with the current Texas Society of Professional Surveyors Standards and Specifications for a Category 1A, Condition II Survey (Land Title, Urban). The legal description of the Mortgaged property shown on the face of the survey must conform to the legal description shown in the title insurance commitment for the title insurance policy for the Mortgaged property or the legal description shown in the title insurance commitment must be changed to conform to the survey. If the title insurance commitment refers to a recorded plat, then such plat with appropriate recording references must be indicated on the survey.

1. Field Note Description. Surveys should contain a certified metes and bounds description and should comply with the following requirements:

   a. Survey should be of a scale of at least one inch equals fifty feet and should identify the scale used (example 1" = 50').

   b. The beginning point should be established by a monument located at the beginning point, or by reference to a nearby monument and to the point of commencement.

   c. The sides of the property should be described by giving the distances and bearings of each. Instead of bearings, the interior angle method is acceptable if the beginning

point is on a dedicated public street line or a fixed line on other property, or if the course of the first side can be otherwise properly fixed.

d. The distances, bearings, and angles should be taken from an instrument survey by a registered professional engineer or register public surveyor.

e. Curved courses should be described by data including: length of arc, radius of circle for the arc and chord distance and bearing.

f. The legal description should be a single perimeter description of the entire property. Division of the property with separate parcels is not acceptable unless it serves a special purpose of the Mortgage and is approved by in advance by Bondholder Representative. Division is necessary, however, if the plot is located on two sides of a public way. It is acceptable to describe an easement appurtenant to a fee parcel by using a separate parcel description.

g. The description should include a reference to all streets, alleys, and other rights-of-way that abut the property surveyed, and the width of all rights-of-way mentioned should be given the first time these rights-of-way are referenced to.

h. For each boundary line abutting a street, road, alley or other means of access, the description must, in calling the boundary line, state that the boundary line and the right-of-way line are the same.

i. If the property surveyed has been recorded on a map or plat as part of an abstract or subdivision, reference to such recording data should be made.

j. The total acreage and square footage of the land must be shown.

k. The metes and bounds description must return to the point of commencement.

2. Lot and Block Description. If the property is included within a properly established recorded subdivision or addition, then a lot and block description or reserve description will be an acceptable substitute for a metes and bounds description, provided that the lot and block description or reserve description completely and properly identifies the name or designation of the recorded subdivision or addition and gives the recording information therefor.

3. Map or Plat. Surveys should also contain a certified map or plat clearly showing the following:

a. The property to be covered by the Mortgage.

b. The point of beginning of said property and it's relation to the monument from which it is fixed.

c. Corners or boundary stakes, stating material (1/2" I.P., 4" x 4" Concrete, initials or markings) and whether found by surveyor or set by surveyor.

d. All distances, angles and other calls shown in the legal description.

e. Direction arrow (North).

f. If the property has been recorded on a map or plat as part of an abstract or subdivision, all survey lines must be shown, and all lot, block lines (with distances and bearings), and numbers must be shown.

g. All easements appurtenant to said property showing recording information therefor by volume and page, width thereof, and encroachments thereon. In the event easements affect the parcel, but cannot be shown with specificity, you should contact Bondholder Representative, as blanket easements are generally not permitted.

h. The boundary lines of the street or streets abutting the property with the name and width of said streets and whether paved, blacktop, gravel or dirt.

i. The distance from the nearest intersecting street or road to the property.

j. All encroachments and protrusions if any, from or upon the land or any improvements thereon or upon any easement, building setback line or other restricted area, with exact measurements.

k. Vicinity map showing the property surveyed in reference to nearby highway(s) or major street intersections(s).

l. Flood zone designation (with property annotation based on Federal Flood Insurance Rate Maps on the State or local equivalent, by scaled map location and graphic plotting only).

m. Identify and show, if possible, setback, height and bulk restrictions of record or disclosed by applicable restrictive covenant, recorded plat, zoning or building codes (identifying the source in each case, by volume and page reference, if applicable). If none, so state.

n. The exterior dimensions of all buildings at ground level with horizontal lengths of all sides and the relation thereof by distances to (i) all boundary lines of the property, (ii) easements, (iii) established building lines and (iv) street lines.

o. All street addresses of all improvements on the subject property.

p. Substantial, visible improvements (in addition to buildings) such as signs, parking areas (showing number and stripping) or structures, swimming pools, driveways, fences, sidewalks, stoops, landscaping, etc.

q. Parking areas and, if striped, the striping and the type (e.g., handicapped, motorcycle, regular, etc.) and the number of parking spaces.

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r. Indication of access to a public way such as curb cuts, or driveways marked.

s. Location of utilities serving or existing on the property including points of ingress to and egress as evidenced by on-site observation or as determined by records provided by client, utility companies and other appropriate sources (with reference as to the source of information).

t. A legend of all symbols used in the survey.

u. The scale of all distances and dimensions on the plat.

v. The date of any revisions subsequent to the initial survey prepared pursuant to these requirements.

w. Significant observations not otherwise disclosed, including, but not limited to visible evidence of unusual subsurface matters and general knowledge about the neighborhood (such as condemnation of the area by the US Environmental Protection Agency (EPA) or restricted building heights imposed by the Federal Aviation Administration (FAA).

x. Areas devoted or restricted in reciprocal easement agreements, showing the limits of any off-site appurtenant easements and the outline of any buildings within the reciprocal easement.

y. A note stating that the legal description describes the same property as the title commitment.

z. Observable evidence of earth moving work, building construction or building additions within recent months.

aa. Any changes in street right of way lines, either completed or proposed and available from the controlling jurisdiction, observable evidence of recent street or sidewalk construction or repairs.

ab. Observable evidence of site use as a solid waste dump, sump or sanitary landfill.

ac. The number of stories of all structures and the types of materials comprising the exterior walls and roofs of all buildings.

ad. The mean highwater base line or other legal boundary of any bodies of water adjoining or located on the premises.

ae. Observable evidence of cemeteries.

4. Surveyor's Certification. To (name of insured, if known), (name of lender, if known), (name of insurer, if known), (names of others as negotiated with the client): This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2016 Minimum Standard Detail Requirements

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for ALTA/NSPS Land Title Surveys, jointly established and adopted by ALTA and NSPS, and includes Items 1-4,7-9, 11 and 16 of Table A thereof. The fieldwork was completed on _____ *[date of Plat or Map]:* _____ *(Surveyor's signature, printed name and seal with Registration/License Number).*

5. Seal and Date. Immediately below the certification must appear the signature, seal and registration number of the registered public surveyor who made the survey, or under whose supervision the survey was made, and the date of the survey must be dated within 90 days of the closing date.

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4. For closing review purposes, it is requested that copies of the survey be provided to the Bondholder Representative's Closing Department, Bondholder Representative's Counsel and the title company escrow officer as soon as available, but in any event at least three business days prior to the closing date. Please contact Bondholder Representative's Closing Department for contact information regarding Bondholder Representative's Counsel and the title company. The Bondholder Representative's Closing Department contact information is as follows:

Ricardo Ifill
ricardo.ifill@capitalonebank.com
Phone (212) 216-8940
Fax: (917) 351-0344

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SCHEDULE M

TAX CREDIT ALLOCATION

FOLLOWS THIS PAGE

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SCHEDULE N

AFFIDAVIT OF COMMENCEMENT

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of Austin Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), manager of Housing First Oak Springs, GP, LLC, general partner of HOUSING FIRST OAK SPRINGS, LP ("Owner"), and _____, _____ of _____ ("Original Contractor"), known to me to be the persons whose names are subscribed below, and who, being by me first duly sworn, did each on his or her oath state as follows:

1. The Owner is the owner a leasehold interest in and to the real property (the "Land") situated in Travis County, Texas, more particularly described in **Exhibit A**, attached hereto and made a part hereof for all purposes, on which building and other related improvements (the "Improvements") are being constructed or renovated.

2. The address of Owner is:

HOUSING FIRST OAK SPRINGS, LP
1430 College Street
Austin, Texas 78704

3. The address of Original Contractor is:

_____
_____
_____

4. The name and address of any other original contractor, presently known, after reasonable inquiry, to the Affiants, to the Owner or to the Original Contractor, that is furnishing, or will furnish, labor, service, or materials, for the construction of the Improvements, and the nature of such labor, service or materials, is as follows:

_____
_____
_____
_____

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5. Work on the Improvements (including the first delivery of materials and equipment to the Land in connection with the Improvements) actually commenced on _____, 20__ at _____ o'clock _.m.

6. This affidavit has been jointly made by Owner and Original Contractor by and through an authorized representative of each, the same being the undersigned Affiants. This affidavit may be executed in identical counterparts, each of which shall be deemed an original, and all of which, collectively, shall constitute one affidavit.

EXECUTED this _____ day of _____, 20___.

OWNER:

HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By:_____
_____,
___

CONTRACTOR:

_____

By:_____
Name:_____
Title:_____

DRAFT

STATE OF TEXAS §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2017, by _____, ___ of Austin -Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, on behalf of said community center, the manager of Housing First Oak Springs, GP, LLC, a Texas limited liability company, acting in its capacity as general partner of HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership.

_____
Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF _____ §

SUBSCRIBED AND SWORN BEFORE ME, on this ____ day of _____, 20__, by _____, _____ of _____, a Texas _____, on behalf of said _____.

_____
Notary Public, State of Texas

DRAFT

SCHEDULE O

AFFIDAVIT AND CERTIFICATE OF COMPLETION

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE US, the undersigned authorities, on this day personally appeared _____ of _____ ("Architect"), _____, _____ of _____ ("Original Contractor"), and _____, _____ of Austin -Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), manager of Housing First Oak Springs, GP, LLC, general partner of HOUSING FIRST OAK SPRINGS, LP ("Owner"), known by us to be the persons whose names are subscribed below, and who, being by first duly sworn, did on their oath state and certify as follows:

1. Owner, whose address is 1430 College Street, Austin, Texas 78704, is the owner of a leasehold interest in the real property situated in Travis County, Texas, more particularly described on **Exhibit A**, on which real property certain Improvements (herein so called) were constructed and furnished under the original contract with the Original Contractor, whose address is _____.

2. The Improvements under the original contract between the Owner and the Original Contractor (including all on-site and off-site Improvements) have been completed on _____ ___, 2017, in accordance with the approved Plans and Specifications listed on the attached **Exhibit B**.

3. After reasonable investigation, to the best of their knowledge, (a) the Project complies with all applicable restrictive covenants, building codes, permit requirements, and all other applicable laws, ordinances, codes, rules and regulations and (b) no hazardous or toxic substances or materials, as defined under any state, local or federal law have been used on-site in constructing the Improvements or incorporated into the Project, other than in compliance with applicable law.

4. All utility services necessary for the proper operation of the Improvements for its intended purpose are connected to and in sufficient capacity at the Project, including water supply, storm and sanitary sewer facilities and gas (if the Plans and Specifications require the Improvements to be served by gas), electricity and telephone facilities (in the case of Owner, this statement being made to the best of Owner's knowledge).

5. After reasonable investigation, to the best of our knowledge, the condition of the soil of the Project is adequate to support the Improvements.

6. The Improvements are ready for immediate occupancy (in the case of Owner, this statement being made to the best of Owner's knowledge).

Architect did and does hereby additionally state and certify as follows:

(a) Design and as built conditions for the Project are such that no drainage or surface or other water other than normal surface drainage will drain across or rest upon either the Project or land of others; and

(b) None of the Improvements creates or will create an encroachment over, across or upon any of the Premises boundary lines, building liens, setbacks, rights-of-way or easements.

(c) None of the Improvements creates or will create an encroachment over, across or upon any of the Project boundary lines, building liens, setbacks, rights-of-way or easements, and no buildings or other Improvements on adjoining land create such an encroachment.

The Owner did and does hereby additionally state and certify as follows: All roads and rights-of-way necessary for the utilization of the Project for its intended purposes have been completed or acquired.

7. Notice. ANY SUBCONTRACTOR OR OTHER LIEN CLAIMANT MAY NOT HAVE A LIEN ON RETAINED FUNDS UNLESS THE CLAIMANT FILES AN AFFIDAVIT CLAIMING A LIEN NO LATER THAN THE 30TH DAY AFTER THE DATE OF COMPLETION.

AFFIANT "ARCHITECT":

_____

SUBSCRIBED AND SWORN BEFORE ME, on this ____ day of _____, 20___ by _____.

_____

Notary Public, State of Texas

DRAFT

AFFIANT "ORIGINAL CONTRACTOR":

_____

By:_____
Name:_____
Title:_____

SUBSCRIBED AND SWORN BEFORE ME, on this ____ day of _____, 20__ by _____.

_____
Notary Public, State of Texas

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AFFIANT "OWNER":

HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By:_____
_____,
___

STATE OF TEXAS §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2017, by David Evans, ___ of Austin -Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, on behalf of said community center, the manager of Housing First Oak Springs, GP, LLC, a Texas limited liability company, acting in its capacity as general partner of HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership.

_____
Notary Public, State of Texas

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Exhibit C

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,

BOKF, NA,
as Trustee,

and

HOUSING FIRST OAK SPRINGS, LP

as Owner

Dated as of December 1, 2017

Relating to

$11,500,000
AUSTIN HOUSING FINANCE CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(HOUSING FIRST OAK SPRINGS APARTMENTS PROJECT)
SERIES 2017

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TABLE OF CONTENTS

Page

Section 1A. Acquisition, Construction and Equipping of the Project 6
Section 2. Tax-Exempt Status of the Bonds 6
Section 3. Modification of Tax Covenants 11
Section 4. Residential Development 12
Section 5. [Reserved] 13
Section 6. Consideration 13
Section 7. Reliance 13
Section 8. Project in Travis County, Texas 13
Section 9. Sale or Transfer of the Project 13
Section 10. Term 14
Section 11. Covenants To Run With the Land 15
Section 12. Burden and Benefit 15
Section 13. Uniformity; Common Plan 15
Section 14. Default; Enforcement 15
Section 15. The Trustee 16
Section 16. Recording and Filing 17
Section 17. Reimbursement of Expenses 17
Section 18. Governing Law 17
Section 19. Amendments 17
Section 20. Notices 17
Section 21. Severability 17
Section 22. Multiple Counterparts 17
Section 23. Authorization to Act for Issuer 17
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

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REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS REGULATORY AND LAND USE RESTRICTION AGREEMENT (as the same may be amended, modified or supplemented, this "Agreement" or this "Regulatory Agreement") dated as of December 1, 2017, among the Austin Housing Finance Corporation, a public non-profit housing finance corporation organized and existing under the laws of the State of Texas (together with its successors and assigns, the "Issuer"), BOKF, NA, a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor or trustee under the Indenture (as defined below) and their respective successors and assigns, the "Trustee") under the hereinafter-defined Indenture, and Housing First Oak Springs, LP, a limited partnership organized and existing under the laws of the State of Texas (together with its permitted successors and assigns, the "Owner"),

W I T N E S S E T H:

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, construction 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 its Multifamily Housing Revenue Bonds (Housing First Oak Springs Apartments Project) Series 2017 in the original aggregate principal amount of $11,500,000 (the "Bonds"), and making a loan to the Owner of proceeds of the Bonds, upon the terms and conditions set forth in the Loan Agreement (as hereinafter defined);

WHEREAS, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and the federal income tax regulations (including temporary 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, construction, ground leasing, 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, and intending to be legally bound hereby, the Issuer, the Trustee and the Owner hereby agree as follows:

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

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

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

"Agreement" or "Regulatory Agreement" means this Regulatory and Land Use Restriction Agreement, as it may be amended, modified or supplemented 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.

"Bondholder Representative" has the meaning set forth in the Indenture.

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

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

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

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Issuer, the Trustee and the Bondholder Representative, 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 income tax purposes

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

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

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

"Inducement Date" means August 4, 2016.

"Installment Computation Date" means the last day of each fifth year, commencing January 31, 2022, 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 Loan Agreement.

"Loan Agreement" means the Loan Agreement of even date herewith between the Issuer and the Owner related to the Bonds as may be amended, modified, supplemented or restated from time to time to the extent permitted by the Indenture and the Loan 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, the Trustee and the Bondholder Representative 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 Issuer 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 of 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; provided, however, the parties hereto acknowledge and agree that owner holds a leasehold interest in the real property described in Exhibit A, and not the fee estate.

"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; provided however, that parties hereto acknowledge and agree that ownership holds a leasehold interest in the real property described in Exhibit A, and not the fee estate.

"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 3 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 Bond Closing Date and ending on the later of (i) the date which is 15 years after the Bond 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 6-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, Construction 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 6 months after the Bond Closing Date, a substantial binding obligation to commence the construction of Project Facilities, pursuant to which the Owner is or will be obligated to expend at least 5 % of the Sale Proceeds of the Bonds.

(b) The Owner's reasonable expectations respecting the total cost of the acquisition, ground leasing, construction and equipping of the Project are accurately set forth in the Tax Certificate and any attachments thereto.

(c) The Owner has commenced or will commence the acquisition, construction and equipping of the Project and will proceed with due diligence to complete the same.

(d) The Owner reasonably expects to expend not less than 85 % of the Sale Proceeds of the Bonds for Project Costs prior to the date that is 3 years after the Bond 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 reimbursement documents, 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 Project 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% or more of the aggregate disbursements from such fund.

(g) The Owner (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the Proceeds of the Bonds to be applied in a manner contrary to the requirements of the Indenture, the Loan Agreement or this Regulatory Agreement. The Owner acknowledges that such requirements have been designed for the purpose of ensuring compliance with the provisions of the Act or the Code applicable to the Owner and the Project.

Section 2. Tax-Exempt Status of the Bonds. The Owner shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from the gross income (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, Trustee and the Bondholder Representative 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% 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% 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% 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% for 15%). 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% 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 Agreement, the Owner shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement relating to the Bonds, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of Bonds, unless prior to taking any action described in this subsection (c), the Owner has obtained and delivered to the Trustee a Favorable Opinion of Bond Counsel.

(d) The Owner shall not, at any time prior to the final maturity of the Bonds, direct or permit the Trustee to invest Gross Proceeds of the Bonds in any Investment (or to use Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such

investment exceeds the Yield of the Bonds to Stated Maturity, except as permitted by section 148 of the Code or as provided in the Tax Certificate.

(e) Except to the extent permitted by section 149(b) of the Code, neither the Issuer nor the Owner shall take or omit to take any action which would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(f) (i) Unless the Owner delivers to the Issuer, the Trustee and the Bondholder Representative a Favorable Opinion of Bond Counsel that the Owner does not need to comply with this Section 2(f), the Owner shall cause to be delivered, to the Trustee, within 25 days after each Computation Date:

(A) a statement of the Rebate Amount, if any, 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) if a Rebate amount is due, 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 2(f)(ii) 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% 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 2(f) for at least 6 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 in connection with computing the Rebate Amount.

(g) The Owner covenants and agrees that not more than 50% 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% of the spendable Proceeds of the Bonds will be used to carry out the governmental purposes of such issue of Bonds within the 3-year period beginning on the Bond 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);

(vi) The Owner will give preference in renting Units to tenants with chronic mental health and substance abuse issues who are also Low-Income Tenants as provided herein, and will operate and lease the Project in a manner that is consistent with housing policy governing nondiscrimination, as evidenced by rules or regulations of the Department of Housing and Urban Development (HUD) (24 CFR subtitle A and Chapters I through XX), which generally provide that no discrimination can be made on the basis of race, color, religion, sex, national origin, age, familial status, disability and handicap (see HUD handbook 4350.03, or its successor).

;

(vii) At no time during the term specified above will any Unit in any building or structure in the Project which contains fewer than 5 Units be occupied by the Owner;

(viii) 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 30 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;

(ix) 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 2(i); 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) and 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, with a copy to the Bondholder Representative, 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, with a copy to the Bondholder Representative, a certificate certifying (i) within 90 days thereof, the date on which 10% of the Units in the Project are occupied; and (ii) within 90 days thereof, the date on which 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, with the prior written consent of the Bondholder Representative, hereby agree upon the written request of one of the parties hereto, to amend this Agreement and, if appropriate, the Indenture and the Loan Agreement, to the extent required, in the written opinion of Bond Counsel delivered to the Issuer, the Owner, the Trustee and the Bondholder Representative, 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 and the Bondholder Representative 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, the Issuer and the Bondholder Representative, 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 3, 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 3; provided, however, that the Trustee shall take no action under this Section 3 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, 10 Business Days after delivery of such notice to comply with the requirements of this Section 3.

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 at least 90% of the Units shall be rented to Eligible Tenants and that the Owner shall not rent or lease any Unit to a person not an Eligible Tenant if such rental would cause less than 90% of the Units 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 3 years following the end of the Qualified Project Period;

(iii) To obtain from each tenant in the Project, at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance that (A) such lease is subordinate to the Mortgage and this Regulatory Agreement, (B) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (C) the family income and eligibility requirements of this Agreement and the Loan Agreement are substantial and material obligations of tenancy in the Project, (D) such tenant will comply promptly with all requests for information with respect to such requirements from the Owner, the Trustee and the Issuer, and (E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Project;

(iv) To cause to be prepared and submitted to the Issuer, the Trustee and the Bondholder Representative on the 1st day of the Qualified Project Period, and thereafter by the 20th 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, the Trustee or the Bondholder Representative (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, construct, 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 the City of 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 Agreement and this Regulatory Agreement, 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 the Loan Agreement and this Regulatory Agreement are met or are waived in writing by the Issuer, including (1) there is delivered to the Trustee, the Issuer and the Bondholder Representative a written Opinion of Counsel satisfactory to the Trustee, the Issuer and the Bondholder Representative, addressed to the Trustee, the Issuer and the Bondholder Representative concluding that the transferee has duly assumed all of the rights and obligations of the Owner under the Loan Agreement (to the extent still in effect) 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 Trustee, the Issuer and the Bondholder Representative 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 the Loan Agreement (to the extent still in effect) and this Regulatory Agreement, and (4) the Issuer shall not have any reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements and instruments binding on such proposed purchaser or assignee relating to the Project, including but not limited to the Loan Agreement (to the extent still in effect) and this Regulatory Agreement. The Owner hereby expressly stipulates and agrees that any sale, transfer or other disposition of the Project in violation of this subsection shall be ineffective to relieve the Owner of its obligations under this Agreement. Upon any sale, transfer or other disposition of the Project in compliance with this Agreement, the Owner so selling, transferring or otherwise disposing of the Project shall have no further liability for obligations under the Loan Agreement or this Regulatory Agreement arising after the date of such disposition. The foregoing notwithstanding, the duties and obligations of the Owner as set forth in the Loan Agreement and this Regulatory Agreement 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.

The Owner shall not change or cause to be changed the general partner of the Owner (or cause the Owner to have more than one general partner) without the prior written consent of the President, Vice President or Treasurer of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, the general partner of the Owner may be removed and replaced by any partner or member of the Owner or any of its affiliates, in accordance with the Owner's partnership agreement, as it may be amended from time to time, and subject to the satisfaction of the requirements of the Loan Agreement.

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 10, shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture.

The terms of this Regulatory Agreement to the contrary and notwithstanding, this Regulatory Agreement, the Loan 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 Bond 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 federal income 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. Subject to the provisions of the Intercreditor Agreement and Section 7.9 of the Loan Agreement, 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 written opinion of Bond Counsel delivered to the Trustee and the Bondholder Representative, the failure to cure said default within 60 days will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Issuer and the Trustee agree that a cure of any Event of Default made or tendered by any partner or member of Owner, or a guarantor of any of Owner's obligations, 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 14, 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, the Owner and the Bondholder Representative 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. No implied covenants shall be read into this Agreement against the Trustee. 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 9 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 Loan Agreement and defeasance or termination of the Indenture.

Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence, bad faith, fraud or willful misconduct. No provision of this Regulatory Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that the payment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall examine all documents prepared by the Owner 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 covenants herein). The Trustee shall

notify the Issuer, the Owner and the Bondholder Representative in writing if the Trustee does not receive any document from the Owner 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 or redemption of the Bonds and notwithstanding a discharge of the Indenture, throughout the term of this Regulatory Agreement, the Owner shall continue to pay to the Issuer and the Trustee reimbursement for all fees and expenses actually incurred thereby required to be paid to the Issuer and the Trustee by the Owner pursuant to the Loan Agreement.

Section 18. Governing Law. This Regulatory Agreement shall be governed by the laws of the State (other than in respect of conflicts of laws). The Trustee's rights, duties, powers and obligations hereunder are governed in their entirety by the terms and provisions of this Agreement and the Indenture.

Section 19. Amendments. Subject to the provisions of Section 3 hereof, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto, or their successors in title and duly recorded in the real property records of Travis County, Texas and only upon receipt by the Issuer, the Owner and the Trustee of (i) the prior written consent of the Bondholder Representative, and (ii) a Favorable Opinion of Bond Counsel regarding such amendment.

Section 20. Notices. Any notice required to be given hereunder to the Issuer, the Trustee, the Investor Limited Partner, the Bondholder Representative 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 may authorize the Owner to take on behalf of the Issuer actions required or permitted to be taken by it hereunder, or under the Indenture and the Loan Agreement and to make on behalf of the Issuer all elections and determinations required or permitted to be made by the Issuer hereunder or under the Indenture and the Loan Agreement. In addition, to the extent allows by law, the Issuer may authorize the Owner to exercise, on behalf of the Issuer, any election with respect to the Bonds pursuant to the Code or the Regulations, and in such case, the Issuer will cooperate with the Owner and execute any form of statement required by the Code or the Regulations required to effectuate any such election. Any authorization by the Issuer under this Section 23 shall be in writing.

[EXECUTION PAGES FOLLOW]

DRAFT

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: Rosie Truelove
Title: Treasurer

DRAFT

BOKF, NA, as Trustee

By: _____
Name: Kathy McQuiston
Title: Vice President

DRAFT

HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By:_____

_____

___

DRAFT

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This Regulatory Agreement was acknowledged before me on _____, 2017, by Rosie Truelove, Treasurer 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)

DRAFT

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2017, by Kathy McQuiston, Vice President of BOKF, NA.

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

_____
Notary Public Signature

My Commission expires: _____

(Personalized Seal)

DRAFT

ACKNOWLEDGMENT

STATE OF _____ §
§
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2017, by _____, ____ of Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, on behalf of said community center, the manager of Housing First Oak Springs, GP, LLC, a Texas limited liability company, acting in its capacity as general partner of HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

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

_____
Notary Public Signature

My Commission expires: _____

(Personalized Seal)

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EXHIBIT A

Legal Description for Title Commitment attached on next page

DRAFT

EXHIBIT B

PROJECT AND OWNER

Owner:	Housing First Oak Springs, LP
Project Site:	3000 Oak Springs Drive, Austin, Texas
Project Facilities	50 units of multifamily rental housing.

DRAFT

EXHIBIT C

TENANT INCOME CERTIFICATION

Austin Housing Finance Corporation

Multifamily Housing Revenue Bonds

(Housing First Oak Springs Apartments Project)

Series 2017

DRAFT

INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other*: _____

Effective Date: _____
Move-in Date: _____ (MM/DD/YYYY)
*Transfer from Unit:

PART I – DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____
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 If over $5000 $ _____ — Passbook Rate *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 (L) on page 1 $ _____

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

☐	HTC or Exchange	☐	30%	☐	40%	☐	50%	☐	60%	☐	OI***	
☐	TCAP	☐	30%	☐	40%	☐	50%	☐	60%	☐	OI***	
☐	HOME	☐	30%	☐	40%	☐	50%	☐	60%	☐	80%	☐ OI***
☐	BOND	☐	30%	☐	50%	☐	60%	☐	80%	☐	OI***	☐ ET
☐	HTF	☐	ELI	☐	VLI	☐	LI	☐	OI***			
☐	NSP	☐	30%	☐	40%	☐	50%	☐	60%	☐	80%	☐ 120%
☐	CDBG	☐	30%	☐	40%	☐	50%	☐	60%	☐	80%	☐ 120%
☐	Other _____	☐										

*** 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.

☐	HTC or Exchange	☐	30%	☐	40%	☐	50%	☐	60%
☐	TCAP	☐	30%	☐	40%	☐	50%	☐	60%
☐	HOME	☐	Low HOME	☐	High HOME	☐	_____		
☐	BOND	☐	30%	☐	50%	☐	60%	☐	80%
☐	HTF	☐	30%	☐	50%	☐	60%	☐	80%
☐	NSP	☐	30%	☐	40%	☐	Low HOME	☐	High HOME
☐	CDBG	☐	30%	☐	40%	☐	Low HOME	☐	High HOME
☐	Other _____	☐	_____						

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

ARE ALL OCCUPANTS FULL TIME STUDENTS?

☐ Yes ☐ No

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

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
1000 E. 11th Street
Austin, Texas 78702
Attention: Program Manager

Austin Housing Finance Corporation
Multifamily Housing Revenue Bonds
(Housing First Oak Springs Apartments Project)
Series 2017

Housing First Oak Springs, LP (the "Owner"), hereby represents and warrants that:

1. A review of the activities of the Owner during the period of _____ through _____ and of then Owner's performance under the Loan Agreement has been made under the supervision of the undersigned.

2. The Owner owns Housing First Oak Springs Apartments Project (the "Project").

3. The Project was financed, in substantial part, as a result of the 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 [_____], 2017, among the Owner, Austin Housing Finance Corporation (the "Issuer") and _____, as Trustee (the "Trustee"); and (2) the Loan Agreement, dated as of [_____], 2017, among the Owner, the Trustee and the Issuer (the "Loan Agreement"). The Regulatory Agreement was executed, delivered, and recorded against the Project in connection with the issuance of the Bonds. Hereinafter, unless otherwise expressly provided herein or unless the context requires otherwise, the capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Regulatory Agreement.

5. The Project's Qualified Project Period with respect to the project, the period beginning on the Bond Closing Date and ending on the later of (i) the date which is 15 years after the Bond 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 Bond 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.

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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.

DRAFT

HOUSING FIRST OAK SPRINGS, LP, a Texas limited partnership

By: Housing First Oak Springs, GP, LLC, a Texas limited liability company, its General Partner

By: Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care), a community center created pursuant to Chapter 534 of the Texas Health and Safety Code, its manager

By:_____

_____

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Exhibit D

Assignment

[Housing First Oak Springs]

PREPARED BY, AND AFTER
RECORDING RETURN TO:

Greenberg Traurig LLP
1000 Louisiana, Suite 1700
Houston, Texas 77002
Attention: Wayne A. Yaffee, Esq.

ASSIGNMENT OF DEED OF TRUST AND LOAN DOCUMENTS

KNOW ALL PERSONS BY THESE PRESENTS:

That **AUSTIN HOUSING FINANCE CORPORATION** (herein designated as the "Assignor"), is made as of December 1, 2017, to be effective as of the date of delivery of the Loan Agreement, for and in consideration of the sum of One Dollar ($1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does by these presents assign to the "Assignee" designated on Schedule 1 attached hereto (herein designated as the "Assignee") without recourse, warranty or representation of Assignor and excluding the Unassigned Issuers Rights of Assignor as provided in the Trust Indenture between Assignor and Assignee dated as of December 1, 2017, to be effective as of the date of delivery of the Agreement all of the Assignor's right, title and interest in and to, subject to the reserved rights stated therein, (i) the instruments ("Assigned Instruments") described on Schedule 1 attached hereto, and (ii) all other documents, instruments, rights and privileges described on Schedule 2 attached hereto to the extent Assignor has an interest in the same.

TOGETHER with the Note described in the Assigned Instruments, and the money due and to become due thereon, with the interest thereon. TO HAVE AND TO HOLD the same unto the said Assignee forever, subject only to all the provisions contained therein. AND the said Assignor hereby constitutes and appoints the Assignee as the Assignor's true and lawful attorney-in-fact, irrevocable in law or in equity, in the Assignor's name, place and stead, but at Borrower's cost and expense, to have, use and take all lawful ways and means for the recovery of all of the said money and interest; and in case of payment, to discharge the same as fully as the Assignor might or could if these presents were not made.

In all references herein to any parties, persons, entities or corporations the use of any particular gender on the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

IN WITNESS WHEREOF, the said Assignor has hereunto set its hand or caused these presents to be signed by its proper corporate officer as of the date first set forth above.

AUSTIN HOUSING FINANCE CORPORATION

By: _____

Rosie Truelove, Treasurer

DRAFT

STATE OF TEXAS)
)
COUNTY OF TRAVIS)

Before me, _____, on this day personally appeared Rosie Truelove, known to me to be the person whose name is subscribed to the foregoing instrument, and known to me to be the Treasurer of AUSTIN HOUSING FINANCE CORPORATION, duly organized and existing under the laws of the State of Texas, and acknowledged to me that he/she executed said instrument for the purposes and consideration therein expressed. Given under my hand and seal of office this __ day of _____, 2017.

_____
Notary Public

(SEAL)

My Commission Expires:

_____

DRAFT

SCHEDULE 1
TO
ASSIGNMENT OF DEED OF TRUST AND LOAN DOCUMENTS

"ASSIGNEE" (AND ADDRESS):

BOKF, NA, a national banking association,
As Trustee under that certain Trust Indenture
dated as of December 1, 2017
Corporate Trust Department
5956 Sherry Lane, Suite 1201
Dallas, Texas 75225
Attn: Kathy McQuiston, Vice President and Trust Officer

ASSIGNED INSTRUMENTS:

1. Multifamily Note by Housing First Oak Springs, LP, a Texas limited partnership ("Borrower"), to AUSTIN HOUSING FINANCE CORPORATION ("Issuer") is made as of December 1, 2017, to be effective as of the date of delivery of the Loan Agreement, in the original principal sum of $11,500,000.00.

2. Construction Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, is made as of December 1, 2017, from Borrower for the benefit of Issuer, which Instrument was recorded as Clerk's File No. _____ on _____, 2017, in the office of the County Clerk of Travis County, Texas and which encumbers the leasehold interest in the real property (and improvements thereon) which is particularly described in the attached Exhibit A.

DRAFT

SCHEDULE 2
TO
ASSIGNMENT OF DEED OF TRUST AND LOAN DOCUMENTS

Each of the following are made as of December 1, 2017, to be effective as of the date of delivery of the Loan Agreement.

1. The Loan Agreement.

2. Payment and Guaranty (Housing First Oak Springs, GP, LLC and Austin-Travis County Mental Health and Mental Retardation Center (d/b/a Integral Care))

3. Collateral Assignment of Rights to Tax Credits and Partnership Interests.

4. Certificate and Indemnity Agreement Regarding Hazardous Substances.

5. Any and all other Loan Documents or Bond Documents (each as defined in the Loan Agreement) in connection with the transaction whereby proceeds of the Assignor's Multifamily Housing Revenue Bonds (Housing First Oak Springs Project) Series 2017 in the amount of $11,500,000.00 will be loaned by Assignor to Borrower.

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EXHIBIT A

<u>Property</u>

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