

OFFICIAL STATEMENT

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATING: Moody's: "Aaa/VMIG 1"
(See "RATING")**

In the opinion of Bryant Miller Olive P.C., Washington, D.C., Bond Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds (as defined herein) is excluded from gross income for federal income tax purposes except that such exclusion shall not apply to interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the Project financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Additionally, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.

\$11,560,000
DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
MULTIFAMILY HOUSING REVENUE BONDS
(PENTACLE APARTMENTS PROJECT)
SERIES 2008



Dated: Date of Delivery **Price: 100%** **CUSIP: 25477PJN6** **Maturity: November 1, 2038**

The above-captioned bonds (the "Bonds") are being issued by the District of Columbia Housing Finance Agency (the "Issuer"), a political subdivision, duly organized and existing under the laws of the District of Columbia (the "District"), in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Bonds may be purchased only in book-entry form in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof during any Variable Period. Purchasers of Bonds will not receive physical certificates representing their ownership interest in such Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Bondholders shall mean Cede & Co. and shall not mean the ultimate purchasers of the Bonds. See "THE BONDS - Book-Entry Only System." The Bonds will bear interest at the Variable Rate to be determined on a weekly basis until converted to a Reset Rate or a Fixed Rate, all as described herein. While the Bonds bear interest at the Variable Rate, interest on the Bonds will be payable on the first Business Day of each month, commencing December 1, 2008 (each an "Interest Payment Date"). So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal of, premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee, Cede & Co., by U.S. Bank National Association (the "Trustee"). Disbursements of such payments to DTC's Participants are the responsibility of DTC.

The Bonds are being issued by the Issuer to provide funding for a mortgage loan (the "Bond Mortgage Loan") to Pentacle Limited Partnership, a District of Columbia limited partnership (the "Owner"), the proceeds of which will be applied along with certain other moneys, to finance the acquisition, rehabilitation and equipping of a 167-unit residential apartment facility into a 182-unit apartment complex, known as Pentacle Apartments (the "Project"), located in the District of Columbia. The Bonds are being issued pursuant to a Trust Indenture dated as of November 1, 2008 (the "Indenture"), between the Issuer and the Trustee. The Bond Mortgage Loan will be made pursuant to a Financing Agreement dated as of November 1, 2008 (the "Financing Agreement"), among the Issuer, the Trustee and the Owner.

Freddie Mac

The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac") is expected, prior to closing, to provide credit enhancement for payments of principal and interest under the Bond Mortgage Loan and payments of the Purchase Price of the Bonds through the issuance of a direct-pay Credit Enhancement Agreement (the "Credit Enhancement Agreement" or "Credit Facility") between the Trustee and Freddie Mac. The Credit Enhancement Agreement will terminate on November 6, 2028 (unless earlier terminated or extended as provided therein), or upon the earlier redemption or purchase in lieu thereof of the Bonds, or upon substitution of an Alternate Credit Facility under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and Appendix G hereto.

The Bonds will be subject to mandatory purchase by the Trustee acting as Tender Agent on any date on which an Alternate Credit Facility is to be exchanged for the Credit Facility then in effect or on any date upon which the interest rate on the Bonds is converted to a Reset Rate or a Fixed Rate. The Bonds will be subject to redemption prior to their stated maturity date at the price, on the terms and upon the occurrence of the events described herein.

This Official Statement describes the Bonds only during the initial Variable Period for the Bonds while the Bonds are secured by the Credit Enhancement Agreement described herein. Unless supplemented or restated, this Official Statement should not be relied upon after the date on which the interest rate on the Bonds is adjusted to a Reset Rate or to a Fixed Rate or the Bonds are secured by an alternate credit enhancement.

THE BONDS, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND ASSETS OF THE ISSUER PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE AND FROM NO OTHER REVENUES OR ASSETS OF THE ISSUER. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE DISTRICT OF COLUMBIA, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT OF COLUMBIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

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

This cover page of the Official Statement contains certain information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of validity by Bryant, Miller Olive P.C., Washington D.C., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Freddie Mac by its Legal Division and by its special counsel, Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C., for the Owner by its counsel, Powell Goldstein LLP, Washington, D.C., for the Trustee by its counsel, Kutak Rock LLP, Washington, D.C., for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. and for the Issuer by Harry T. Alexander, Jr. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about November 24, 2008.

SIEBERT BRANDFORD SHANK & CO., L.L.C.

November 14, 2008

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the Appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the issuance of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter.

The information set forth in this Official Statement has been obtained from the Owner, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information provided from sources other than the Owner or the Underwriter, and nothing contained herein is or shall be relied upon as a guarantee of the Issuer, the Owner or the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.

Freddie Mac has not provided or approved any information in this Official Statement except with respect to the descriptions under the caption "FREDDIE MAC," and takes no responsibility for any other information contained in this Official Statement. Freddie Mac makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to entering into the Credit Enhancement Agreement described herein.

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

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision investors must rely on their own examination of the Issuer, the Bonds, the Credit Enhancement Agreement and the terms of the issuance, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

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

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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\$11,560,000
DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY
MULTIFAMILY HOUSING REVENUE BONDS
(PENTACLE APARTMENTS PROJECT)
SERIES 2008

INTRODUCTION

The following is a summary of certain information contained in this Official Statement, to which reference should be made for a complete statement thereof. The Bonds are described to potential investors only by means of the entire Official Statement. Capitalized terms used but not defined herein shall have the meanings ascribed to them as set forth under “Appendix A – Definitions of Certain Terms.”

This Official Statement describes the Bonds only during the initial Variable Period while the Bonds are secured by the Credit Enhancement Agreement described herein. Unless supplemented or restated, this Official Statement should not be relied upon after the date on which the interest rate on the Bonds is adjusted to a Reset Rate or to a Fixed Rate or the Bonds are secured by an alternate credit enhancement.

General

The Bonds are being issued pursuant to District of Columbia Housing Finance Agency Act (District of Columbia Law 2-135, District of Columbia Code §42-2701.01 *et seq.*), as amended (the “Act”), and a Trust Indenture dated as of November 1, 2008 (the “Indenture”), between the District of Columbia Housing Finance Agency (the “Issuer”), a corporate body and an instrumentality of the District of Columbia (the “District”), and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued by the Issuer to provide funding for a mortgage loan (the “Bond Mortgage Loan”) to Pentacle Limited Partnership, a District of Columbia limited partnership (the “Owner”), the proceeds of which will be applied along with certain other moneys, to finance the acquisition, equipping and rehabilitation of a 167-unit residential apartment facility into a 182-unit apartment complex, known as Pentacle Apartments (the “Project”), located in the District. See “THE PROJECT AND THE PRIVATE PARTICIPANTS.”

The Bond Mortgage Loan will be made pursuant to the Financing Agreement dated as of November 1, 2008 (the “Financing Agreement”), among the Issuer, the Trustee and the Owner. The Bond Mortgage Loan will be evidenced by the multifamily note dated the Delivery Date (the “Bond Mortgage Note”), executed by the Owner. The Bond Mortgage Note will be payable to the Issuer and assigned to the Trustee and will be secured by a first lien Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of November 1, 2008, together with all riders and addenda thereto (the “Bond Mortgage”), for the benefit of the Issuer and assigned to the Trustee.

The Project will receive interest reduction payments (the “Interest Reduction Payments”) under an Agreement for Interest Reduction Payments (the “IRP Agreement”) between and among the Owner, the Issuer and the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commission (“HUD”). The Interest Reduction Payments will be paid to the Servicer (as defined herein). See “CERTAIN BONDHOLDERS’ RISKS—Termination of Payments under the IRP Agreement” and “ESTIMATED SOURCES AND USES OF FUNDS—Interest Reduction Payments.”

Security for the Bonds

The principal of or Purchase Price of, and interest on the Bonds are payable from the payments under the Credit Enhancement Agreement dated as of November 1, 2008 (the “Credit Enhancement Agreement”), the form of which is attached as “APPENDIX G – PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT,” between the Trustee and Freddie Mac, and from any other revenues pledged under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are secured primarily by the right to receive certain payments pursuant to the Credit Enhancement Agreement, as described below. The Credit Enhancement Agreement provides credit enhancement for the Bond Mortgage Loan financed with the proceeds of the Bonds. The Credit Enhancement Agreement does not guaranty the Bond Fee Component (except for the Issuer’s Fee). The Credit Enhancement Agreement is not available to pay any premium due with respect to the Bonds. See “APPENDIX A – DEFINITIONS OF CERTAIN TERMS” and “APPENDIX G – PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT.”

On the date of issuance of the Bonds, the Owner will cause the Credit Enhancement Agreement to be delivered to the Trustee by Freddie Mac. The Credit Enhancement Agreement will terminate on November 6, 2028, or earlier under certain conditions, and may be replaced at or prior to termination in accordance with the Indenture. The Credit Enhancement Agreement will provide (i) draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan and (ii) liquidity draws by the Trustee to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (see “THE BONDS – Mandatory Tender and Purchase of Bonds” herein).

The Owner has agreed with Freddie Mac to execute and deliver a Reimbursement and Security Agreement, dated as of November 1, 2008 (the “Reimbursement Agreement”), by and between Freddie Mac and the Owner, in consideration of Freddie Mac’s entering into the Credit Enhancement Agreement, and to reimburse Freddie Mac for Guaranteed Payments.

To secure its obligation under the Reimbursement Agreement, the Owner will execute and deliver a second Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of November 1, 2008 (the “Reimbursement Mortgage”), for the benefit of Freddie Mac.

Pursuant to an Intercreditor Agreement dated as of November 1, 2008 (the “Intercreditor Agreement”), among the Issuer, the Trustee and Freddie Mac with respect to the Bonds, neither the Trustee nor the Bondholders will have the right to exercise remedies under the Bond Mortgage while the Credit Enhancement Agreement secures the Bonds and Freddie Mac continues to honor its obligations thereunder. So long as Freddie Mac is not in default in its payment obligations under the Credit Enhancement Agreement, Freddie Mac will control and will have the right to exercise the remedies under the Bond Mortgage and Freddie Mac may direct the Trustee to assign the Trustee’s interests in the Bond Mortgage Loan, including the Bond Mortgage Note, the Bond Mortgage and the other Bond Mortgage Loan Documents to Freddie Mac at any time.

The Project is required to be rented in compliance with certain sections of the Internal Revenue Code of 1986, as amended (the “1986 Code”). The Owner has entered into the Tax Regulatory Agreement, dated as of November 1, 2008 (the “Tax Regulatory Agreement”), among the Issuer, the Trustee and the Owner, pursuant to which the Owner has agreed to comply with the requirements of the 1986 Code relating to the operation of the Project as a qualified residential rental project, including the requirement that at least 40% of the units be occupied by individuals or families whose income does not exceed 60% (adjusted for family size) of the median gross income for the area in which the Project is located. See “SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY

AGREEMENT.” The Project will also be subject to a separate regulatory agreement in connection with Low Income Housing Tax Credits and a use agreement in connection with the IRP Agreement. See “THE PROJECT AND THE PRIVATE PARTICIPANTS – Low Income Housing Limitations.”

Red Capital Markets, Inc. has been appointed to serve as remarketing agent (the “Remarketing Agent”) for the Bonds under the terms of a Remarketing Agreement, dated as of the date of the Indenture (the “Remarketing Agreement”), by and between the Remarketing Agent and the Owner. The Trustee, in its capacity as tender agent (the “Tender Agent”), will perform certain services in connection with the purchase of tendered Bonds.

THE BONDS, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND ASSETS OF THE ISSUER PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE AND FROM NO OTHER REVENUES OR ASSETS OF THE ISSUER. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE DISTRICT OF COLUMBIA, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT OF COLUMBIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

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

Additional Information

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Owner, the Project, the Indenture, the Financing Agreement, the Intercreditor Agreement, the Tax Regulatory Agreement, the Reimbursement Agreement, the Bond Mortgage Loan and the Bond Mortgage are included in this Official Statement. The form of the Credit Enhancement Agreement is attached as “APPENDIX G – PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT.” All references herein to the Indenture, the Financing Agreement, the Intercreditor Agreement, the Tax Regulatory Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Bond Mortgage and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee.

THE ISSUER

The Issuer

The Issuer is a corporate body and an instrumentality of the District of Columbia (the “District”), created under the District of Columbia Housing Finance Agency Act, Chapter 27 of Title 42 of the District of Columbia Code, as amended (the “Act”). The Bonds do not constitute obligations of the District, but are special limited obligations of the Issuer payable solely from and secured by the revenues and properties of the Issuer pledged under the Resolutions and not from any other revenues or property of the Issuer, and do not constitute an indebtedness or obligation (legal, general, moral, special or otherwise) of the District. Neither the full faith and credit nor the taxing power of the District is pledged for the payment of the principal of, premium, if any, or interest on, the Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Issuer, and none of the Bonds or any of the agreements or obligations of the Issuer shall be construed to constitute an indebtedness of the District within the meaning of any constitutional or statutory provision whatsoever. The Issuer has no taxing power. See “SECURITY FOR THE BONDS.”

General

The Issuer was established in 1979 pursuant to the Act as a corporate body which has a legal existence separate from the government of the District but which is an instrumentality of the government of the District created to effectuate certain public purposes. The Act declares that there exists in the District a critical shortage of adequate housing for low and moderate income families, and empowers the Issuer to generate funds from private and public sources to increase the supply and lower the cost of funds available for residential mortgages and construction loans and thereby help alleviate the shortage of adequate housing. The principal office of the Issuer is located at 815 Florida Avenue, N.W., Washington, D.C., 20001; telephone (202) 777-1600.

From the Issuer’s inception to September 30, 1992, the Issuer’s operations were primarily funded by interest-bearing, unsecured advances appropriated by the District. The unsecured advances were to be repaid from income of the Issuer in excess of operating expenses in future years, to the extent such net income is available for such repayment. Pursuant to Public Law 104-194 (enacted September 9, 1996), the appropriated debt of the Issuer including interest thereon was eliminated. Since October 1, 1992, the Issuer’s operating expenses have been funded solely from income derived from certain multifamily financial activities, other financial activities of the Issuer and certain program income derived from its Collateralized Single Family Mortgage Revenue Bond Programs.

Board of Directors

The Act provides for the Issuer to be governed by a Board of Directors (the “Board”) consisting of five members appointed by the Mayor with the advice and consent of the Council of the District of Columbia (the “Council”). The current members of the Board are as follows:

Chairperson – Michael L. Wheat

Michael L. Wheat is a Managing Director in the Public Finance Department of Merrill Lynch & Co. He has been with Merrill Lynch since February 2004. Prior to joining Merrill Lynch, Mr. Wheat, from 1993 to 2004, was a Director in the Public Finance Department of Citigroup Global Markets Inc. (formerly named Salomon Smith Barney), a New York based investment bank. Mr. Wheat was also a Vice President with Lazard Freres and Co. where he was responsible for several of that firm’s financial advisory clients, including the District of Columbia and the Metropolitan Washington Airports Authority.

Prior to becoming an investment banker, Mr. Wheet was a lawyer and local government official in the District. During the period from 1981-1986, he was employed in the Office of the Deputy Mayor for Finance, where he worked on the District's reentry into the capital markets through the first sale of bonds by the city in the twentieth century. During his employment with the District, he was responsible for overseeing the issuance of over \$1 billion of general obligation and revenue bonds by the District. He has also been employed as an attorney by two national law firms engaged in the practice of municipal finance and state and local government law from 1979-1981 and from 1986-1988. Mr. Wheet is a graduate of the University of Pennsylvania Law School, from which he received a Juris Doctorate degree in 1979. He received his A.B. degree from Harvard University in 1976.

Mr. Wheet has more than 30 years of experience in the area of public finance and has participated as issuer, lawyer, financial advisor and investment banker, in the issuance of over \$15 billion of bonds during his career.

Vice Chairperson – Robert Clayton Cooper

Robert Clayton Cooper was appointed to serve on the Issuer's Board of Directors by Mayor Adrian M. Fenty and was subsequently confirmed by the District's City Council in May 2007. Originally from San Francisco, Mr. Cooper moved to the District of Columbia in 1979, where he attended Howard University (BBA-Finance/Commercial Banking 1984) and George Washington University Law School (JD 1987). Mr. Cooper began his career as an attorney with the law firm of Jackson & Campbell, P.C., where he specialized in real estate transactions, litigation and local administrative law, including zoning and land-use issues. Recently, Mr. Cooper ended his 21 year association with that firm, and opened his own real estate/land use and litigation firm, the law office of Cooper & Crickman, PLLC.

Mr. Cooper is active in local politics, serves on numerous civic and community-based organizations and provides aid and counsel to tenants and tenant associations in purchasing their properties. Although newly appointed, Mr. Cooper was elected to serve on the Board of Directors for the National Conference of State Housing Boards (NCSHB), and he participated in the NCSHB's Educational and Development workshop this past summer. Mr. Cooper's primary mission is to increase the role and exposure of the Issuer in those neighborhoods and communities that have, historically, been underserved by traditional lenders, with appropriate programs and products.

Member – Buwa Binitie

Mr. Binitie has more than 7 years of experience in real estate development and advisory services. He is a principal of Dantes Partners where his work focuses on the financing and development of affordable housing and charter school facilities.

Previously, Mr. Binitie administered the implementation of the New Communities Initiative for the Mayor of the District of Columbia. The New Communities Initiative is a billion dollar comprehensive partnership designed to improve the quality of life for families and individuals living in distressed neighborhoods in Washington, DC.

Mr. Binitie has worked as a consultant with The Neighborhood Development Company to build a \$30MM, 72-unit 100% affordable apartment building along Georgia Avenue, NW. Mr. Binitie has also been engaged by owners and tenant associations alike to guide them through the D.C. Tenant's Rights Act, which enables renters to acquire their units at below market rate.

Mr. Binitie has served as the Director of Quality Control and Client Relations at Real Estate Resource Group ("RRG") where he realized over \$5 million in savings for Fortune 1000 clients during his

first two years. At RRG, he was primarily responsible for managing the strategic and logistic aspect of every lease audit campaign.

Mr. Binitie currently serves on the Board Capital City Charter School. Mr. Binitie received a B.S. from New York University and is a graduate of Johns Hopkins University Masters in Real Estate Development Program.

Member – Jacque D. Patterson

Jacque D. Patterson is a Project Director with the Federal City Council. His focus is on affordable housing, libraries, government operations, education and public safety issues confronting the District of Columbia government. Before joining the Federal City Council, he served the District of Columbia as Community Affairs Coordinator, Office of Community Affairs, Executive Office of the Mayor. Mr. Patterson's career in public service began when he was selected for the Capital City Fellow's Program. His assignments during the fellowship were with the Deputy Chief Finance Officer, Office of Tax & Revenue and the D.C. Brownfields Program. He also served as a policy analyst, Office of Policy, Planning, and Program Evaluation, D.C. Department of Health.

In 2006, Mr. Patterson was selected as a Fannie Mae Fellow to receive additional Housing Policy training while attending the Senior Executives in State & Local Government Program at the John F. Kennedy School of Government, Harvard University. Mr. Patterson received his Masters of Public Administration from Central Michigan University and a graduate certification as a Certified Public Manager from George Washington University. He holds an undergraduate degree in Education from Southern Illinois University and is currently pursuing a doctorate at Northeastern University in Law & Policy. Mr. Patterson brings to the Issuer's Board of Directors a deep knowledge of urban affairs, public policy, government operations and finance.

Secretary to the Board – Harry D. Sewell. See "Management" below.

Management

The Act authorizes the Board to appoint, with the advice and consent of the Council of the District of Columbia, an Executive Director who serves as Secretary to the Board. The Executive Director is the Chief Executive Officer of the Issuer and is responsible to the Issuer's Board of Directors for the operation of the Issuer.

Executive Director and Secretary to the Board – Harry D. Sewell

On June 6, 2006, the Board of Directors selected Harry D. Sewell as its Executive Director. Mr. Sewell has more than 30 years of public and private sector housing experience. During his professional career, he has held many executive-level positions in housing agencies on the east coast as well as senior positions within private sector development companies. Within the public sector, Mr. Sewell has served as Executive Director of the Housing Authority of the City of Annapolis. As Assistant Secretary for the Maryland Department of Housing and Community Development, he ran the state's Housing Finance Agency, increasing production in its single family and multifamily programs. Mr. Sewell also led the effort for the first in the nation HFA sponsored pooled Capital Fund securitization transaction, and as Director of the Department of Real Estate and Housing in Wilmington, Delaware, he was credited with the innovative reuse of vacant city-owned properties through the creation of several homeownership programs.

Mr. Sewell's private sector experience also demonstrates his commitment to the production of affordable housing. Among the positions he has held are Program Manager for Mid-City Urban, LLC in

Silver Spring, MD, Senior Vice President of A&R Management, Inc. and Vice President of ABG Financial Services in Baltimore, Maryland. At Mid-City, Mr. Sewell managed the Planned Unit Development approval process for the Arthur Capper HOPE VI project in SE, Washington. As Vice President at ABG Financial Services in Baltimore, Maryland, he was responsible for originating, underwriting and closing over \$75 million in multifamily loans using FHA Coinsurance and Ginnie Mae Mortgage Backed Securities.

Born and raised in Philadelphia, Pennsylvania, Mr. Sewell received a B.A. in Labor Management Relations from Pennsylvania State University in State College, Pennsylvania. He has served on several boards and held key positions in numerous industry organizations including being a board member for the National Organization of African Americans in Housing and the Maryland Affordable Housing Coalition; Commissioner for the Philadelphia Housing Authority and President of the Quaker Hill Housing Corporation in Wilmington, Delaware.

Deputy Executive Director – Fran D. Makle

Fran D. Makle has almost 30 years of housing finance experience, including eleven years of management with a nationally-recognized state housing finance agency. Ms. Makle has extensive experience in mortgage lending for both single-family and multifamily housing and has been instrumental in the development and implementation of three consecutive award-winning housing programs. In November 2006, Ms. Makle joined the Issuer and currently serves as its Deputy Executive Director. In this capacity, Ms. Makle serves as the Chief Operating Officer for the Issuer and manages the day to day operations.

Previously, Ms. Makle served as the Program Director for Arundel Community Development Services, Inc., the Acting Director and the Deputy Director of the Community Development Administration at the Maryland Department of Housing and Community Development (DHCD), and the Deputy Director of the Division of Development Finance, which includes the Community Development Administration at the Maryland Department of Housing and Community Development.

In 1999, she completed a seven-month executive leadership program with the National Forum for Black Public Administrators. Ms. Makle also received her certification in Housing Finance Development from the University of Maryland School of Public Affairs, and studied Business and Public Administration at Charles Community College.

Associate Executive Director – Allison Ladd

Allison Ladd has over 10 years of experience in housing finance, community development, and government affairs. Throughout her career, Ms. Ladd has served on the senior management teams in various housing finance entities - state, county and local.

Currently, Ms. Ladd serves as the Associate Executive Director of the Issuer. Ms. Ladd joined the Issuer in February 2007 and her primary responsibility is to manage the communications, marketing, and government affairs for the Issuer.

Previously, Ms. Ladd served as the Chief of Staff to the Maryland Department of Housing and Community Development. Prior to joining the Maryland state government, she served as the Special Assistant to the Director of the Prince George's County (MD) Department of Housing and Community Development. While in Prince George's County, Ms. Ladd provided technical oversight and counsel regarding the issuance of over \$75 million in tax exempt bonds for multifamily and single-family purposes.

Ms. Ladd received a Masters of Community Planning from the University of Maryland, College Park, Maryland and a Bachelor of Arts degree from the University of Rhode Island, Kingston, Rhode Island.

General Counsel – Harry T. Alexander, Jr.

Mr. Alexander is the Issuer's General Counsel and is responsible for the review and coordination of the Issuer's bond transactions. He also advises the Board of Directors and staff with respect to the legal sufficiency of all Issuer actions, including contracts, procurement, personnel and program matters. Mr. Alexander has been with the Issuer since December of 1999 and was designated Acting General Counsel in July 2000. He is a graduate of Howard University Law School and a member of the District of Columbia Bar. Mr. Alexander has 12 years experience with the Office of the Attorney General for the District of Columbia (formerly the District of Columbia Office of the Corporation Counsel) working in various areas including tax, real estate, bankruptcy, HOME and Community Development Block Grant transactions, and the District's Industrial Revenue Bond program. In October 2001, Mr. Alexander was appointed as the Issuer's General Counsel.

Deputy General Counsel – Tabitha McQueen, Esq.

Ms. McQueen is the Issuer's Deputy General Counsel. She received her law degree from Texas Southern University and is a member of both the District of Columbia Bar and the Virginia Bar. Prior to joining the Issuer in December 2006, Ms. McQueen served as an Assistant Attorney General, in the Office of the Attorney General for the District, and prosecuted tax fraud and false claim violations. She also litigated criminal housing code violations and defended the District of Columbia in civil actions while an Assistant Attorney General for over six years. Ms. McQueen began her legal career as a trial attorney and served as a criminal prosecutor and a defense attorney in Virginia and Florida for over three years.

Chief Financial Officer – Sergei V. Kuzmenchuk

Sergei V. Kuzmenchuk joined the Issuer as its Chief Financial Officer in October 2008. Mr. Kuzmenchuk has ten years of housing finance agency experience. Most recently, he served as the Director of Finance and the Deputy Director of Finance for Community Development Administration (CDA), Maryland Department of Housing and Community Development. Mr. Kuzmenchuk led a team of financial analysts and accountants and managed a portfolio of more than \$3 billion of mortgage revenue bonds, mortgage loans and investments. Throughout his career, Mr. Kuzmenchuk has structured and managed tax-exempt/taxable bond transactions, including variable rate debt structures with swaps. Prior to his work at CDA, Mr. Kuzmenchuk worked in various financial management and international trade and banking capacities, domestically and overseas. Mr. Kuzmenchuk earned his M.B.A in Accounting from the Joseph A. Sellinger, S.J., School of Business and Management, Loyola College in Maryland in 2002. He was granted a M.P.M. degree in Public Sector Financial Management from the School of Public Policy, University of Maryland, College Park, in 1995. Mr. Kuzmenchuk received his B.A. and M.A. degrees in English and French Interpretation from the Minsk State Linguistic University, Minsk, Belarus in 1993.

Director of Public Finance – Anthony L. Waddell

Mr. Waddell has over 10 years of experience in complex mixed-use, mixed-income, mixed-finance (LIHTC, historic tax credits, taxable/tax-exempt bonds, conventional), urban development projects as both a lender and developer. Early in his career, Mr. Waddell served as the Executive Director of Coppin Heights CDC in Baltimore, and led the Commercial and Multifamily Lending Division of the public-private lending conduit, the Baltimore Community Development Financing Corporation (CDFC),

to its highest annual production in its 10-year history, investing/leveraging over \$25 million in debt in difficult to develop Baltimore neighborhoods. After CDFC, Mr. Waddell was hired by Mid-City Urban (MCU) of Washington as a development manager and led its HOPE VI joint ventures with Integral Properties of Atlanta and Forest City of Washington. The two projects together consisted of the development of over 2,100 units of housing (for sale and rental) and over 800,000 square feet of office/retail/community space. During his five year stay with Mid-City, Mr. Waddell managed over \$700 million worth of development activity. Mr. Waddell joined the Issuer as its Director of Public Finance in July 2006. The Public Finance Department is primarily responsible for originating, underwriting, structuring and closing the issuance of multifamily tax exempt/taxable mortgage revenue bonds and 4% low income housing tax credit projects. Mr. Waddell is a graduate of The Johns Hopkins University School of Professional Studies, now The Carey Business School, where he earned a Masters of Science Degree in Real Estate with a concentration in Institutional Investment and Development.

Director, Home Resource Center – Gwendolyn N. Adams

Since joining the Issuer in 1990, Ms. Adams has directed or participated in the Issuer's Single Family activities. As the Director of the Home Resource Center, she is responsible for overseeing the Issuer's homeownership education and counseling activities and supervising the origination of Single Family mortgage loans through the Issuer's Single Family Bond Program. Prior to joining the Issuer, Ms. Adams worked for 15 years with the D.C. Office of Planning as Systems Coordinator and then as an Assistant Budget Director. Ms. Adams is a U.S. Department of Housing and Urban Development approved underwriter and certified housing counselor. Her professional memberships include the National Association of Real Estate Brokers, Washington Real Estate Brokers Association, National Federation of Housing Counselors and the D.C. Metropolitan Association of Housing Counselors.

Director, Compliance and Asset Management – David L. Jefferson

David L. Jefferson began his 15-year career in Affordable Housing in Washington, DC. Originally from Cleveland, Ohio, Mr. Jefferson attended Howard University, and currently serves as the Director of Compliance and Asset Management for the Issuer, where he provides Asset Management to over 80 Issuer financed projects.

Mr. Jefferson has served the public sector as the Executive Director of Rockville Housing Enterprises where he oversaw the development of a 60-unit homeownership community. He served as the Deputy Executive Director of the Housing Authority of the City of Annapolis where he managed operations of a mid-sized Housing Authority. As Regional Director of the Housing Authority of Baltimore City, he directed operations for over 8,000 units of conventional public housing.

In the private sector, Mr. Jefferson served as a Vice President for A&R Management Inc. in Baltimore, MD where he oversaw operations of an over 3,000 unit mixed portfolio. He gained a strong background in asset management as a Property Manager for the Trammel Crow Company in Washington, DC.

Mr. Jefferson currently serves on the Board of Directors of the Community Housing Associates, a non-profit providing affordable housing for the mentally challenged in Baltimore City. The recipient of numerous awards, Mr. Jefferson has been traveling the country speaking on LIHTC development and inclusionary zoning.

SECTION 8 PROGRAM

Housing assistance payments are required to be paid by HUD to the Owner for each of the assisted units under lease by eligible tenants in accordance with the HAP Contract. The housing assistance payments cover the difference between the “Contract Rent”, which is the rent payable to the Owner under the HAP Contract, and the portion of the rent payable by an eligible tenant as determined in accordance with HUD-established schedules and criteria. The amount of housing assistance payment payable on behalf of a tenant and the amount of rent payable by such tenant are subject to change by reason of changes in tenant income, tenant composition or extent of exceptional medical or other unusual expenses, in accordance with HUD-established schedules and criteria. Any such change is effective as of the date stated in a notification of such change to the tenant.

If the Owner violates or fails to comply with any provision of or obligation under the HAP Contract or any lease to tenants or asserts or demonstrates an intention not to perform some or all of its obligations under the HAP Contract or any lease to tenants, and fails to cure such violation or fails to comply or perform in the time permitted pursuant to the HAP Contract, HUD may terminate the HAP Contract or take other corrective action to achieve compliance in its discretion. Any termination of the HAP Contract may adversely affect the ability of the Owner to meet its obligations under the Loan Documents which could result in a redemption of the Bonds at par.

Although the Owner expects to continue to request extensions of the HAP Contract subsequent to its expiration date, no assurance can be given that the Owner’s requests for such an extension will be granted. In addition, in the event that the HAP Contract is so extended, it is likely that payments under the HAP Contract will be subject to annual appropriations by the U.S. Congress. There is no assurance that sufficient appropriations will be made.

The HAP Contract is not security for the Bonds to secure repayment of the Owner’s obligations under the Bond Loan Documents.

THE BONDS

General

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

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by the Trustee by wire transfer of New York clearing house or equivalent next-day funds, to Cede & Co., as nominee for DTC. DTC will, in turn, remit such amounts to any broker-dealer, bank or other financial institution for which DTC holds Bond from time to time as securities depository (“DTC Participants”) for subsequent disbursement to the beneficial owners. See “THE BONDS—Book-Entry Only System” herein.

The Bonds will be issued in the minimum denomination of \$100,000 and any integral multiple of \$5,000 in excess thereof. The Bonds issued on the Delivery Date shall be dated the Delivery Date. Bonds issued after the Delivery Date shall be dated the date they are authenticated by the Trustee. The

Bonds shall bear interest from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or provided for and shall be payable on each Interest Payment Date. The Bonds will mature, subject to redemption prior to maturity, on the date set forth on the front cover page of this Official Statement. Commencing on the Delivery Date, the Bonds will bear interest at a Variable Rate of interest until the first Reset Adjustment Date, if any, or until a Fixed Rate Adjustment Date, if any. Interest on the Bonds will be payable on each Interest Payment Date. So long as the Bonds bear interest at a Variable Rate, interest will be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed.

Interest shall be payable to the Person in whose name any Bond is registered on the Record Date with respect to an Interest Payment Date (unless such Bond has been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date; provided, however, that if and to the extent the Issuer shall default in the payment of the interest due on any Interest Payment Date, such defaulted interest shall be paid as described in the next paragraph.

Any interest on any Bond that is due and payable, but is not punctually paid or duly provided for, on any Interest Payment Date (“Defaulted Interest”) will cease to be payable to the Person in whose name such Bond is registered on the relevant Record Date and shall be paid in the manner described in this paragraph. The Trustee may elect to make payment of any Defaulted Interest to the persons in whose names the Bonds (or their respective predecessor Bonds) are registered at the close of business on a special record date for the payment of such Defaulted Interest (a “Special Record Date”), which shall be fixed in the following manner. The Trustee shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (a “Special Interest Payment Date”), shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the Special Interest Payment Date and shall cause notice of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Bondholder at such Bondholder’s address as it appears in the Bond Register not less than 10 days prior to such Special Record Date; notice of the proposed payment of such Defaulted Interest on the Special Interest Payment Date and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Payment of the principal of the Bonds and premium, if any, shall be made upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the Bonds shall be paid by check mailed to the registered Owner thereof at such registered owner’s address as it appears on the Bond Register on the Record Date. Upon written request of a registered owner of at least \$1,000,000 in principal amount of Bonds Outstanding received by the Trustee at least five Business Days prior to such Record Date, all payments of principal, premium, if any, and interest on the Bonds less any reasonable wire transfer fees imposed by the Trustee shall be paid by wire transfer in immediately available funds to an account within the United States designated by such registered owner. Payment of the Purchase Price of any Bonds tendered for purchase on a Settlement Date shall be payable in lawful money of the United States of America only upon presentation thereof at the Principal Office of the Tender Agent.

In any case where a date of payment with respect to any Bonds shall be a day other than a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest shall accrue for the period after such date providing that payment is made on such next succeeding Business Day.

Variable Rate for the Bonds

The Bonds delivered on the Delivery Date shall bear interest at a Variable Rate, until converted to a Reset Rate or a Fixed Rate as provided in the Indenture. Following any Reset Adjustment Date, the interest rates on the Bonds may be converted again to a Variable Rate at the election or deemed election of the Owner in accordance with the Indenture which date of adjustment shall be a Variable Rate Adjustment Date. The respective Variable Rate of interest borne by the Bonds during each Variable Period for each Variable Interest Accrual Period shall be the Variable Rate determined by the Remarketing Agent and reported in writing to the Trustee, the Tender Agent, the Owner, the Servicer and the Credit Facility Provider. Any Bondholder may obtain information on the Variable Rate by request to the Remarketing Agent.

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

The determination of the Variable Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Owner, the Credit Facility Provider, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

The Trustee shall give notice to the owners of the Bonds, by first class mail not less than nine days before the Variable Rate Adjustment Date specifying the Variable Rate Adjustment Date and that the rates on the Bonds will be established at the Variable Rates on the Variable Rate Adjustment Date, and that all Bonds must be tendered for purchase at the Purchase Price and surrendered to the Tender Agent for purchase not later than 9:30 a.m., Washington, D.C. time, on the Variable Rate Adjustment Date. See “Demand for and Mandatory Purchase of the Bonds” below.

Book-Entry Only System

The Bonds will be available in book entry form only in Authorized Denominations. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a

“clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Authority. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Bonds to the account of the Tender Agent or the Remarketing Agent, as appropriate.

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that are believed to be reliable, but neither the Underwriter nor the Issuer takes any responsibility for the accuracy thereof.

Demand for and Mandatory Purchase of the Bonds

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

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

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

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

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

No Bonds are to be purchased or remarketed pursuant to the Indenture if an Event of Default under the Indenture (other than certain Events of Default under the Indenture with respect to defaults by the Issuer) has occurred and is continuing and would not be cured as a result of such tender and remarketing of the Bonds or the payment of principal of and interest on the Bonds has been accelerated

pursuant to the Indenture; nor is any Bond to be purchased pursuant to the Indenture if such Bond is registered in the name of the Issuer, the Owner or the Credit Facility Provider, or known by the Trustee (the Trustee will have no duty to inquire as to any such nominees) to be registered in the name of any general partner, member or guarantor of the Owner or any nominee of the Issuer, the Owner, the Credit Facility Provider, or any such general partner, member or guarantor of the Owner, unless the Credit Facility will be in full force and effect after such purchase.

Mandatory Tender of Bonds

Holders of the Bonds will be required to tender their Bonds to the Tender Agent on (i) any Reset Adjustment Date, Variable Rate Adjustment Date or Fixed Rate Adjustment Date in accordance with the provisions of the Indenture; and (ii) any Substitution Date in accordance with and subject to the provisions of the Indenture.

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

Purchase of Bonds Not Remarketed

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

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

Mandatory Tender of the Bonds on Substitution Date

Pursuant to the Financing Agreement, the Owner is permitted to provide an Alternate Credit Facility to replace the existing Credit Facility.

The Bonds are subject to mandatory tender for purchase on any proposed Substitution Date from the sources available for such purpose under the Indenture at a Purchase Price equal to the principal amount thereof plus accrued interest to a Substitution Date.

Upon receipt by the Trustee of written notice from the Owner of a planned substitution, the confirmation of Freddie Mac that the provisions of the Reimbursement Agreement have been satisfied, a form of the Alternate Credit Facility to be in effect on and after the Substitution Date, the form of the disclosure document (if any) to be used in connection with the remarketing of the Bonds on the Substitution Date, and the form of the documents required pursuant to the Financing Agreement, the Trustee is to establish the Substitution Date for the mandatory tender and purchase of the Bonds. Such written notice and related documentation shall be delivered to the Trustee not less than thirty (30) days prior to the intended Substitution Date. Such Substitution Date shall be not less than 5 days following the Trustee's receipt of the Alternate Credit Facility to be in effect on and after the Substitution Date (which Alternate Credit Facility may be delivered in escrow), and such other required documents; provided, however, the Substitution Date may be at a later date if the Trustee has received a commitment to extend the existing Credit Facility or the existing Credit Facility will be in place for up to a time period of not less than 15 days following the Trustee's receipt of the Alternate Credit Facility.

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

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

Disclosure Concerning Sales by Remarketing Agent

The Remarketing Agent is Paid by the Owner. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Issuer and the Owner (with the approval of the Credit Facility Provider) and is paid by the Owner for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquires such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without

notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rates of interest that, in its judgment, are the lowest rate that would permit the sale of the respective series of the Bonds bearing interest at the applicable interest rates at par plus accrued interest, if any, on and as of the applicable Variable Interest Computation Date. The interest rates will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Variable Interest Computation Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Variable Interest Computation Date, at a discount to par to some investors.

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

Removal of Remarketing Agent. No removal of the Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.

Optional Redemption

The Bonds are subject to optional redemption from payments made under the Credit Facility or from other Eligible Funds as provided in the Indenture and described in this section.

With the prior written consent of the Credit Facility Provider, (A) on and after January 1, 2026, the Issuer may optionally redeem the Bonds, in its own right, in whole or in part, to the extent that Eligible Funds are available (not derived from a draw on the Credit Facility), and (B) Bonds are subject to optional redemption by the Issuer at the direction of the Owner, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment set forth in the Bond Mortgage Note and the Financing Agreement, from payments on the Credit Facility, or from other Eligible Funds deposited with the Trustee on any Interest Payment Date, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

The Trustee shall effect an optional redemption of Bonds as described above and at the earliest practical date for which notice may be given under the Indenture but in no event later than 35 days following its receipt of moneys representing an optional prepayment of the Bond Mortgage Loan.

Mandatory Redemption

The Bonds are subject to mandatory redemption on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, at the earliest practicable date from payments made under the Credit Facility upon the occurrence of any of the following:

(i) in whole or in part, upon receipt by the Trustee of (1) proceeds of a draw under the Credit Facility, (2) of Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for the draw under the Credit Facility as a result of casualty or condemnation of the Project and (3) a written direction by the Credit Facility Provider to redeem such Bonds pursuant to the Credit Facility; or

(ii) in whole, upon receipt by the Trustee of amounts from the Credit Facility Provider pursuant to the Credit Facility as a result of the occurrence of an event of default under any Bond Mortgage Loan Document and receipt by the Trustee of a written direction by the Credit Facility Provider to redeem the Bonds pursuant to the Credit Facility; or

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

(iv) in part, at the written direction of the Credit Facility Provider on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Fixed Rate Adjustment Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Fixed Rate Adjustment Date, as applicable; or

(v) in part, on each Interest Payment Date, during any Reset Period or the Fixed Rate Period, with respect to the Bonds that have term maturities occurring during such Reset Period or Fixed Rate Period commencing on the first sinking fund mandatory redemption date established for the Bonds for such Reset Period or Fixed Rate Period; provided that if less than all the Bonds have been redeemed pursuant to an optional redemption or a mandatory redemption as the result of a prepayment of the Bond Mortgage Loan from casualty insurance proceeds or condemnation awards, the amount of Bonds to be redeemed in each year from sinking fund installments as provided in the Indenture is to be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee; or

(vi) in whole, on the day following any Reset Period if the Trustee has not received the items required by the Indenture to effect a new Variable Period, Reset Period or a Fixed Rate Adjustment or upon cancellation of a rate adjustment on a Reset Adjustment Date or upon cancellation of a conversion to a Fixed Rate; or

(vii) in part, in Authorized Denominations on each Quarterly Redemption Date during a Variable Period in an amount equal to the amount, if any, which is available in the Principal Reserve Fund for such purpose pursuant to the Indenture; or

(viii) in part, at the written direction of the Credit Facility Provider, in the event the Owner is required to make a Loan Equalization Payment in an amount equal to the amount prepaid by the Owner pursuant to the Rental Achievement Agreement.

At least 15 days before a Reset Adjustment Date or the Fixed Rate Adjustment Date the Owner, with the prior written consent of the Credit Facility Provider, determine whether the Bonds shall have serial maturities, term maturities with sinking fund redemptions, term maturities without sinking fund redemptions or any combination thereof; provided, that in all events the maturity structure be based upon the Principal Reserve Schedule Payments to be made by the Owner under the Bond Mortgage Loan; provided, however, the Owner shall deliver to the Trustee and to the Issuer an Opinion of Bond Counsel to the effect that such determination of maturities and/or sinking fund redemption schedule will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Selection of Bonds for Redemption

If less than all the Bonds then outstanding shall be called for redemption other than as a result of mandatory sinking fund redemption pursuant to the Indenture, the Trustee shall redeem an amount of Bonds so that the resulting decrease in debt service on the Bonds in each semiannual period ending on an Interest Payment Date is proportional, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Note in each such semiannual period, and the Bonds shall be selected by lot within each maturity, the cost of such selection being at the Owner's expense.

Bonds shall be redeemed pursuant to the Indenture only in Authorized Denominations.

Notice of Redemption

Notice of the intended redemption of each Bond is to be given by the Trustee by first class mail, postage prepaid, to the registered Holder at the address of such Holder shown on the Bond Register. All such redemption notices shall be given not less than 10 days (not less than 30 days in the case of optional or mandatory sinking fund redemptions) nor more than 60 days prior to the date fixed for redemption; provided, Bonds already subject to mandatory tender in connection with a change or reset of interest rate may be redeemed pursuant to the Indenture without further notice. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Owner (with the prior written consent of the Credit Facility Provider).

Notices of redemption are to state the redemption date, the redemption price, the place or places where amounts due upon redemption will be payable, and, if less than all of the Outstanding Bonds are called for redemption, are to state (i) the numbers of the Bonds to be redeemed by giving the individual certificate of each Bond to be redeemed or is to state that all Bonds between two stated certificate

numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption; (ii) the CUSIP numbers of all Bonds being redeemed if available; (iii) the amount of each Bond being redeemed (in the case of a partial redemption); (iv) the date of issue of the Bond as originally issued; (v) the rate of interest borne by each Bond being redeemed or that the Bonds bear interest at a Variable Rate; (vi) the maturity date of each Bond being redeemed; (vii) the possibility of a purchase of Bonds in lieu of redemption, if applicable; (viii) the conditions, if any, that must be satisfied in order for the redemption to take place on the scheduled date of redemption, including, as provided in the Indenture, that Eligible Funds are available to pay any redemption price and premium, if any, on the bonds; and (ix) any other descriptive information needed to identify accurately the Bond being redeemed.

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

Notice of such redemption is also to be sent by certified mail, overnight delivery service, facsimile transmission or other secure means, postage prepaid, to the Credit Facility Provider, to the Rating Agency, to all municipal registered Securities Depositories and to at least two of the national Information Services that disseminate securities redemption notices, when possible, at least five days prior to the mailing of notices described above, and in any event no later than simultaneously with the mailing of notices required by the paragraph above; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

In addition to providing notice of redemption as set forth above, the Trustee shall send a second notice of redemption within 60 days following the redemption date, by certified mail, overnight delivery service, or other secure means, postage prepaid to the registered Holders of any Bonds called for redemption, at their addresses appearing on the Bond Register, who have not surrendered their Bonds for redemption within 30 days following the redemption date.

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

Effect of Notice of Redemption

If a conditional notice of redemption has been provided pursuant to the terms of the Indenture and the conditions are not satisfied, such notice of redemption shall be of no force and effect and the Bondholders shall be restored to their former positions as though no such notice of redemption had been delivered. Notice of redemption having been given in the manner described above and if either there were no conditions to such redemption or the conditions have been satisfied (or in the event no such notice is required under the Indenture), and money for the redemption being held by the Trustee or Paying Agent for that purpose, thereupon the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue on such date; and such Bonds shall thereafter no longer be entitled to any security or benefit under the Indenture except to receive payment of the redemption price thereof.

Purchase of Bonds in Whole in Lieu of Redemption

Notwithstanding anything in the Indenture to the contrary, at any time during which the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Owner or the Credit Facility Provider or their respective designee, as directed by such party) on the date which would be the redemption date at the direction of the Credit Facility Provider or the Owner, with the prior written consent of the Credit Facility Provider (which direction shall specify that such purchase is pursuant to the Indenture,) which shall give the Trustee at least one Business Day's notice prior to such redemption date, at a purchase price equal to the redemption price which would have been applicable to such Bonds on the redemption date in connection with any redemption pursuant to the Indenture, such direction may be given on the redemption date. The Bonds shall be purchased in lieu of redemption only from amounts provided by the Credit Facility Provider or from other Eligible Funds which shall be deposited by the Trustee into the Redemption Fund for such purpose.

Special Purchase of Bonds in Lieu of Redemption

Unless otherwise expressly provided in the Indenture, if at any time Eligible Funds (other than amounts provided by the Credit Facility Provider) are held in any Fund or Account to be used to redeem Bonds, in lieu of such redemption the Issuer, with the prior written consent of Freddie Mac, may, in writing, direct the Trustee to use part or all of such moneys to purchase Bonds which would otherwise be subject to redemption from such moneys. The purchase price of such Bonds (excluding accrued interest, but including any brokerage and other charges) shall not exceed the applicable redemption price of the Bonds which would be redeemed but for the operation of the provisions described in this section, with accrued interest on any such Bond to be paid from the same Fund or Account from which accrued interest would be paid upon the redemption of such Bond. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the Bonds and may not occur, without the consent of the Trustee, after a Record Date. All Bonds so purchased shall be canceled by the Trustee and the face amount of the Bonds so purchased shall be applied as a credit against the Issuer's obligation to redeem such Bonds from such moneys. In the event the Trustee is so directed to purchase Bonds in lieu of redemption, no notice to the Holders of the Bonds to be so purchased (other than the notice of redemption otherwise required hereunder) shall be required, and the Trustee shall be authorized to apply to such purpose the funds in the Redemption Fund which would have been used to pay the redemption price for such Bonds if such Bonds had been redeemed rather than purchased. Any purchase of Bonds hereunder is not intended as an extinguishment of debt represented by the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Under the Indenture, the Issuer grants to the Trustee a security interest in the following property described below under "Trust Estate" to secure the Bonds (said property being herein referred to as the "Trust Estate"). The Trust Estate is granted to the Trustee in order to secure, first, the payment of principal of, premium, if any, and interest on the Bonds according to their tenor and effect, and, second, the payment to Freddie Mac of the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and the performance and observance by the Issuer of all the covenants expressed or implied in the Indenture and in the Bonds. The Trust Estate includes:

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

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

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

Limited Obligations

THE BONDS, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES AND ASSETS OF THE ISSUER PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE AND FROM NO OTHER REVENUES OR ASSETS OF THE ISSUER. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE DISTRICT OF COLUMBIA, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT OF COLUMBIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

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

The Credit Enhancement Agreement

To provide security for the Bonds, Freddie Mac will enter into a Credit Enhancement Agreement with the Trustee. Pursuant to the Credit Enhancement Agreement (the form of which is attached as "APPENDIX G – PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT"), Freddie Mac is required to pay Guaranteed Payments with respect to the Bond Mortgage Loan when and in the amounts due, and the Purchase Price of the Bonds in accordance with the terms of the Indenture and Credit

Enhancement Agreement. See “APPENDIX A – DEFINITIONS OF CERTAIN TERMS” for a definition of “Guaranteed Payment.” See also “FREDDIE MAC” and “APPENDIX G – PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT.”

FREDDIE MAC

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

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

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

On September 7, 2008, the Director of the Federal Housing Finance Agency (“FHFA”) appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the “Reform Act”) and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury (“Treasury”) entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFO.gov> and <http://www.Treasury.gov>.

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

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

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

Freddie Mac makes no representations as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to discharging its obligations under the Credit Enhancement Agreement.

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Bond Proceeds	\$11,560,000
Tax Credit Equity	4,523,000
Interest Earnings	107,000
Seller Note	650,000
GP Development Loan	670,400
Deferred Developer Fee	<u>1,700,000</u>
Total	<u>\$19,210,400</u>
Uses of Funds	
Acquisition Costs	\$7,789,611
Hard Costs	6,272,311
Financing Costs	756,591
Bond Costs of Issuance	452,132
Soft Costs	1,100,683
Reserve Requirements	1,139,072
Developer Fees/Overhead	<u>1,700,000</u>
Total	<u>\$19,210,400</u>

Seller Note

The subordinate financing (the “Seller Note”) will be provided by Second Horning Group Ministry Limited Partnership. On the Delivery Date, the principal of the Seller Note is expected to be approximately \$2,920,650 and is anticipated by the Owner to be paid down to \$650,000 from future Tax Credit Equity contributions. The Seller Note will bear interest at the applicable rate to be determined on the Delivery Date, but will be payable six months after the Bond Maturity Date. The Seller Note will be payable solely from Surplus Cash. Repayment of the Seller Note is subordinate to repayment of the Bonds and any amounts due in connection with the Issuer’s Unassigned Rights.

Tax Credit Equity

In addition to the proceeds of the Bonds, the Project will be financed with tax credit equity, which will pay for the costs of issuance and a portion of several other costs including building rehabilitation. Pentacle GP LLC, a District of Columbia limited liability company, will own a 0.01% interest in the Owner. Pentacle Investors Limited Partnership (the “Investor Limited Partner”), an Illinois limited partnership, will have a 99.98% interest in the Owner. Stratford SLP, a Delaware limited liability company will hold a 0.01% special limited partnership interest in the Owner. In connection with this interest, the tax credit equity is expected to be approximately \$4,523,000 (the “Tax Credit Equity”), of which amount approximately \$1,583,050 is expected to be funded on the Delivery Date, and the balance in installments over time. The funding level and the timing of the funding are each subject to numerous adjustments and conditions that could result in the amounts funded or the timing or even occurrence of the funding varying significantly from the current projections, and neither the Owner, the Issuer, Freddie Mac nor the Underwriter makes any representation as to the availability of such funds. The staged funding arrangements are not expected to adversely affect the completion of the rehabilitation of the Project. The Owner’s expectations are that it will have sufficient funds to complete rehabilitation.

Interest Reduction Payments

Under the Section 236(e)(2) Program (also known as the “Decoupling Program”) administrated by HUD, Interest Reduction Payments currently are being paid on the Project and may continue being paid for the benefit of the Project after the original mortgage is prepaid if the property is preserved as affordable housing. HUD has approved the Owner's proposal to preserve the Project and continue the interest reduction payments to the Issuer and will allow the Issuer to assign its rights and interests in the Interest Reduction Payments to the Servicer as part of the new financing.

It is anticipated that the Project will receive Interest Reduction Payments under the IRP Agreement between the Owner, HUD and the Issuer. On the first day of each month, commencing on December 1, 2008, and continuing to October 1, 2018, the Servicer will receive Interest Reduction Payments. Such payments will be applied to the Owner’s obligation under the Bond Mortgage Note to make payment on the interest with respect to the Bond Mortgage Note. Each month a completed Mortgagee’s Certification and Application for Interest Reduction Payments, Form HUD-3111 (the “IRP Requisition”), will be executed and submitted to HUD, on or before the 20th day of the month, directing that the payment under the IRP Agreement for the immediately succeeding month be paid. See “CERTAIN BONDHOLDER’S RISKS—Termination of Payments under the IRP Agreement” herein.

THE PROJECT AND THE PRIVATE PARTICIPANTS

The following information concerning the Project and the Private Participants has been provided by representatives of the Owner and has not been independently confirmed or verified by any other person. Although the information shown below has been obtained from sources believed to be reliable, no representation is made herein by the Issuer as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Project

The Project is currently a 167-unit apartment complex, which will contain 182 units at the end of the rehabilitation period, known as The Pentacle Apartments located at 1501, 1503, 1505, 1507, 1509, 1511, 1513, 1515, 1517, 1519, 1521, and 1523 Benning Road, N. E., and 710 thru 720 16th Street, N. E., in Washington, DC.

The Project’s 182 apartment units will be contained in 12 buildings plus 6 townhouse units. There is currently a HAP contract in place for 50 of these units. The Project was originally completed in 1978. The Project has a gross building area of approximately 137,880 in net rentable square feet. The buildings are of masonry construction and are each three to four stories high with sliding glass doors and flat roofs. The interior finishes include wall to wall carpeting, parquet floors, tiled floors and drywall. Unit amenities consist of in-unit central heating and cooling, frost-free refrigerators, eat-in kitchens or dining areas, garbage disposals and balconies or patios. The Project has 85 parking spaces.

Electric utilities are paid for by the residents, while water and sewer fees are paid by the Owner.

Unit Breakdown

The unit profile, size and current offered rents are as follows:

	<u>Total Number of Units</u>	<u>Number of HAP Units</u>	<u>Approximate Square Feet</u>
1 Bedroom	56	14	620
2 Bedroom	82	23	740
3 Bedroom	38	10	900
4 Bedroom Townhouse	4	2	1,250
6 Bedroom Townhouse	<u>2</u>	<u>1</u>	1,640
Total Units	182	50	

Operating History

The following sets forth the net operating income (net income before depreciation, taxes or debt service) and average occupancy for the Project for calendar years 2005, 2006 and 2007:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net Operating Income	\$541,449	\$471,190	\$252,777
Average Annual Occupancy	98%	93%	80%

Note that the occupancy during 2007 dropped significantly because many of the tenants at the property were inadvertently issued Rental Assistance Vouchers, which allowed these tenants to move out of the subject property into other rental housing within the District of Columbia market. The occupancy at the property is back up to 99% as of October 1, 2008.

The Owner

The Owner is Pentacle Limited Partnership, a District of Columbia limited partnership formed on March 28, 2005. The general partner is Pentacle GP LLC, a District of Columbia limited liability company formed on May 23, 2006 owning a 0.01% interest in the Owner. The investor limited partner is Pentacle Investors Limited Partnership, an Illinois limited partnership, owning a 99.98% interest in the Owner. Stratford SLP, a Delaware limited liability company will hold a 0.01% special limited partnership interest in the Owner. See “ESTIMATED SOURCES AND USES OF FUNDS—Tax Credit Equity” above. The Owner will acquire the Project on the Delivery Date. The general partner’s managing member is Sunrise Development Corporation. Sunrise Development Corporation, a District of Columbia corporation, is wholly-owned by Joseph F. Horning, Jr., a principal of Horning Brothers, which will serve as manager (the “Manager”) of the Project. See “THE PROJECT AND THE PRIVATE PARTICIPANTS—The Manager” below.

The Manager

Horning Brothers (the “Manager”) has been active in the revitalization of properties in the District of Columbia for over 40 years, and currently manages 21 properties in the D.C. metropolitan area, 10 of which are HUD properties totaling over 900 HUD-subsidized units.

In addition to development and management expertise, the Manager has experience with various subsidy and financing programs offered by HUD, including Property Based Section 8 Programs, Section 236 Financing and HUD-insured loans. Moreover, the Manager has recently been involved with several projects involving HUD's Mark Up to Market and Mark to Market Programs.

The Manager's existing portfolio includes 29 apartment properties located in the District of Columbia, Maryland and Virginia. In total, the Manager has built and continues to manage over \$550,000,000 in apartment communities, and neighborhood retail shopping centers totaling over 275,000 square feet.

Low Income Housing Limitations

The Project will be subject to the terms and conditions of the following regulatory agreements:

The Tax Regulatory Agreement imposes certain requirements on the Owner to comply with the tax-exempt status of the Bonds under the Internal Revenue Code, which include, among other requirements, a set-aside during the Qualified Project Period of at least 40% of the units for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the 1986 Code. In addition, the Tax Regulatory Agreement requires that throughout the Compliance Period not less than 40% of the units in the Project at all times shall be rented to and occupied (or held available for rent, if previously rented to and occupied by a Qualifying Unit Tenant) by Qualifying Unit Tenants as provided in paragraphs (c)(2) and (g)(1)(B) of Section 42 of the Code. The Owner, however, has agreed that 100% of the units in the Project shall be so rented and occupied; provided, however, that no existing tenant, as of the Date of Delivery, whose income is greater than 60% of MSA Median Family Income shall be displaced as a result of the requirements therein. The Qualified Project Period for the Tax Regulatory Agreement is the period beginning on the later of the first day on which 10% of the Units in the Project are first occupied or the Issuance Date and ending on the latest of (a) the date which is fifteen (15) years after the first date on which at least 50% of the Units in the Project are or were first occupied after acquisition, equipping and rehabilitation of the Project with proceeds of the Bonds, or (b) the first day on which no private activity bonds with respect to the Project are outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates. See "SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT" herein for a description of the requirements affecting the operation of the Project in order to assure compliance with the 1986 Code and state law.

In connection with low-income housing tax credits (the "LIHTCs") anticipated to be granted for the Project, the Owner will execute an Indenture of Restrictive Covenants in compliance with the requirements of Section 42 of the Internal Revenue Code (the "Tax Credit Regulatory Agreement"). The Tax Credit Regulatory Agreement will require LIHTC income targeting and rent restrictions for the Project under Section 42 of the 1986 Code for a 30-year period, subject to certain exceptions. The Tax Credit Regulatory Agreement must be executed before the end of the first year of the credit period (as defined in Section 42 of the 1986 Code) and recorded in the land records as a covenant running with the land. The Owner has agreed under the Tax Credit Regulatory Agreement that throughout the Compliance Period that not less than 100% of the Units in the Project shall be rent restricted as Low-Income Units and occupied by households whose income is 60% or less of Area Median Gross Income, as described in the Code; provided, however, that no existing tenant, as of the date of this Indenture, whose income is greater than 60% of Area Median Gross Income, as described in the Code shall be displaced as a result of the requirements described therein; and provided, further, that, notwithstanding the Owner's agreement to hold available 100% of the Units for tenants at 60% of Area Median Gross Income, as described in the

Code, the Owner shall not be in default under the Tax Credit Regulatory Agreement if, as of the Date of Delivery, there are tenants residing in any of the Units with an annual income that is greater than 60% of MSA Median Family Income.

In addition, in order for the Project to continue receiving IRPs, the Owner will execute the IRP Agreement. In connection with the IRP Agreement, the Owner will execute a 236(e) (2) Use Agreement (the “Section 236 Use Agreement”) which will require that the Owner operate the Project in accordance with all low-income affordability restrictions in connection with federal assistance for the Project for a period of five years past the term for which the Interest Reduction Payments are to be made. Federal assistance includes the LIHTCs, described above. In addition, the IRP Agreement requires that the respective rents on all units be restricted to 30% of each tenant’s adjusted annual income or the basic rental, whichever is greater, but in no event is the rental charged to exceed the fair market value. See “ESTIMATED SOURCES AND USES OF FUNDS—Interest Reduction Payments.”

THE TRUSTEE

U.S. Bank National Association will act as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Bonds, or the investment quality of the Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

CERTAIN BONDHOLDERS’ RISKS

The purchase of the Bonds will involve a number of risks. The following is a summary, which does not purport to be comprehensive or definitive, of some of such risk factors.

Credit Facility; Primary Security

During the Variable Period, the primary security for the Bonds will be the Credit Facility delivered by Freddie Mac to the Trustee in order to pay the principal, interest and tender price for the Bonds. See “FREDDIE MAC” herein. Based on this expectation, no financial information as to the creditworthiness of the Owner or the value of the Project is included herein.

It is possible, in the event of the insolvency of Freddie Mac, or the occurrence of some other event precluding Freddie Mac from honoring its obligations to make payments as stated in the Credit Facility, that the financial resources of the Owner will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Owner would be sufficient to pay the principal, premium, if any, and interest on the Bonds in the event the Trustee were forced to seek recourse against the Owner. See “Enforceability and Bankruptcy” below and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

No Owner Personal Liability

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

Limited Obligations

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

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

THE BONDS, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER SECURED BY THE TRUST ESTATE, ARE AND SHALL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE AND ARE AND SHALL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME SHALL BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THE INDENTURE AND IN THE FINANCING AGREEMENT.

No Acceleration or Redemption upon Loss of Tax Exemption

The Bonds are not subject to acceleration or redemption, and the rate of interest on the Bonds is not subject to adjustment, by reason of the interest on the Bonds being included in gross income for purposes of federal income taxation. Such event could occur if the Owner (or any subsequent owners of the Project) does not comply with the provisions of the Financing Agreement and the Tax Regulatory Agreement which are designed, if complied with, to satisfy the continuing compliance requirements of the Internal Revenue Code of 1986, as amended (the "Code"), in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax.

Redemption

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

Economic Feasibility

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

Competing Facilities

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

Enforceability and Bankruptcy

The remedies available to the Trustee and the Bondholders upon an event of default under the Financing Agreement, the Credit Enhancement Agreement or the Indenture (the “Financing Documents”) are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay.

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

Termination of Payments under the IRP Agreement

The Project will receive certain interest reduction payments from HUD pursuant to the IRP Agreement. In the event HUD were to terminate subsidy payments under the IRP Agreement, such terminated payments would not be available to pay interest on the Loan, which could result in a default on such Loan. In case of such default, however, Freddie Mac’s obligations under the Credit Facility would remain in effect. Nevertheless, such default could result in a default under the Bond Mortgage Note and cause a mandatory redemption of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS—Interest Reduction Payments” and “THE BONDS—Mandatory Redemption of Bonds” herein.

TAX MATTERS

Section 142(d) of the Code provides an exclusion from federal income tax for interest on certain governmental obligations, such as the Bonds, the proceeds of which are used to provide financing for a “qualified residential rental project.” The Bonds shall be exempt from federal income tax if at all times during the Qualified Project Period 40% or more of the units are set aside for tenants having incomes of 60% or less of area median gross income.

Under the Treasury Regulations, the failure to satisfy the foregoing requirement on a continuous basis or the failure to satisfy any of the other requirements of the Treasury Regulations will, unless corrected within a reasonable period of time of not less than sixty (60) days after such noncompliance is first discovered or should have been discovered, cause loss of the tax-exempt status of the Bonds as of the date of issuance of the Bonds, irrespective of the date such noncompliance actually occurred.

The Issuer has established requirements, procedures and safeguards which it believes to be sufficient to ensure the Project’s compliance with the requirements of Section 142(d) of the Code and the Treasury Regulations. Such requirements, procedures, and safeguards are incorporated into the Financing Agreement and the Tax Regulatory Agreement. However, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer or the Trustee can be judicially enforced in such manner as to assure compliance with Section 142(d) of the Code and therefore to prevent the loss of tax-exemption of interest on the Bonds. The opinion of Bond Counsel described below relies, in part, upon certifications by the Owner as to compliance with Section 142(d) of the Code.

Section 148 of the Code provides that interest on the Bonds will not be excludable from gross income for federal income tax purposes unless (a) the investment of the proceeds of the Bonds meets certain arbitrage requirements and (b) certain “excess” earnings on such investments are rebated to the United States of America (collectively, the “Arbitrage Restrictions”). To the extent that the Arbitrage Restrictions are applicable to an Owner, the Owner has covenanted in the Financing Agreement and the Issuer has covenanted in the Indenture, that each will comply with such restrictions. In the event of non-compliance by the Issuer, the Trustee or the Owner with the Arbitrage Restrictions, interest on the Bonds may be taxable for federal income tax purposes from the date of issuance of the Bonds.

The Issuer and the Owner have each covenanted to comply with certain other applicable provisions of the Code which are required as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Code includes requirements which the Issuer and the Owner must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The Issuer’s or the Owner’s failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and the Owner have covenanted in the Indenture and Financing Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the Owner with certain tax covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, except for interest on any Bond for any period during which the Bond is held by a person who is a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Code. Additionally, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted earnings for purposes of computing the alternative tax on corporations.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds or, in the case of a financial institution, that portion of the Bondholder's interest expense allocable to interest on the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies, (iii) the inclusion of interest on Bonds in the earnings of certain foreign corporations doing business in the United States of America for purposes of a branch profits tax, (iv) the inclusion of interest on Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of interest on Bonds by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining the taxability of such benefits.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS. PROSPECTIVE BONDOWNERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

The opinion of Bond Counsel will be delivered contemporaneously with the delivery of the Bonds substantially in the forms attached hereto as APPENDIX H.

NO CONTINUING DISCLOSURE

During the time the Bonds bear interest at Variable Rates pursuant to the Indenture, the Bonds are exempt from the continuing disclosure requirements of Securities Exchange Authority Rule 15c2 12(b)(5) (the "Rule"). Accordingly, no continuing disclosure with respect to the Bonds, the Owner, Freddie Mac or the Issuer will be provided to the owners of the Bonds so long as the Bonds bear interest at Variable Rates. Pursuant to the Financing Agreement, the Owner will covenant and agree that on and after adjustment of the Bonds to a Reset Rate or a Fixed Rate, it will comply with and carry out all of the provisions of a Continuing Disclosure Agreement between the Owner and the Trustee to be executed and delivered as a condition precedent to the adjustment of the interest rate with respect to such Bonds to a Reset Rate or a Fixed Rate, or deliver to the Trustee and Issuer an opinion of counsel to the effect that the requirements of the Rule are not triggered by the change in interest rate mode.

UNDERWRITING

Siebert Brandford Shank & Co., L.L.C. (the "Underwriter"), has entered into a Bond Purchase Agreement to purchase the Bonds at the price shown on the cover page hereof. For its services under the Bond Purchase Agreement, the Underwriter will be paid a fee in an amount equal to 1.00% of the aggregate principal amount of the Bonds plus an additional miscellaneous expenses fee equal to \$5,000 (the "Underwriting Fee"), from which together the Underwriter will pay certain fees and expenses with

respect to the issuance and sale of the Bonds. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased and that such obligations under such Bond Purchase Agreement to accept delivery of the Bonds are subject to certain terms and conditions, including the approval of certain legal matters by counsel and delivery of the Bonds. The public offering price of the Bonds may be changed from time to time at the discretion of the Underwriter. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trust) and certain dealer banks and banks acting as agent.

In addition to the Underwriting Fee, the Remarketing Agent is to be paid a fee in accordance with the terms of the Remarketing Agreement while the Bonds bear interest at the Variable Rate.

The Owner has agreed, pursuant to the Bond Purchase Agreement to indemnify the Underwriter and the Issuer, and pursuant to the Remarketing Agreement to indemnify the Remarketing Agent, against certain liabilities relating to this Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned to the Bonds the ratings set forth on the cover page hereof. The ratings reflect only the views of the rating agency, and an explanation of the significance of such ratings may be obtained from it. No assurance can be given that the ratings will be maintained for any given period of time or that the ratings may not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the delivery of the Credit Enhancement Agreement by Freddie Mac and the execution and delivery of the Indenture, the Financing Agreement, the Tax Regulatory Agreement and the Tax Certificates are subject to the approving opinion of Bryant Miller Olive P.C., as Bond Counsel, which will be furnished at the expense of the Owner on the date of issuance of the Bonds (the "Bond Counsel Opinion"). The Bond Counsel Opinion will be limited to matters as described herein under the caption "TAX MATTERS" and as set forth in "APPENDIX H – FORM OF OPINION OF BOND COUNSEL."

Certain legal matters will be passed upon for Freddie Mac by its Legal Division and by its special counsel, Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C., for the Owner by its counsel, Powell Goldstein LLP, Washington, D.C., for the Trustee by its counsel, Kutak Rock LLP, Washington, D.C., for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. and for the Issuer by Harry T. Alexander, Jr.

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

NO LITIGATION

The Issuer

On the date of issuance of the Bonds, the Issuer will deliver certificates to the effect that, to the knowledge of the Issuer, no litigation is pending or threatened against the Issuer (i) to restrain or enjoin the issuance of the Bonds, or contesting or questioning the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued, or the pledge or application of any money or security provided for the payment of the Bonds or (ii) which questions the validity of the Indenture, the Financing Agreement, the Tax Regulatory Agreement or the Bonds.

The Owner

On the date of issuance of the Bonds, the Owner will deliver a certificate to the effect that there is no pending or, to the knowledge of the Owner, any threatened litigation against the Owner which in any way questions the validity of the Bonds or any proceedings or transactions relating to their issuance or delivery, or which would materially adversely affect the Owner's obligations under the Bond Mortgage Loan Documents.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Financing Agreement, the Credit Enhancement Agreement, if delivered, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact and are not to be construed as a contract or agreement between any of the Issuer, the Owner, the Trustee, the Credit Facility Provider and the Underwriter and the purchasers or Holders of the Bonds.

This Official Statement has been approved by the Issuer and the Owner for distribution by the Underwriter to current Bondholders and potential purchasers of the Bonds.

**DISTRICT OF COLUMBIA HOUSING FINANCE
AGENCY**

By: /s/ Harry D. Sewell
Executive Director

[Signatures continue on next page]

[Owner Signature Page to the Official Statement]

PENTACLE LIMITED PARTNERSHIP, a District of Columbia limited partnership

By: Pentacle GP LLC, a District of Columbia a limited liability company, its general partner

By: Sunrise Development Corporation, its managing member

By: /s/ David Roodberg
Vice President

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

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

“Act” means District of Columbia Housing Finance Agency Act (Chapter 27, title 42 of the District of Columbia Code), as amended.

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

“Alternate Credit Facility” means a Credit Facility (other than the Credit Enhancement Agreement), including, without limitation, a letter of credit, surety bond, insurance policy, standby purchase agreement, guaranty, mortgage-backed security or other credit facility, collateral purchase agreement or similar agreement issued by a financial institution (including without limitation Freddie Mac) which provides security for payment of (i) the principal of and interest on the Bonds and the purchase price of the Bonds while the Bonds bear interest at a Variable Rate (but in no case less than all of the Outstanding Bonds) when due, (ii) the Bond Mortgage Loan in an amount not less than the Guaranteed Payment, and (iii) the Purchase Price of the Bonds which is provided in accordance with the Financing Agreement.

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

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

“Authorized Officer” means (a) when used with respect to the Issuer, the Chairman, Vice Chairman or Executive Director of the Issuer and such additional Person or Persons, if any, duly designated by the Issuer in writing to act on its behalf, (b) when used with respect to the Owner, the General Partner of the Owner and such additional Person or Persons, if any, duly designated by the Owner in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, any authorized signatory of the Servicer and such additional Person or Persons, if any, duly designated by the Servicer in writing to act on its behalf, (e) when used with respect to the Remarketing Agent, any authorized signatory of the Remarketing Agent and such additional Person or Persons, if any, duly designated by the Remarketing Agent in writing to act on its behalf, (f) when used with respect to the Tender Agent, any authorized signatory of the Tender Agent and such additional Person or Persons, if any, duly designated by the Tender Agent in writing to act on its behalf, and (g) when used with respect to the Credit Facility Provider, any Person who is authorized in writing to take the action in question on behalf of the Credit Facility Provider.

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

“Bond Counsel” means any firm of attorneys appointed by the Issuer experienced in matters relating to the issuance of obligations by states and their political subdivisions who are listed as municipal

bond attorneys in The Bond Buyer's Municipal Marketplace and acceptable to the Credit Facility Provider.

"Bond Fee Component" means the regular, ongoing fees from time to time of the Issuer, the Trustee, the Remarketing Agent, Tender Agent, if any, the Custodian, the Dissemination Agent and the Rebate Analyst expressed as a flat, fixed amount or in terms of a percentage of the principal amount of Outstanding Bonds (including Purchased Bonds) on an annual basis.

"Bond Financing Documents" means, collectively, the Indenture, the Bonds, the Remarketing Agreement, the Pledge Agreement, the Tax Certificates and the Bond Mortgage Loan Documents.

"Bond Fund" means the Bond Fund established by the Trustee pursuant to the Indenture.

"Bondholder" or "Holder" means any Person who will be the registered owner of any Outstanding Bond.

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

"Bond Mortgage Loan" means the Bond Mortgage Loan in the original amount of \$11,560,000 made to the Owner pursuant to the Bond Mortgage Loan Documents.

"Bond Mortgage Loan Documents" means the Bond Mortgage, the Bond Mortgage Note, the Financing Agreement, the Tax Regulatory Agreement, any Custodial Escrow Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Reimbursement Mortgage, the Intercreditor Agreement, and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Bond Mortgage Loan or any portion thereof, or evidencing, securing or otherwise relating to the Owner's obligations to the Credit Facility Provider in connection with the delivery of the Credit Facility.

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

"Bond Mortgage Note" means the Bond Mortgage Note dated the Delivery Date from the Owner to Issuer and assigned to the Trustee, subject to the Unassigned Rights, in the principal amount of \$11,560,000, together with all riders and addenda thereto, evidencing the Bond Mortgage Loan, as such Bond Mortgage Note may from time to time be amended, modified or supplemented.

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

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

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

“Bond Year” means the period commencing on the Delivery Date and ending on October 31, 2009 and each 12-month period thereafter commencing on November 1 of each year, so long as the Bonds are Outstanding.

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

“Bonds” means the District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds (Pentacle Apartments Project), Series 2008 issued pursuant to the provisions of the Indenture.

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

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

“Change Order” means any change order requesting a change in, deviation from, addition or modification to the Schedule of Work.

“Commitment” means the commitment from Freddie Mac to the Servicer pursuant to which Freddie Mac has agreed to provide credit enhancement for the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time.

“Compliance Period” shall mean the period specified in Section 42(i)(1) of the Code, being fifteen years beginning with the later of the year in which the buildings containing the one hundred and sixty-seven residential housing units, which will consist of one hundred and eighty-two units upon completion, comprising a portion of the Project are placed in service or, at the election of the Owner, the next succeeding year.

"Costs of Issuance" means (i) the fees (excluding ongoing fees), costs and expenses of (a) the Issuer and, the Issuer’s counsel, (b) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (c) Bond Counsel, (d) the Trustee and the Trustee’s counsel, (e) the Servicer and the Servicer’s counsel, if any, (f) the Credit Facility Provider and the Credit Facility Provider’s counsel, (g) the Owner’s counsel and the Owner’s financial advisor, if any, and (h) the Rating Agency, (ii) costs of printing the offering documents relating to the sale of the Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

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

“Credit Enhancement Agreement” means the Credit Enhancement Agreement, dated as of the date of the Indenture, between Freddie Mac and the Trustee, as such Credit Enhancement Agreement may from time to time be amended or supplemented.

“Credit Facility” means the Credit Enhancement Agreement or any Alternate Credit Facility at the time in effect.

“Credit Facility Provider” means, so long as the Credit Enhancement Agreement is in effect, Freddie Mac, or so long as any Alternate Credit Facility is in effect, the Credit Facility Provider then obligated under the Alternate Credit Facility.

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

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

“Custodian” means U.S. Bank National Association, not in its individual capacity but solely in its capacity as collateral agent for the Credit Facility Provider and any successor in such capacity.

“Delivery Date” means November 24, 2008, the date of initial delivery of the Bonds to the initial purchasers thereof against payment therefor.

“Disclosure Agreement” means the Continuing Disclosure Agreement, to the extent required, between the Owner and the Dissemination Agent, as the same may be amended, supplemented or restated from time to time.

“Dissemination Agent” means any qualified firm to be selected by the Issuer to perform dissemination service.

“District” means the District of Columbia.

“DTC” means The Depository Trust Company, New York, New York, as securities depository for the Bonds pursuant to the Indenture.

“Eligible Funds” means (a) remarketing proceeds received from the Remarketing Agent or any purchaser (other than funds provided by the Owner, any general partner or guarantor of the Owner or the Issuer), (b) proceeds received pursuant to the Credit Facility, (c) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds, (d) proceeds from the investment or reinvestment of moneys described in clauses (a), (b) and (c) above, or (e) moneys delivered to the Trustee and accompanied by an Opinion of Counsel of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Owner, any general partner or guarantor of the Owner, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such moneys to Bondholders would not constitute a voidable preference under Section 547 of the Bankruptcy Code and (ii) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such moneys to the payment of the Bonds.

“Event of Default” or “event of default” means any of those events specified in and defined by the applicable provisions of the Indenture to constitute an event of default.

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

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

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

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

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

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

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

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

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

“Freddie Mac Credit Enhancement Fee” has the meaning set forth in the Reimbursement Agreement.

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

“Government Obligation” means Qualified Investments described in (a) and (b) of the definition of “Qualified Investments” herein.

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

“Guaranty” means the Guaranty dated as of the Delivery Date between the Issuer and Joseph F. Horning, Jr., as such Guaranty may from time to time be amended or supplemented.

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

“Indenture” means the Trust Indenture, dated as of November 1, 2008, between the Issuer and the Trustee, together with any other indentures supplemental to the Indenture.

“Index Rate” means a rate equal to the index of the weekly index rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by the Securities Industry and Financial Markets Association, such index currently known as the Securities Industry and Financial Markets Association™ Municipal Swap Index; provided, however, that the Index Rate, as applicable, shall not exceed the Maximum Rate.

“Information Services” means in accordance with then current guidelines of the Securities and Exchange Commission, one or more services selected by the Issuer and designated in a certificate of the Issuer delivered to the Trustee.

“Intercreditor Agreement” means the Intercreditor Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and Freddie Mac, as the same may be amended or supplemented.

“Interest Payment Date” means initially December 1, 2008 and thereafter (i) for interest accrued during any Variable Period, the first Business Day of each month, (ii) for interest accrued during any Reset Period May 1 and November 1 of each year, commencing on the May 1 or November 1 next following the applicable Reset Adjustment Date, (iii) for interest accrued on and after a Fixed Rate Adjustment Date, May 1 and November 1 of each year, commencing on the May 1 or November 1 next following a Fixed Rate Adjustment Date, (iv) each Reset Adjustment Date, Variable Rate Adjustment Date, Fixed Rate Adjustment Date, Substitution Date and the Maturity Date of the Bonds, and (v) for Bonds subject to redemption in whole, the date of redemption (or purchase in lieu of redemption).

“IRP Agreement” means the Agreement for Interest Reduction Payments with respect to the Project by and among the Owner, the Issuer and the Secretary of HUD, as amended, supplemented or restated from time to time.

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

“Issuer” means the District of Columbia Housing Finance Agency, a corporate body and an instrumentality, organized and existing under the laws of the District of Columbia.

“Issuer Fee” means an annual amount equal to the greater of (i) \$5,000 per annum or (ii) 0.40% per annum of the Bonds Outstanding, payable in arrears to the Issuer in an amount equal to one-twelfth of the Issuer’s Fee on the first day of each month, commencing December 1, 2008 and on the first day of each month thereafter.

“Liquidity Advance” shall have the meaning provided in the Reimbursement Agreement.

“Loan Equalization Payment” means a mandatory prepayment of the Bond Mortgage Loan at the direction of Freddie Mac in an amount not to exceed \$6,600,000 if the Project does not meet the rental achievement standards set forth in the Rental Achievement Agreement.

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

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

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

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

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

“Official Statement” means this Official Statement.

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

“Opinion of Bond Counsel” means an Opinion of Counsel from Bond Counsel, addressed to the Credit Facility Provider and the Trustee, for the benefit of the Issuer, the Trustee, the Bondholders and the Credit Facility Provider.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys addressed to the Trustee, the Issuer and the Credit Facility Provider, who may (except as otherwise expressly provided in the Indenture) be counsel to the Issuer, the Owner, the Credit Facility Provider or the Trustee, and who is acceptable to the Trustee, the Issuer and the Credit Facility Provider.

“Ordinary Servicing Fees and Expenses” or “Servicing Fee” means the ordinary fees payable to the Servicer in connection with the servicing of the Bond Mortgage Loan under the Guide, payable monthly in arrears on the first day of each month in an amount equal to 1/12 of 0.10% of the principal balance of the Bond Mortgage Loan outstanding on the day before such payment is due.

“Ordinary Trustee’s Fees and Expenses” means those fees, expenses and disbursements payable to the Trustee as described under the Indenture.

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

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

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

(c) Bonds in lieu of which others have been authenticated (or payment, when due, of which is made without replacement) under the Indenture; and

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

"Owner" means Pentacle Limited Partnership, a limited partnership organized and existing under the laws of the District of Columbia, or any of its permitted successors or assigns as owner of the Project.

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

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

"Pledge Agreement" means that certain Pledge, Security and Custody Agreement, dated as of the date of the Indenture, by and between the Custodian and the Owner, as originally executed or as modified or amended from time to time, together with any similar agreement executed in connection with an Alternate Credit Facility, as originally executed or as amended or modified from time to time.

"Principal Component" has the meaning set forth in the Credit Enhancement Agreement.

"Principal Office of the Credit Facility Provider" means the office of the Freddie Mac located at 8100 Jones Branch Drive, McLean, Virginia 22102 or such other office or offices as the Credit Facility Provider may designate from time to time, or the office of any successor Credit Facility Provider where it

principally conducts its business of serving as credit facility provider under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Remarketing Agent” means the office of the Remarketing Agent located at Two Miranova Place, 12th Floor, Columbus, OH 43215 or such other office or offices as the Remarketing Agent may designate from time to time, or the office of any successor Remarketing Agent where it principally conducts its business of serving as Remarketing Agent under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Tender Agent” means the office of the Tender Agent located at Two James Center, 1021 E. Cary Street, 18th Floor, Richmond, VA 23219 or such other office or offices as the Tender Agent may designate from time to time, or the office of any successor Tender Agent where it principally conducts its business of serving as tender agent under indentures pursuant to which municipal or governmental obligations are issued.

“Principal Office of the Trustee” means the office of the Trustee located at Two James Center, 1021 E. Cary Street, 18th Floor, Richmond, VA 23219 or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

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

“Principal Reserve Schedule” means the Principal Reserve Schedule attached as Exhibit A to the Reimbursement Agreement.

“Principal Reserve Schedule Payments” means the payments to be made by the Owner for deposit into the Real Estate Loan Account and the IRP Loan Account of the Principal Reserve Fund in accordance with the Principal Reserve Schedule on the first day of each month.

“Project” means the land and twelve garden style apartment buildings and one three story building consisting of six townhouse style structures comprised of one hundred and sixty-seven residential rental apartment units, which will consist of one hundred and eighty-two units upon completion, and related fixtures, equipment, furnishings and site improvements known as Pentacle Apartments located at 1501, 1503, 1505, 1507, 1509, 1511, 1513, 1515, 1517, 1519, 1521, and 1523 Benning Road, N. E., and 710 thru 720 16th Street, N. E, in Ward 6 in the District of Columbia, including the real estate described in the Bond Mortgage (see “THE PROJECT AND THE PRIVATE PARTICIPANTS”).

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

“Purchased Bond” means any Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Owner with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is remarketed to any Person other than the Credit Facility Provider, the Owner, any general partner or guarantor of the Owner

or the Issuer. All Purchased Bonds will be held in certificated form under and pursuant to the Pledge Agreement.

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

“Quarterly Redemption Date” means, during any Variable Period, the first Business Day of each February, May, August and November, commencing February 1, 2009.

“Rating Agency” means each national rating agency then maintaining a rating on the Bonds, or any successor or assign thereof.

“Rebate Analyst” means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the 1986 Code, selected by and at the expense of the Owner, with the prior written consent of the Trustee to make the computations required under the Indenture and the Financing Agreement.

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

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

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

“Rehabilitation Escrow Agreement” means that certain Rehabilitation Escrow Agreement dated as of November 1, 2008, among the Owner, the Trustee and Freddie Mac, as the same may be amended, modified or supplemented from time to time.

“Reimbursement Agreement” means the Reimbursement and Security Agreement, dated as of the date of the Indenture, between the Owner and Freddie Mac, as such Reimbursement Agreement may be amended or supplemented from time to time, and upon the effectiveness of any Alternate Credit Facility, any similar agreement between the Owner and the Alternate Credit Facility Provider pursuant to which the Owner agrees to reimburse the Alternate Credit Facility Provider for payments made under the Alternate Credit Facility, as such agreement may be amended or supplemented.

“Reimbursement Mortgage” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated as of the date of the Indenture, from the Owner for the benefit of Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

“Remarketing Agreement” means the Remarketing Agreement dated as of the date hereof between the Remarketing Agent and the Owner, or any similar agreement between the Remarketing Agent, the Owner, in each case as originally executed or as it may be amended or supplemented from time to time in accordance with its terms.

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

“Rental Achievement Agreement” means the Rental Achievement Agreement, dated as of the date of the Indenture, between the Owner and Freddie Mac, as the same may from time to time be amended, supplemented or restated.

“Replacement Reserve Fund” means the fund created pursuant to the Indenture.

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

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

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

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

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

“Revenues” means (i) all payments made with respect to the Bond Mortgage Loan pursuant to the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage (except Principal Reserve Schedule Payments), including all casualty or other insurance benefits and condemnation awards paid in

connection therewith (subject in all events to the interests of the Credit Facility Provider therein under the terms of the Credit Facility and the Reimbursement Agreement), (ii) payments made by the Credit Facility Provider pursuant to the Credit Facility, and (iii) all moneys and securities held by the Trustee in the funds and accounts established pursuant to the Indenture (excluding moneys or securities in the Cost of Issuance Fund, the Principal Fund the Rebate Fund and the Bond Purchase Fund), together with all investment earnings thereon. Principal Reserve Schedule Payments will not constitute Revenues under the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns if such successors and assigns will continue to perform the functions of a securities rating agency.

“Section 236 Use Agreement” means the 236(e) Use Agreement between the Owner and the Secretary of HUD entered into in connection with the IRP Agreement, as amended, supplemented and restated from time to time.

“Schedule of Work” means the schedule of work attached as Exhibit B to the Financing Agreement and Exhibit B to the Rehabilitation Escrow Agreement.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 227-4039 or 4190, or such other securities depositories as the Issuer may designate in a certificate of the Issuer delivered to the Trustee and the Credit Facility Provider.

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

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

“Substitution Date” means any Business Day established for the mandatory tender and purchase of the Bonds in connection with the delivery to the Trustee of an Alternate Credit Facility pursuant to the Indenture.

“Surplus Cash” means with respect to any period, and for purposes of the Replacement Reserve Fund, any revenues of the Owner remaining after paying, or setting aside funds for paying, the following:

- (i) all sums due or currently required to be paid under the Bond Mortgage Note or the Bond Mortgage (excluding deposits to the Replacement Reserve Fund pursuant to the Indenture),
- (ii) all sums due or currently required to be paid under the Reimbursement Agreement or the Reimbursement Mortgage (including but not limited to any Imposition Deposits as defined in the Reimbursement Mortgage),
- (iii) all deposits to any replacement reserve, completion/repair reserve or other reserve or escrow required by the Bond Mortgage Loan Documents that are due or currently payable (excluding deposits to the Replacement Reserve Fund pursuant to the Indenture),
- (iv) all fees due or currently payable by the Owner in connection with the Bonds, including but not limited to fees and expenses of the Issuer, the Trustee, the Remarketing Agent, the Tender Agent and any Rebate Analyst, and
- (v) all reasonable operating expenses of the Project, including but not limited to real estate taxes, insurance premiums, utilities, building maintenance and repairs,

management fees, payroll, administrative expenses, legal expenses and audit expenses (excluding any developer fees payable with respect to the Project).

“Tax Certificate of the Issuer” means, collectively, the Non-Arbitrage Certificate executed by the Issuer on the Delivery Date, and the Arbitrage Rebate Agreement, dated as of the Delivery Date, among the Issuer, the Trustee and the Owner.

“Tax Certificate of the Owner” means, collectively, the Proceeds Certificate executed by the Owner on the Delivery Date, and the Arbitrage Rebate Agreement, dated as of the Delivery Date, among the Issuer, the Trustee and the Owner.

“Tax Certificates” mean, collectively, the Tax Certificate of the Issuer and the Tax Certificate of the Owner.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement dated as of the date of the Indenture among the Issuer, the Trustee and the Owner.

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

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

“Trustee” means U.S. Bank National Association and its successors in trust under the Indenture.

“Trust Estate” will have the meaning set forth in the Indenture.

“Unassigned Rights” means (a) all rights which the Issuer and its officers, officials, directors, agents and employees may have under the Indenture, the Financing Agreement and the Tax Regulatory Agreement to indemnification by the Owner and by any other Person and to payments for expenses incurred by the Issuer itself, or its officers, officials, directors, agents or employees; (b) the right of the Issuer to give and receive notices, reports, certifications, or other information hereunder, under the Financing Agreement and under the Tax Regulatory Agreement; (c) the right of the Issuer to be named additional insured on insurance policies as provided in the Financing Agreement; (d) the right of the Issuer to receive its fees and expenses; (e) the Issuer’s approval rights; (f) the rights of the Issuer with respect to inspections; (g) the rights of the Issuer with respect to operating statements and proposed budgets; (h) the notice, approval, removal and enforcement rights of the Issuer relating to the Manager and General Partner; (i) the rights of the Issuer with respect to publicity and signage; (j) the notification and enforcement rights of the Issuer in the Financing Agreement; (k) the rights of the Issuer with respect to limited liability; (l) all rights of the Issuer to notice and approval of rights relating to requisitions and change orders; (m) all rights of the Issuer to optional redemption, and purchase in lieu of redemption; (n) all rights of the Issuer to enforce the covenants and agreements and to take action for the breach of any representation or warranty of the Owner pertaining in any manner or way, directly or indirectly, to the requirements of the Act or any requirements imposed by the Issuer with respect to the Project, or necessary to assure that interest on the Bonds is excluded from gross income for federal income tax purposes, as are set forth in any of the Bond Financing Documents, including any certificate or agreement executed by the Owner; (o) all rights of the Issuer in connection with any amendment to or modification of any of the Indenture, the Financing Agreement, or the Tax Regulatory Agreement insofar as any such amendment or modification would affect the Unassigned Rights of the Issuer; (p) all approval rights of the Issuer relating to rent increases as provided in the Tax Regulatory Agreement; (q) all rights under the Guaranty; and (r) all enforcement rights with respect to the foregoing. All of the foregoing rights of the Issuer under the Indenture, the Tax Regulatory Agreement, the Financing Agreement, and the Guaranty

are reserved to the Issuer, as none of these rights under the Indenture, the Tax Regulatory Agreement, or the Financing Agreement, are being assigned by the Issuer to the Trustee.

“Unit Reserve Amount” means beginning on the date on which the Project achieves Substantial Completion (as defined in the Partnership Agreement), an amount to be deposited by the Owner pursuant to the Financing Agreement solely from Surplus Cash, or from amounts received pursuant to the Guaranty, to the Replacement Reserve Fund based on \$300 times the number of apartment units (182) at the Project upon completion, which amount, equal to \$54,600, shall, with the consent of the United States Department of Housing and Urban Development, be paid in semi-annual installments of \$27,300, on each May 1 and November 1 (commencing on the first May 1 or November 1 after the date on which the Project achieves Completion) into the Replacement Reserve Fund established pursuant to the Indenture, provided, that such Unit Reserve Amount shall be off set by the amount of any Monthly Deposit or Revised Monthly Deposit (as such terms are defined in the Replacement Reserve Agreement) required by the Credit Facility Provider pursuant to the Replacement Reserve Agreement; and provided, further that even in the event the Revised Monthly Deposit exceeds the Monthly Deposit, the terms as set forth with respect to the Replacement Reserve Fund shall always remain applicable.

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

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

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

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

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

“Underwriter” means Siebert Brandford Shank & Co., LLC.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Establishment of Funds

In addition to the Bond Mortgage Loan Fund and the Bond Purchase Fund, the Indenture establishes the following funds for the benefit of the owners of the Bonds:

- (a) Revenue Fund, and within the Revenue Fund, a General Account and a Credit Facility Account;
- (b) Bond Fund, and within the Bond Fund, a Purchased Bonds Account;
- (c) Redemption Fund;
- (d) Administration Fund;
- (e) Cost of Issuance Fund;
- (f) Principal Reserve Fund and within the Principal Reserve Fund a Real Estate Loan Account and an IRP Loan Account;
- (g) Operating Reserve Fund;
- (h) Replacement Reserve Fund; and
- (i) Rebate Fund.

Revenue Fund

There shall be deposited in the Credit Facility Account of the Revenue Fund all amounts paid pursuant to the Credit Facility. Principal Reserve Schedule Payments shall be deposited directly to the Principal Reserve Fund as provided and to the extent required pursuant to the Indenture. All Revenues (other than amounts paid under the Credit Facility or received as Principal Reserve Schedule Payments) shall be deposited by the Trustee, promptly upon receipt thereof, to the General Account of the Revenue Fund, except (i) the proceeds of the Bonds received by the Trustee on the Delivery Date, which will be applied in accordance with the provisions of the Indenture, (ii) amounts paid pursuant to the Credit Facility, which shall be deposited in the Credit Facility Account, (iii) the Bond Fee Component received from the Servicer or the Owner is to be deposited to the Administration Fund, (iv) as otherwise specifically provided in the Indenture with respect to certain deposits into the Redemption Fund, (v) as otherwise specifically provided in the Indenture with respect to deficiencies in the Administration Fund, (vi) with respect to investment earnings to the extent required under the terms of the Indenture to be retained in the funds and accounts to which they are attributable, and (vii) with respect to amounts required to be transferred between funds and accounts as provided in the Indenture.

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

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

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

THIRD: To the Redemption Fund from money in the Credit Facility Account (i) amounts paid to the Trustee pursuant to the Credit Facility to be applied to the mandatory redemption of all or a portion of the Bonds pursuant to the Indenture (other than a mandatory sinking fund redemption) and (ii) amounts paid to the Trustee pursuant to the Credit Facility to be applied to the optional redemption of all or a portion of the Bonds pursuant to the Indenture; and

FOURTH: To the Purchased Bonds Account in the Bond Fund from moneys in the General Account, an amount equal to the interest due on the Purchased Bonds on such date.

Immediately upon receipt, the Trustee is to deposit directly to the Redemption Fund (i) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for a draw under the Credit Facility in such amount to provide for extraordinary mandatory redemption of all or a portion of the Bonds pursuant to the Indenture; (ii) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the optional redemption of all or a portion of the Bonds pursuant to the Indenture; and (iii) Eligible Funds (other than draws under the Credit Facility) paid to the Trustee to be applied to the payment of any redemption premium in connection with an optional redemption of all or a portion of the Bonds pursuant to the Indenture.

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

Bond Fund

The Trustee is to charge the Bond Fund, on each Interest Payment Date, an amount equal to the unpaid interest and principal due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of such interest and principal when due (excluding principal on any Purchased Bond). Any money remaining in the Bond Fund on any Interest Payment Date after application as provided in the preceding sentence may, to the extent there shall exist any deficiency in the Redemption

Fund to redeem Bonds called for mandatory sinking fund redemption on such Interest Payment Date, be transferred to the Redemption Fund to be applied for such purpose. Any balance remaining in the Bond Fund on the Business Day immediately succeeding an Interest Payment Date is to be transferred to the Servicer for payment to the Credit Facility Provider to be applied in accordance with the Reimbursement Agreement.

Income realized from the investment or deposit of moneys in the Bond Fund is to be deposited by the Trustee upon receipt thereof in the General Account of the Revenue Fund. No amount shall be charged against the Bond Fund except as expressly provided in the Indenture.

Redemption Fund

Any moneys credited to the Redemption Fund and not otherwise restricted shall be applied:

FIRST: To reimburse the Credit Facility Provider to the extent of any draw made under the Credit Facility for redemption of the Bonds pursuant to the Indenture;

SECOND: To pay the redemption price of Bonds called for redemption pursuant to the Indenture; and

THIRD: To make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent money then available in accordance with the Indenture in the General Account of the Revenue Fund and the Administration Fund are insufficient to make up such deficiency, provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or money that is held for payment of Bonds that are no longer Outstanding under the Indenture is to be so transferred to the Bond Fund.

On or before each Interest Payment Date, the income realized from the investment of money in the Redemption Fund is to be credited by the Trustee to the General Account of the Revenue Fund. No amount shall be charged against the Redemption Fund except as expressly provided in the Indenture.

Administration Fund

Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Trustee and used:

FIRST: To make up any deficiency in the Bond Fund on any Interest Payment Date, to the extent moneys then available in the General Account of the Revenue Fund are insufficient to make up such deficiency;

SECOND: To pay to the Trustee the Ordinary Trustee's Fees and Expenses on each Interest Payment Date;

THIRD: To pay to the Issuer when due the Issuer Fee;

FOURTH: To pay when due the reasonable fees and expenses of a Rebate Analyst when due in connection with the computations relating to arbitrage rebate required under the Indenture and the Financing Agreement, upon receipt of an invoice from the Rebate Analyst;

FIFTH: To pay to the Credit Facility Provider any unpaid portion of the amounts due under the Reimbursement Agreement, as certified in writing by the Credit Facility provider to the Trustee;

SIXTH: to deposit to the Custodial Escrow Account any deficiency in the amount held therein as certified in writing by the Servicer (or subsequent holder of the account) to the Trustee;

SEVENTH: To pay the Remarketing Agent any unpaid portion of the fee owed to it, pursuant to the Remarketing Agreement;

EIGHTH: To pay to the Trustee any Extraordinary Trustee's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Issuer and Credit Facility Provider;

NINTH: To pay to the Servicer any unpaid portion of the Ordinary Servicing Fees and Expense and any Extraordinary Serving Fees and Expenses due and owing from time to time, as set forth in an invoice submitted to the Trustee and the Credit Facility Provider;

TENTH: To pay the Issuer any extraordinary expenses it may incur in connection with the Bonds or the Indenture from time to time and any amounts due and owing to the Issuer (including indemnification), as set forth in an invoice submitted to the Trustee and Credit Facility Provider;

ELEVENTH: To make up any deficiency in the Redemption Fund on any redemption date of Bonds, to the extent moneys then available in accordance with the Indenture in the Redemption Fund are insufficient to redeem Bonds called for redemption on such redemption date;

TWELVETH: To pay to the Rating Agency when due the annual rating maintenance fee, if any; and

THIRTEENTH: To transfer any remaining balance after application as aforesaid to the General Account of the Revenue Fund.

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

On or before each Interest Payment Date, the income realized from the investment of money in the Administration Fund will be credited by the Trustee to the General Account of the Revenue Fund. No amount shall be charged against the Administration Fund except as expressly provided in the Indenture.

Principal Reserve Fund

There shall be deposited into the Real Estate Loan Account and the IRP Loan Account of the Principal Reserve Fund the Principal Reserve Schedule Payments; provided, however, during any Reset Period or during any Fixed Rate Period, all Principal Reserve Schedule Payments shall be made to and

held by the Servicer pursuant to the Reimbursement Agreement unless otherwise instructed by the Credit Facility Provider. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be retained in the Principal Reserve Fund (within the specific account thereof for which such earnings relate) and, provided, that there is no deficiency in the Principal Reserve Fund, the Hedge Fee Escrow (as such term is defined in the Reimbursement Agreement), the Administration Fund, the Rebate Fund or under the Replacement Reserve Agreement (as such term is defined in the Reimbursement Agreement), and that no Event of Default exists under any of the Bond Mortgage Loan Documents, shall be paid to the Owner on the Interest Payment Date next succeeding receipt of such interest or profits by the Trustee. In addition, remarketing proceeds relating to Purchased Bonds shall be deposited in the Principal Reserve Fund and used to reimburse the Credit Facility Provider in an amount equal to the amount of any Liquidity Advance paid to the Trustee to purchase Bonds on any Settlement Date. At the direction of the Credit Facility Provider, amounts on deposit in the Principal Reserve Fund shall be used by the Trustee to pay any amounts required to be paid by the Owner under any of the Bond Mortgage Loan Documents, the Reimbursement Agreement or amounts owed to the Credit Facility Provider in connection with any loan purchased by the Credit Facility Provider and secured by the Project, including without limitation any amounts required to be paid to the Credit Facility Provider. At the request of the Owner, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Owner (in which case the Trustee shall release such amounts to the Owner, provided, that if, in the judgment of the Rebate Analyst, the amount on deposit in the Rebate Fund at such time is less than the amount required under the Indenture to be rebated to the United States Treasury, then prior to any such release to the Owner, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) reduce or no longer require deposits to the Principal Reserve Fund.

On each Reset Adjustment Date, Variable Rate Adjustment Date and Fixed Rate Adjustment Date, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations as described in paragraph (iv) under the heading “THE BONDS—Mandatory Redemption” above.

On the first day of the month in which an Interest Payment Date falls during a Reset Period or a Fixed Rate Period, amounts on deposit in the Principal Reserve Fund shall be used to reimburse the Credit Facility Provider in an amount equal to any Guaranteed Payment made by the Credit Facility Provider to the Trustee under the Credit Facility to redeem Bonds in Authorized Denominations as described in paragraph (v) under the heading “THE BONDS—Mandatory Redemption” above.

Unless otherwise directed by the Credit Facility Provider, during any Variable Period, all amounts (1) on deposit in the Principal Reserve Fund as of the tenth (10th) day preceding a Quarterly Redemption Date, and (2) which correspond to Authorized Denominations of the Bonds, shall be available for and shall be applied to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility in a like amount to effect the redemption of Bonds as described in paragraph (vii) under the heading “THE BONDS—Mandatory Redemption” above.

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

Any amounts remaining in the Principal Reserve Fund after payment in full of the principal of and interest on the Bonds shall be applied as provided in the Indenture.

Operating Reserve Fund

The Owner shall deliver or cause to be delivered, from equity contributions received pursuant to the Indenture, for deposit to the Operating Reserve Fund additional amounts to be sufficient to cause the total sum of all such deposits into the Operating Reserve Fund to be equal to \$250,000. The Trustee shall have no obligation to monitor or verify the dates upon which any such deposits are to be made to the Operating Reserve Fund or to verify that the requirements of the Issuer with respect to such deposits have been satisfied. The Trustee shall only be obligated to deposit such amounts upon receipt from or on behalf of the Owner. The Issuer will require that the Operating Reserve Fund remain in place until the Developer achieves stabilized occupancy (or stabilization) for a minimum of 36 consecutive months. Stabilization is defined as achievement of a debt service coverage ratio of 1.20 to 1.0 for 90 consecutive days.

The Trustee shall disburse amounts from the Operating Reserve Fund upon the written requisition of the Owner, with the written approval of the Issuer. Amounts disbursed from the Operating Reserve Fund shall be disbursed for and applied by the Owner to the payment of operating deficits or the payment of debt service on the Loan. The Owner agrees to request approval by the Issuer in advance of disbursements of funds from the Operating Reserve Fund by providing written notice to the General Counsel of the Issuer together with appropriate back-up documentation.

Investment of Funds

The moneys held by the Trustee shall constitute trust funds for the purposes of the Indenture. Any moneys attributable to each of the funds and accounts under the Indenture (except the Principal Reserve Fund and the Bond Purchase Fund) shall be invested by the Trustee, at the direction of the Owner in Qualified Investments which mature on the earlier of (i) six months from the date of investment and (ii) the date such moneys are needed; provided, that if the Trustee shall have entered into any investment agreement requiring investment of moneys in any fund or account under the Indenture in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such moneys shall be invested in accordance with such requirements; and provided, further, that the Credit Facility Account of the Revenue Fund shall be held uninvested or shall be invested only in Government Obligations or in Qualified Investments of the type described in subparagraph (g) of the definition thereof which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of: (i) 30 days from the date of investment or (ii) the date such moneys are required to be applied pursuant to the provisions of the Indenture. Except as otherwise provided in the preceding sentence, in the absence of the written direction of the Owner, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in investments described in subparagraph (g) of the definition of Qualified Investments. Such investments may be made through the investment or securities department of the Trustee. All such Qualified Investments purchased with money in any fund or account under the Indenture shall mature, or shall be subject to redemption or withdrawal without discount or penalty at the option of the Trustee, prior to the next succeeding Interest Payment Date.

Any amount on deposit in the Principal Reserve Fund shall be invested and reinvested by the Trustee or Servicer, as directed in writing by the Owner, in (i) tax-exempt non-AMT obligations rated in the highest short term rating category by Moody's or S&P, or (ii) money market mutual funds (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as

amended, investing solely in investments described in (i) which are rated in the highest short term rating category by Moody's or S&P which, in any case, shall mature or be subject to tender or redemption at par on or prior to the earlier of (1) 35 days from the date of investment or (2) the date such moneys are needed for the purposes set forth in the Indenture, or (iii) such other investments as shall be approved in writing by the Credit Facility Provider. Any interest earned on or profits realized from amounts on deposit in the Principal Reserve Fund shall be deposited into the Principal Reserve Fund. Provided, that there is no deficiency in either the Principal Reserve Fund, the Cap Escrow (as certified in writing by the Servicer or the Credit Facility Provider), the Administration Expense Account or the Rebate Fund, and provided, that the Trustee has not received written notice from the Credit Facility Provider that a default exists under any Bond Mortgage Loan Document, interest earned on, and profits realized from, amounts on deposit in the Principal Reserve Fund shall be paid to the Owner by the Trustee on the Interest Payment Date next succeeding receipt of such interest or profits.

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

The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with this heading.

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

Cost of Issuance Fund

The Trustee shall use moneys on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Owner and as approved by the Issuer, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts remaining on deposit in the Cost of Issuance Fund 6 months after the Delivery Date shall be transferred to the Owner to the extent such funds are not Bond Proceeds. Upon such final disbursement, the Trustee shall close the Cost of Issuance Fund.

Replacement Reserve Fund

Beginning on the first May 1 or November 1 after the Project achieves Substantial Completion, the Unit Reserve Amount shall be deposited on each May 1 and November 1 in the Replacement Reserve Fund solely from Surplus Cash, if any, or amounts received pursuant to the Guaranty. Notwithstanding any other provision, the Financing Agreement or any other Bond Mortgage Loan Document, failure by the Owner to make a deposit of the Unit Reserve Amount into the Replacement Reserve Fund shall not constitute an Event of Default under the Indenture nor under the Financing Agreement nor any other Bond Mortgage Loan Document. Moneys in

the Replacement Reserve Fund shall be disbursed by the Trustee only upon receipt of a requisition executed by the Authorized Representative of the Owner and approved in writing by the Issuer for application to repairs of or replacements in part of the Project, except that upon the occurrence and continuation of an Event of Default under the Indenture and a cancellation of the Bonds, all moneys and investments in the Replacement Reserve Fund (other than moneys held to pay costs required to be paid but not yet payable) shall be transferred to the Revenue Fund and applied to the payment of the Bonds (or reimbursement of the Credit Facility Provider for early payment). Upon the payment in full of the Bonds and the fees and expenses of the Issuer and the Trustee and upon payment of amounts payable to the United States pursuant to the Rebate Fund, any amounts remaining in the Replacement Reserve Fund shall be paid to the Owner, with the prior written approval of the Issuer, as soon as practicable upon the Owner's written request therefor.

Rebate Fund; Compliance with Tax Certificates

The Rebate Fund shall be established by the Trustee and held and applied as provided under this heading. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Owner for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificates) and as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Owner, the Credit Facility Provider nor the Bondholders shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificates. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Issuer, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificates, and shall not be required to take any actions under the Tax Certificates in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Owner.

Amounts Remaining in Funds

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

Payments Under Bond Mortgage Loan

The Trustee and the Issuer have expressly acknowledged that references in the Indenture to payments or prepayments of the Bond Mortgage Loan shall, for all purposes of the Indenture, refer solely to such portion of such payments or prepayments actually paid by the Credit Facility Provider to the Trustee as Guaranteed Payments pursuant to the Credit Facility for which the Owner has correspondingly reimbursed the Credit Facility Provider in an amount equal to the Guaranteed Payments. Without in any way limiting the foregoing, the Trustee and the Issuer have acknowledged that, pursuant to the Guide, the Servicer will pay the Freddie Mac Credit Enhancement Fee, the Freddie Mac Reimbursement Amount and the Ordinary Servicing Fees and Expenses from payments under the Bond Mortgage Loan made by the Owner prior to remitting the balance of such payments or prepayments to the Trustee for application as provided in the Indenture.

Drawings Under the Credit Facility

The Credit Facility is to be held by the Trustee and drawn upon in accordance with its terms and the provisions of the Indenture. Money derived from draws upon the Credit Facility is to be deposited in the Credit Facility Account of the Revenue Fund and applied by the Trustee to pay the principal of and interest on the Bonds, and, in the event of a purchase of the Bonds, to pay, to the extent provided in the Credit Facility, the Purchase Price of the Bonds in accordance with the Indenture.

The Trustee shall draw money under the Credit Facility in accordance with the terms thereof when needed and in amounts sufficient to make timely payments of the principal of and interest, but not premium, on the Bonds when due and payable (i.e., on any Interest Payment Date, any Settlement Date, any redemption date or the Maturity Date). The Trustee shall not, however, be permitted to draw on the Credit Facility to pay principal of and interest on Purchased Bonds.

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

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

The Trustee shall send to the Owner a copy of any documents which are presented to the Credit Facility Provider in connection with a drawing on the Credit Facility concurrently with its submission of those documents to the Credit Facility Provider, if requested to do so by the Owner. The Owner shall be permitted to provide the Trustee with an Alternate Credit Facility in accordance with the Indenture and the Financing Agreement.

The Trustee shall also draw moneys under the Credit Enhancement Agreement in accordance with its terms to cover any deficiency in payment of the Issuer Fee (such draws, if any acknowledged to be on a standby basis, not on a direct-pay basis).

Events of Default; Acceleration; Remedies

Each of the following constitutes an Event of Default with respect to the Bonds under the Indenture:

(a) failure to pay the principal or Purchase Price of, premium, if any, or interest on any Bond (other than Purchased Bonds) when due, whether at the stated maturity thereof, or on proceedings for redemption thereof, or on the maturity thereof by declaration; or

(b) failure by the Credit Facility Provider to make when due a required payment under the Credit Facility; or

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds and the continuance thereof for a period of 30 days after written notice to the Issuer from the Trustee or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding at such time specifying such default and requiring the same to be remedied; provided that the Credit Facility Provider shall have directed in writing that the same shall have constituted an Event of Default.

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

The Trustee will immediately notify the Issuer, the Servicer and the Credit Facility Provider after a Responsible Officer obtains actual knowledge of the occurrence of an Event of Default or obtains actual knowledge of the occurrence of an event which would become an Event of Default with the passage of time or the giving of notice or both.

Upon the occurrence of an Event of Default described in paragraph (a) above, the Trustee shall, but so long as no Event of Default has occurred and is then continuing as described in paragraph (b) above, only upon receipt from the Credit Facility Provider of a notice directing such acceleration (which notice may be given in the sole discretion of the Credit Facility Provider), by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. Upon the occurrence of an Event of Default described in paragraph (c) above, the Trustee may, but so long as no Event of Default has occurred and is then continuing as described in paragraph (b) above, only upon receipt of the written consent of the Credit Facility Provider (which consent may be given in the sole discretion of the Credit Facility Provider) by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue, anything contained in the Indenture or in the Bonds to the contrary notwithstanding upon the occurrence of an Event of Default described in paragraph (c) above, the Trustee may, and upon the written request of the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding and receipt of indemnity satisfactory to it shall, by notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and interest on the Bonds shall cease to accrue upon such declaration, anything contained in the Indenture or in the Bonds to the contrary notwithstanding. The payment on the Bonds resulting from a declaration of acceleration on the Bonds as

the result of an Event of Default described in paragraphs (a) or (c) above shall be made from the Credit Facility.

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Issuer, the Owner or the Credit Facility Provider, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee shall have been made good or cured or adequate provision shall have been made therefor, and all outstanding amounts then due and unpaid under the Reimbursement Agreement (including with respect to Freddie Mac, all outstanding Freddie Mac Reimbursement Amounts and all Freddie Mac Credit Enhancement Fees) shall have been paid in full and all other defaults under the Indenture shall have been made good or cured or waived in writing by the Credit Facility Provider (or, if an Event of Default described in paragraph (b) above has occurred and is then continuing, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding), then and in every case, the Trustee on behalf of the Holders of all the Outstanding Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

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

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce the payment of the principal of, premium, if any, or interest on the Bonds then Outstanding, and to require the Issuer or the Credit Facility Provider to carry out any covenants or agreements with or for the benefit of the Bondholders and to perform its duties under the Act, the Bond Resolution, the Financing Agreement, the Tax Regulatory Agreement or the Credit Facility (as applicable) to the extent permitted under the applicable provisions thereof;

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

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

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

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

Rights of Bondholders

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

Application of Moneys After Default

All moneys collected by the Trustee at any time pursuant to the Indenture provisions relating to defaults and remedies shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Trustee to the General Account of the Revenue Fund. Such moneys so credited to the General Account of the Revenue Fund and all other moneys from time to time credited to the General Account of the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of the Indenture.

In the event that at any time the moneys credited to the Revenue Fund, the Bond Fund, the Redemption Fund, the Administration Fund and the Principal Reserve Fund available for the payment of interest or principal then due with respect to the Bonds shall be insufficient for such payment, such moneys (other than moneys held for the payment or redemption of particular Bonds as provided in the Indenture) shall be applied as follows and in the following order of priority:

- (a) For payment of all amounts due to the Trustee incurred in performance of its duties under the Indenture, including, without limitation, the payment of all reasonable fees and expenses of the Trustee incurred in exercising any remedies under the Indenture.

(b) So long as no Event of Default described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is then continuing, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement (including, with respect to Credit Facility Provider all Credit Facility Provider Credit Enhancement Fees and Credit Facility Provider Reimbursement Amounts).

(c) Unless the principal of all Bonds shall have become or have been declared due and payable:

FIRST, to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference; and

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of and premium, if any (which payment of premium shall not be restricted to Eligible Funds), on any Bonds which shall have become due, whether at maturity or by call for redemption, in the order in which they became due and payable, and, if the amount available is not sufficient to pay in full all the principal of and premium, if any, on the Bonds so due on any date, then to the payment of principal ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference, and then to the payment of any premium due on the Bonds, ratably, according to the amounts due on such date, to the Persons entitled thereto, without any discrimination or preference.

(d) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal of, premium, if any (which payment of premium shall not be restricted to Eligible Funds), and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal, premium and interest, to the Persons entitled thereto without any discrimination or preference except as to any differences in the respective rates of interest specified in the Bonds.

(e) If an Event of Default described in paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above has occurred and is then continuing, for the payment to the Credit Facility Provider of all amounts then due and unpaid under the Reimbursement Agreement to the date of such Event of Default.

Rights of the Credit Facility Provider

So long as no Event of Default has occurred and is then continuing as described under paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above and if an Event of Default as described under paragraph (a) or (c) under such caption has occurred upon receipt of the written direction of the Credit Facility Provider (which direction may be given in the sole discretion of the Credit Facility Provider), the Trustee shall be obligated to exercise any right or power conferred by the Indenture in the manner set forth in such written direction of the Credit Facility Provider. If such written direction expressly states that the Trustee may exercise one or more of the rights and powers conferred in the Indenture as the Trustee shall deem to be in the interest of the Bondholders and the Credit Facility

Provider, the Trustee exercises one or more of such rights and powers as the Trustee deems to be in the best interests of the Bondholders and the Credit Facility Provider; provided, however, that in any event, so long as no Event of Default has occurred and is then continuing under paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, the Trustee may not undertake any action to realize, through sale or otherwise, upon the Bond Mortgage Loan without the express written direction of the Credit Facility Provider. So long as no Event of Default has occurred and is then continuing under paragraph (b) under the heading “Events of Default; Acceleration; Remedies” above, in the case of an Event of Default under (a) or (c) above, the Credit Facility Provider has the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee.

Supplemental Indentures Not Requiring Consent of Bondholders

The Issuer and the Trustee may from time to time and at any time, without the consent of, or notice to, any of the Bondholders, but with the prior written consent of the Credit Facility Provider, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;
- (c) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect or to permit the qualification of the Bonds for sale under any state blue sky laws;
- (e) in connection with any other change in the Indenture which will not adversely affect the interest of the Trustee or the Bondholders; provided, that in determining whether any change to the Indenture would materially adversely affect the interest of the Bondholders, the Trustee shall be entitled to conclusively rely upon an opinion of counsel;
- (f) to insert such provisions as are, in the opinion of Bond Counsel, necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;
- (g) to modify or amend the Indenture as necessary to maintain the then current rating on the Bonds, except no change may be made that will adversely affect the interest of the Bondholders;
- (h) during a Variable Period, to modify, amend or supplement the Indenture in any other respect, including amendments that under the Indenture would otherwise require Bondholders’ consent, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date

thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;

(i) to modify, alter, amend or supplement the Indenture in connection with the delivery of any Alternate Credit Facility or upon the occurrence of any Reset Adjustment Date, Variable Rate Adjustment Date or Fixed Rate Adjustment Date; and

(j) to implement or modify any secondary market disclosure requirements.

Supplemental Indentures Requiring Consent of Bondholders

With the prior written consent of the Credit Facility Provider, the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of supplemental indentures as may be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture; provided, however, that no such supplemental indenture may permit or be construed to permit (a) an extension of the time for payment of or a reduction in the Purchase Price, or an extension of the time for payment of, or an extension of the stated maturity or a reduction in the principal amount, or reduction in the rate of interest on, or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, or a reduction in the Owner's obligation on the Bond Mortgage Note, without the consent of all of the Holders of all Bonds then Outstanding; (b) the creation of any lien prior to or on a parity with the lien of the Indenture; (c) a reduction in the aforesaid percentage of the principal amount of Bonds which is required in connection with the giving of consent to any such supplemental indenture without the consent of the Holders of all the Bonds then Outstanding; (d) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee; (e) a privilege or priority of any Bond over any other Bonds; or (f) any action that results in the interest on the Bonds becoming included in gross income for federal income tax purposes.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes described under this heading, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to all registered Bondholders and to the Credit Facility Provider. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. Thirty days after the date of the mailing of such notice, the Issuer and the Trustee may enter into such supplemental indenture substantially in the form described in such notice, but only if there shall have first been or is simultaneously delivered to the Trustee the required consents, in writing, of the Credit Facility Provider and the Holders of not less than the percentage of Bonds required by the Indenture. If the Holders of not less than the percentage of Bonds required by the Indenture shall have consented to and approved the execution and delivery of a supplemental indenture as provided in the Indenture, 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 the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as described under this heading, the Indenture shall be and be deemed to be modified and amended in accordance therewith. The Trustee may rely upon an Opinion of Counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of the Indenture.

Anything in the Indenture to the contrary notwithstanding, unless the Owner shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Tax Regulatory Agreement, the Bond Mortgage Note, or the Bond Mortgage, a supplemental indenture under the Indenture which affects any rights of the Owner shall not become effective unless and until the Owner shall have expressly consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Owner or the Owner's attorney at least 15 days prior to the proposed date of execution and delivery of any supplemental indenture.

Notwithstanding any other provision of the Indenture, the Issuer and the Trustee may consent to any supplemental indenture upon receipt of the consent of the Credit Facility Provider, the Holders of all Bonds then Outstanding and, as applicable, the Owner.

Amendments to Financing Agreement Not Requiring Consent of Bondholders

The Trustee shall, without the consent of, or notice to, the Bondholders, but with the consent of the Issuer, the Owner and the Credit Facility Provider, consent to any amendment, change or modification of the Financing Agreement as follows:

- (a) as may be required by the provisions of the Credit Enhancement Agreement, by the Financing Agreement or by the Indenture;
- (b) to cure any ambiguity or formal defect or omission in the Financing Agreement;
- (c) in connection with any other change in the Financing Agreement which will not materially adversely affect the interest of the Trustee or the Bondholders; *provided, that* in determining whether any change to the Financing Agreement would materially adversely affect the interest of the Bondholders, the Trustee shall be entitled to conclusively rely upon an opinion of counsel;
- (d) to modify or amend the Financing Agreement as necessary to maintain the then current rating on the Bonds;
- (e) to make such additions, deletions or modifications as may be necessary, in the opinion of Bond Counsel delivered to the Issuer, the Trustee and the Credit Facility Provider to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;
- (f) during a Variable Period, to modify, alter, amend or supplement the Financing Agreement in any other respect, if notice of the proposed amendments is given to Bondholders (in the same manner as notices of redemption are given) at least thirty days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture; or
- (g) to modify, alter, amend or supplement the Financing Agreement in connection with the delivery of an Alternate Credit Facility to the extent such modification, alteration, amendment or supplement will not materially adversely affect the interest of the Holders, or upon the occurrence of any Reset Adjustment Date, Variable Rate Adjustment Date or Fixed Rate Adjustment Date.

Amendments to Financing Agreement Requiring Consent of Bondholders

Except for the amendments, changes or modifications of the Financing Agreement described under the heading “Amendments to Financing Agreement Not Requiring Consent of Bondholders” above, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Financing Agreement without the consent of the Credit Facility Provider and the Owner, and without the giving of notice and the written approval or consent of the Holders of at least 51% of the aggregate principal amount of the Bonds then Outstanding given and procured in accordance with the procedure described under the heading “Supplemental Indentures Requiring Consent of Bondholders” above; provided, however, that nothing described under this heading shall permit, or be construed as permitting, any amendment, change or modification of the Owner’s obligation to make the payments required under the Financing Agreement without the consent of the Holders of all of the Bonds then Outstanding. If at any time the Issuer and the Owner shall request the consent of the Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner described under the heading “Supplemental Indentures Requiring Consent of Bondholders” above. 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 Bondholders.

Amendments to the Credit Facility

The Trustee and the Issuer may, without the consent of, or notice to, any of the Bondholders, enter into any amendment, change or modification of the Credit Facility (a) as may be required by the provisions of the Credit Facility, (b) to cure any ambiguity or formal defect or omission in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders (which shall be conclusively evidenced by an opinion of counsel delivered to the Trustee and the Issuer, the Credit Facility Provider and the Issuer or by a written confirmation from the Rating Agency of the then existing rating on the Bonds delivered to the Trustee, the Credit Facility Provider and the Issuer), or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

Trustee

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

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

- (a) prior to an Event of Default under the Indenture, and after the curing or waiver of all such Events of Default which may have occurred:
 - (i) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, and the Trustee shall not be liable except for the

performance of such duties and obligations as are specifically set forth in the Indenture; and

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

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

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

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Facility Provider or the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding (or such lesser or greater percentage as is specifically required or permitted by the Indenture) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee will be under no obligation to exercise those rights or powers vested in it by the Indenture, other than such rights and powers that it is obliged to exercise in the ordinary course of its trusteeship under the terms and provisions of the Indenture, at the request or direction of any of the Bondholders pursuant to the Indenture, unless such Bondholders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in the compliance with such request or direction.

The Trustee and any successor Trustee may at any time resign from the trusts by giving written notice to the Issuer, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider, and by giving notice by certified mail or overnight delivery service to each Holder of the Bonds then Outstanding. Such notice to the Issuer, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider may be served personally or sent by certified mail. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed, as provided in the Indenture, and such successor Trustee shall have agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement. If no successor Trustee shall have been appointed and shall have accepted appointment within sixty (60) days following delivery of all required notices of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time, either with or without cause, with the consent of the Credit Facility Provider (which consent of the Credit Facility Provider shall not be unreasonably withheld) by a written instrument signed by the Issuer and delivered to the Trustee, the Owner, the Tender Agent, and the Remarketing Agent, and if an Event of Default shall have occurred and be continuing, other than an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above, by a written instrument signed by the Credit Facility Provider and delivered to the Trustee, the Issuer, the Owner, the Tender Agent and the Remarketing Agent. The Trustee may also be removed, if an Event of Default described in paragraph (b) under the heading "Events of Default; Acceleration; Remedies" above shall have occurred and be continuing, by a written instrument or concurrent instruments signed by the Holders of more than 51% of the aggregate principal

amount of the Bonds then Outstanding and delivered to the Trustee, the Issuer, the Owner, the Tender Agent, the Remarketing Agent and the Credit Facility Provider. The Trustee may also be removed for cause, at the direction of the Credit Facility Provider, by an instrument in writing signed by the Issuer consenting to such removal (which consent of the Issuer shall not be unreasonably withheld) and delivered to the Trustee and the Owner. The Trustee may not be removed until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement and the Indenture.

In case the Trustee under the Indenture shall resign, be removed or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise shall become incapable of acting under the Indenture, or in case the Trustee 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 approval of the Credit Facility Provider, or if the Issuer is then in default under the Indenture, by the Holders of more than 51% of the aggregate principal amount of the Bonds then Outstanding, with the approval of the Credit Facility Provider, by an instrument or concurrent instruments in writing signed by such Holders, or by their duly authorized attorneys, delivered to the Issuer, the Owner, the Credit Facility Provider and such successor Trustee; provided, nevertheless, that in case of vacancy the Issuer may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed in the manner described in the paragraph above; provided; any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed under the Indenture. Every such Trustee appointed pursuant to the provisions of this heading shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the District, having a reported capital and surplus of not less than \$50,000,000 and at least \$50,000,000 in trust assets under management if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. Such successor Trustee shall agree to be the successor Bond Mortgagee under the Bond Mortgage.

Satisfaction and Discharge of Indenture

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

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

(b) by (i) the deposit or credit to the account of the Trustee, in trust, of money or securities in the necessary amount (as provided in the Indenture) to pay the principal, redemption price or Purchase Price and interest to the date established for purchase or redemption (calculated at the Maximum Rate to the extent the Bonds then bear interest at a Variable Rate for any period for which the Variable Rate on such Bonds has not yet been established pursuant to the Indenture) whether by redemption, purchase or otherwise; (ii) if the Bonds then bear interest at the Variable Rate, the delivery to the Trustee of a written confirmation by the Rating Agency of the rating then existing on the Bonds as of the date of such deposit or credit; or

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

and shall have paid all amounts due and owing to the Credit Facility Provider under the Indenture and under the Credit Enhancement Agreement and the Reimbursement Agreement, including but not limited to the Freddie Mac Reimbursement Amount and the Freddie Mac Credit Enhancement Fee, and shall have

paid all fees and expenses of the Trustee, the Issuer, the Servicer, the Tender Agent, the Remarketing Agent and each Paying Agent, and if the Issuer shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the estates and rights granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the lien, and reconvey to the Issuer the estate conveyed by the Indenture, and assign and deliver to the Issuer any interest in property at the time subject to the lien of the Indenture which may then be in its possession, except amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, the payment of any amounts owed to the United States pursuant to the Indenture or the payment of any amounts payable to the Credit Facility Provider.

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

The Trustee shall in no event cause the Bonds to be optionally redeemed from moneys deposited as described under this heading unless the requirements of the Indenture have been met with respect to such redemption.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

The Bond Mortgage Loan

The Issuer has authorized the issuance of the Bonds. The Bond Mortgage Loan will be made to the Owner with the Bond proceeds. Upon the issuance and delivery of the Bonds, the Issuer will deliver the Bond proceeds to the Trustee. The Bond Mortgage Loan shall be deemed made in full upon deposit of the Bond proceeds as described in the Indenture. The Owner has accepted the Bond Mortgage Loan upon the terms and conditions set forth in the Financing Agreement and the Bond Mortgage Loan Documents, subject to the Indenture. Disbursements will be made from the Bond Mortgage Loan Fund as provided in the Indenture pursuant to the forms attached to the Indenture. The Owner has agreed to apply the proceeds of the Bond Mortgage Loan to pay costs of the acquisition and rehabilitation and permanent financing for the Project and to pay certain costs of issuance of the Bonds.

Terms of the Bond Mortgage Loan

The Bond Mortgage Loan is to (a) be evidenced by a Bond Mortgage Note; (b) be initially secured by the Credit Facility; (c) be in the principal amount equal to the principal amount of the Bonds set forth on the cover page hereof; (d) bear interest at such rate or rates as provided in the Bond Mortgage Note; (e) provide for monthly payments into the Principal Reserve Fund in accordance with the Principal Reserve Schedule; and (f) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided in the Financing Agreement and the Bond Mortgage Note and as described above. The Servicer shall service the Bond Mortgage Loan pursuant to the Guide.

Initial Deposits

On the Delivery Date, proceeds of the Bonds shall be deposited by the Trustee in accordance with the Indenture. The Owner will deposit moneys with the Trustee, from sources other than the proceeds of the Bonds, for credit to the Cost of Issuance Fund.

To the extent that amounts in the Cost of Issuance Fund are insufficient to pay all costs of issuing the Bonds, the Owner shall cause the payment of such additional costs of issuing the Bonds to be made on its behalf as such amounts become due.

Payments Under the Bond Mortgage Note; Independent Obligation of Owner

The Owner agrees to repay the Bond Mortgage Loan at the times and in the amounts necessary to enable the Trustee, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds, when due, whether at maturity or upon redemption (with premium, if applicable), acceleration, tender, purchase

or otherwise. The obligation of the Owner to make the payments set forth in the Financing Agreement shall be an independent and separate obligation of the Owner from its obligation to make payments under the Bond Mortgage Note, *provided, that* in all events payments made by the Owner under and pursuant to the Bond Mortgage Note shall be credited against the Owner's obligations under the Financing Agreement. If for any reason the Bond Mortgage Note or any provision of the Bond Mortgage Note shall be held invalid or unenforceable against the Owner by any court of competent jurisdiction, the Bond Mortgage Note or such provision of the Bond Mortgage Note shall be deemed to be the obligation of the Owner pursuant to the Financing Agreement to the full extent permitted by law and such holding shall not invalidate or render unenforceable any of the provisions of the Financing Agreement and shall not serve to discharge any of the Owner's payment obligations under the Financing Agreement. The obligations of the Owner to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification pursuant to the Financing Agreement, to pay costs, expenses and charges pursuant to the Financing Agreement and to make any and all other payments required by the Financing Agreement, the Indenture or any other documents contemplated by the Financing Agreement or by the Bond Mortgage Loan Documents shall be absolute and unconditional and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise.

Payment of Certain Fees and Expenses Under the Bond Mortgage Note

The payments to be made by the Owner under the Bond Mortgage Note include certain moneys to be paid in respect of, among others, the Bond Fee Component, Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Principal Reserve Schedule Payments pursuant to the Financing Agreement and amounts required to be deposited in the Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that any portion of the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, the Remarketing Agents' Fees, the annual rating maintenance fees of the Rating Agency pursuant to the Financing Agreement or amounts required to be deposited in the Custodial Escrow Account remain due and owing at any time, such amounts remaining due and owing will be payable from money on deposit in the Administration Fund as provided in the Indenture or from other money of the Owner, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses are payable from money of the Owner as provided in the Financing Agreement.

Prepayment of the Bond Mortgage Loan

The Owner will have the option to prepay the Bond Mortgage Loan in full or in part prior to the payment and discharge of all the outstanding Bonds in accordance with the provisions of the Indenture, the Financing Agreement and the Bond Mortgage Note and only with the prior written consent of the Credit Facility Provider and the payment of any amount due under the Financing Agreement. The Owner will be required to prepay the Bond Mortgage Loan in each case that Bonds are required to be redeemed in accordance with the terms and conditions set forth in the Indenture.

The Bonds are subject to redemption in accordance with the terms and conditions set forth in the Indenture. In connection with any prepayment, whether optional or mandatory, in addition to all other payments required under the Bond Mortgage Note, the Owner is to pay, or cause to be paid to the Servicer or other party as directed by the Credit Facility Provider (or, if no Credit Facility is then in effect, to the Trustee), an amount sufficient to pay the redemption price of the Bonds to be redeemed, including principal, interest and premium (if any), such premium to be paid in Eligible Funds not consisting of funds drawn under the Credit Facility, and further including any interest to accrue with respect to the Bond Mortgage Loan and such Bonds between the prepayment date and the redemption

date, together with a sum sufficient to pay all fees, costs and expenses in connection with such redemption and, in the case of redemption in whole, to pay all other amounts payable under the Financing Agreement, the Indenture and the Reimbursement Agreement.

The Owner shall provide notice of the prepayment to the Issuer, the Trustee, the Remarketing Agent, the Credit Facility Provider and the Servicer in writing forty five (45) days, or such shorter time as is possible in the case of mandatory prepayments, prior to the date on which the Owner will make the prepayment. Each such notice shall state, to the extent such information is available (a) the amount to be prepaid, (b) the date on which the prepayment will be made by the Owner, and (c) the cause for the prepayment, if any.

Owner's Obligations Upon Redemption or Tender

In the event of any redemption, the Owner is to timely pay, or cause to be paid through the Servicer, to the Trustee an amount equal to the principal amount of such Bonds or portions thereof called for redemption, together with interest accrued to the redemption date and premium, if any. The Owner will timely pay all fees, costs and expenses associated with any redemption of Bonds. In connection with any change or reset of the interest rate borne by the Bonds pursuant to the Indenture, the Owner shall provide the items required by the Indenture as applicable. In the event that on any optional tender date or mandatory tender date under and as provided in the Indenture, Bonds are tendered and not remarketed by the Remarketing Agent, and remarketing proceeds are not available for the purpose of paying the purchase price of such Bonds, the Owner is to cause to be paid, under and subject to the terms of the Reimbursement Agreement and the Credit Facility to the Trustee by the applicable times provided in the Indenture an amount equal to the principal amount of such Bonds tendered and not remarketed, together with interest accrued to the mandatory tender date or optional tender date, as the case may be. The Owner acknowledges in the Financing Agreement that Purchased Bonds will be purchased by the Trustee for and on behalf of, and registered in the name of, the Owner and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

Principal Reserve Fund

The Owner shall make payments for deposit by the Trustee into the Principal Reserve Fund on the first day of each calendar month in accordance with the Principal Reserve Schedule; provided, however, during any Reset Period or during any Fixed Rate Period, all Principal Reserve Schedule Payments shall be made to and held by the Servicer pursuant to the Reimbursement Agreement unless otherwise instructed by the Credit Facility Provider. Amounts on deposit in the Principal Reserve Fund shall be applied as provided in the Indenture, provided, that the amount on deposit in the Principal Reserve Fund shall, upon the occurrence of an event of default under the Bond Mortgage Loan, be used in any manner and for any purpose specified by the Credit Facility Provider in a written direction to the Trustee.

Principal Reserve Schedule Payments shall not be credited against the principal amount of the Bond Mortgage Note or be deemed to be interest payments on the Bond Mortgage Loan until the date such amounts are used to reimburse the Credit Facility Provider for amounts paid under the Credit Enhancement Agreement to redeem or otherwise pay principal of or interest on the Bonds.

Alternate Credit Facility

The Owner, with the prior written confirmation of the Credit Facility Provider that the provisions of the Reimbursement Agreement have been satisfied (but without the consent of Bondholders), may on any Interest Payment Date during a Variable Period, on any Reset Adjustment Date, or any Variable Rate Adjustment Date and on the Conversion Date (but no later than 17 days prior to the expiration date of the Credit Facility unless a commitment to extend the existing Credit Facility has been delivered to the Trustee satisfying the requirements of the Indenture, if applicable), and, following the beginning of a Reset Period, on any Interest Payment Date occurring after the Bonds may first be optionally redeemed at a price of not greater than par plus accrued interest to the redemption date and subject to the terms of the existing Credit Facility and Reimbursement Agreement arrange for the delivery to the Trustee of an Alternate Credit Facility in substitution for the Credit Facility then in effect (referred to as “credit support”) and, if applicable, for payment of the Purchase Price of Bonds delivered or deemed delivered in accordance with the Indenture (referred to as “liquidity support”); provided that the Credit Facility Provider may provide any other form of “credit support” or “liquidity support” (or combination thereof) issued by the Credit Facility Provider in substitution for the then existing Credit Facility, without the consent of the Owner (and without the consent of the Issuer, the Trustee or the Bondholders), if (A) the conditions described under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Amendments to the Credit Facility” are satisfied, or (B)(i) the Rating Agency confirms in writing that such the substitution will not adversely affect the current rating on the Bonds, (ii) the Credit Facility Provider delivers to the Issuer and the Trustee an opinion of Counsel satisfying the requirements of paragraph (c) below, and (iii) such substitute “credit support” or “liquidity support” (or combination thereof) does not increase the amounts required to be paid by, or other obligations of, the Owner. Any Alternate Credit Facility shall satisfy the following conditions, as applicable:

(a) An Alternate Credit Facility may be issued to provide only credit support or only liquidity support so long as a separate Credit Facility provides, at all times while such Alternate Credit Facility is in effect, complementary credit support or liquidity support, as the case may be, so that at all times while any of the Bonds bear interest at the Variable Rate or the Reset Rate such Bonds shall be entitled to credit support and to the liquidity support required by such mode; *provided that* in no event shall Freddie Mac be obligated to provide only liquidity or credit support if any Person other than Freddie Mac provides either liquidity or credit support. During the Fixed Rate Period, the Bonds shall be entitled to credit support only. Notwithstanding the foregoing, prior to the commencement of the Fixed Rate Period, the Issuer may, in its sole discretion, waive the requirement that a Credit Facility be provided during such Fixed Rate Period.

(b) The Alternate Credit Facility shall (i) be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement (as defined in the Indenture); (ii) provide for payment in immediately available funds to the Trustee upon receipt of the Trustee’s request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or extraordinary mandatory redemption date pursuant to the Indenture; (iii) if the Alternate Credit Facility is provided to secure Bonds during a Reset Period, provide an expiration date no earlier than the earliest of (A) the day following the Reset Adjustment Date immediately succeeding the Reset Period; (B) ten (10) days after the Trustee receives notice from the Credit Facility Provider of an Event of Default or a default under and as defined in the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (C) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (D) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Reimbursement Agreement;

(iv) unless waived by the Issuer in its sole discretion, result in the Bonds receiving a long-term rating or short-term rating, or both, as applicable for the mode then in effect, in one of the two highest rating categories of the Rating Agency without regard to pluses or minuses and (v) have a stated expiration or termination date not sooner than one year following its effective date.

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

Tax Compliance

The Owner hereby covenants and agrees not to use the proceeds of the Bonds, the earnings thereon and any other moneys on deposit in any Fund or Account maintained in respect of the Bonds (whether such moneys were derived from the proceeds of the sale of the Bonds or from other sources) in a manner which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the 1986 Code. The Owner shall comply with the provisions of the Tax Certificate applicable to the Owner.

Events of Default

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

(a) Failure by the Owner to pay any amounts due under the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage at the times and in the amounts required by the Financing Agreement, the Bond Mortgage Note or the Bond Mortgage;

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

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

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

Remedies on Default

Subject to the Financing Agreement and the provisions of the Intercreditor Agreement, whenever any Event of Default under the Financing Agreement shall have happened and be existing, any one or more of the following remedial steps may be taken; provided, that in no event shall the Issuer be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to it:

(a) The Issuer shall cooperate with the Trustee as the Trustee acts pursuant to the Indenture.

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

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

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

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

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT

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

In the Tax Regulatory Agreement, the Issuer, the Owner and the Trustee each made certain covenants for the purpose of preserving the tax-exempt status of interest on the Bonds and qualifying the Project for Tax Credits by regulating and restricting the use and occupancy of the Project as set forth therein. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Tax Regulatory Agreement, a copy of which is on file with the Trustee.

Special Tax Covenants

1. Restrictive Covenants.

(a) The Owner covenants and agrees to perform each and every covenant and agreement set forth in the Tax Regulatory Agreement. The Issuer may enforce the obligations of the Owner under the Tax Regulatory Agreement by all available legal and equitable means.

(b) (i) The Owner will acquire, rehabilitate, own and operate the Project for the purpose of providing a “qualified residential rental project” as such phrase is used in Sections 142(a)(7) and 142(d) of the Code, the applicable Treasury Regulations as from time to time promulgated or amended, and the other Tax Requirements, (ii) the benefits and burdens of Ownership of the entire Project shall have been transferred to the Owner for federal tax purposes, and (iii) the Project shall be owned, managed and operated as a multifamily residential rental property comprised of a building or structure or several buildings or structures containing similarly constructed units, together with any functionally related and subordinate facilities and no other facilities, in accordance with Section 142(d) of the Code and Sections 1.103-8(b)(4) and 1.103-8(a)(3) of the Regulations, and in accordance with such requirements as may be imposed thereby and by the Code on the Project from time to time.

(c) The Project is intended to qualify as a “qualified residential rental project” and as a “qualified low-income housing project” under the 40/60 test requirement of Section 142(d)(1)(B) and Section 42(g)(1)(B) of the Code, respectively, and the Issuer so elects.

(d) The Owner will own and operate the Project in a manner which complies with the Act.

(e) For the greatest number of residential units as possible, the Bond proceeds shall be deemed allocated on a pro rata basis to each unit in the Project so that the aggregate basis of such Improvements shall have been financed 50% or more by proceeds of the Bonds for the purpose of complying with the “50% test” under Section 42(h)(4) of the Code.

2. Representations Regarding the Project.

(a) The Issuer passed a resolution with respect to the eligibility of the Project for tax-exempt financing on October 25, 2005 (the “Official Action Date”). No expenditures paid by the Owner more

than 60 days prior to the Official Action Date in connection with the equipping or rehabilitation of the Project by the Owner (other than architect's fees and other preliminary expenditures allowed under Section 1.150-2 of the Regulations) will be reimbursed directly or indirectly by the proceeds of the Bonds or the Bond Mortgage Loan.

(b) Each Unit will contain separate and complete facilities for living, sleeping, eating, cooking, and sanitation for a single tenant or multiple tenants, as applicable.

(c) (i) Upon completion of the Project, none of the Units in the Project shall at any time be leased on a transient basis; (ii) none of the Units in the Project shall ever be leased or rented for a period of less than thirty (30) days; and (iii) neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, health club (which shall not be construed to include recreational facilities which are available only to all tenants and their guests), trailer court or park.

(d) The Project shall consist of twelve discrete garden style apartment buildings and one three story building consisting of six townhouse style structures (containing one hundred and sixty-seven units, which will consist of one hundred and eighty-two units upon completion), each consisting of an independent foundation, outer walls and roof, (i) the burdens and benefits of Ownership of which will be owned by the same "person" (as such term is used in the Code) for federal tax purposes, (ii) located on a common tract of land or two or more tracts of land which are contiguous except for being separated only by a road, street, stream or similar property, and (iii) which will be financed by the Bond Mortgage Loan or otherwise pursuant to a common plan of financing, and which will consist entirely of:

(1) Units which are similar in quality and type of construction and amenities;

(2) Facilities functionally related and subordinate in purpose and size to property described under this heading (d), *e.g.*, parking areas, laundries, swimming pools, tennis courts and other recreational facilities (none of which may be unavailable to any person because such person is a Qualifying Unit Tenant) and other facilities that are reasonably required for the Project, *e.g.*, heating and cooling equipment, trash disposal equipment or Units for residential managers or maintenance personnel; and

(3) Such other facilities that do not represent more than an insubstantial portion of the cost of the Project financed by the Bonds as determined in Exhibit H attached to the Tax Regulatory Agreement.

(e) Upon completion of the Project (i) all Units in the Project shall be leased and rented or made available for lease and rental on a continuous basis to members of the general public, and (ii) the Owner shall not give preference in renting Units in the Project to any particular class or group of persons, other than Qualifying Unit Tenants as provided in the Tax Regulatory Agreement; provided, however, an insubstantial number of Units in the Project (which number, if more than two (2) units, shall have been approved by Bond Counsel in writing) may be occupied by maintenance, security or managerial employees of the Owner or its property manager, which employees must be reasonably necessary for operation of the Project. Qualifying Unit Tenants will have equal access to and enjoyment of all common facilities of the Project.

(f) All Units will be suitable for occupancy, as determined under regulations of the U.S. Treasury Department, taking into account local health, safety and building codes.

(g) No Unit in the Project shall be occupied by the Owner or an Affiliated Party at any time unless the Owner or an Affiliated Party resides in a Unit in a building or structure which contains at least five Units and unless the resident of such Unit is a resident manager or other necessary employee (e.g., maintenance and security personnel).

(h) To the knowledge of the Owner, no member of the governing board of the Issuer, or any other official or employee of the Issuer (in their personal, non-official capacities), has any interest, financial, employment or other in the Owner, the Project, or the transactions contemplated.

(i) At least 95% of the net proceeds of the Bonds will be used to provide a “qualified residential rental project.” On the Issuance Date, the Owner will execute a project cost certificate in substantially the form provided in Exhibit H, based on the amount of Bonds issued on such date.

(j) The Owner will not convert the Ownership of the Project into a condominium or a cooperative housing corporation form of Ownership other than a limited equity cooperative that is a qualified cooperative housing corporation as defined in Section 143(k)(9) of the Code.

(k) The Owner may impose additional charges for the use of certain functionally related and subordinate facilities (e.g., recreational facilities) provided all such facilities are available to and affordable by all tenants in the Project on equal terms, no persons who are not tenants or guests of tenants will be permitted to use such facilities and the charges, if any, are reasonable in relation to the use of such facilities.

(l) No Unit in a building will be included in the Project unless all Units in such building also are included in the Project.

(m) The Owner has not and shall not discriminate on the basis of race, creed, religion, 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 other than as permitted by law with respect to housing for the elderly.

(n) The Owner will not discriminate against prospective tenants on the basis of their receipt of, or eligibility for, housing assistance under any federal, state or local program, but the Owner will not be required to permit more persons to occupy a Unit than may be allowed under local zoning laws, the Tax Regulatory Agreement or HUD program standards.

(o) No Units in the Project shall be leased to persons other than individuals and families unless the Issuer and the Trustee receive an opinion of Bond Counsel to the effect that such leases will not adversely affect the exclusion from gross income of the interest on the Bonds (or any bonds issued to refund the Bonds) for purposes of federal income taxation.

(p) The Owner shall cause the Project to be managed, maintained and operated in a decent, safe and sanitary manner in accordance with applicable HUD Housing Quality Standards and in compliance with (i) the Act and any and all rules and regulations promulgated thereunder by the Issuer; provided, that with respect to such rules and regulations promulgated, and only such rules and regulations, which may be enacted or promulgated in the future, the same are not inconsistent with the Tax Regulatory Agreement and not in derogation of any rights of the Owner which arise and vest under the Tax Regulatory Agreement and (ii) during the Qualified Project Period, Section 142(d) of the Code and any regulations promulgated thereunder and (iii) Section 42 of the Code and any regulations promulgated thereunder.

(q) In addition to compliance with the foregoing requirements set forth by the Tax Regulatory Agreement, the Project is intended to qualify under Section 42(g)(1)(B) of the Code and the Owner represents that no less than 100% of the Units will be held available for tenants at 60% of MSA Median Family Income throughout the Extended Use Period, and the Owner will not at any time during the Extended Use period terminate any tenant leases other than for cause; provided, however, that no existing tenant, as of the Issuance Date, whose income is greater than 60% of MSA Median Family Income as of the Issuance Date shall be displaced as a result of the requirements described in subsection (g) above.

(r) If an existing tenant, whose income is greater than 60% MSA Median Family Income, vacates a unit in the Project, the Owner shall only lease such unit to a Qualifying Unit Tenant.

3. General Tax Covenant; Reliance. The Owner will at all times comply with the Tenant Selection Plan set forth as Exhibit G to the Tax Regulatory Agreement (as agreed to between the Owner and the Issuer) and all requirements of the Act applicable to it and the rules and regulations promulgated by the Issuer which are applicable to the Owner thereunder. In order to verify compliance with the Tenant Selection Plan, the Issuer will have the right to inspect the Owner's records regarding tenants and tenant selection policy, including any applications received by the Owner during the 6 months prior to initial occupancy of the Project for rental of the Units in the Project, at any time during normal business hours upon 72 hours prior notice. The Tenant Selection Plan will not be amended without prior written consent of the Issuer.

Occupancy Requirements

1. Tenant Selection Plan. The Owner shall at all times comply with the Tenant Selection Plan (as agreed to between the Owner and the Issuer) and all requirements of the Act, the rules and regulations promulgated by the Issuer thereunder. In order to verify compliance with the Tenant Selection Plan, the Issuer shall have the right to inspect the Owner's records regarding tenants and tenant selection policy, including any applications received by the Owner during the 6 months prior to initial occupancy of the Project for rental of the Units in the Project, at any time during normal business hours upon 72 hours prior notice. The Tenant Selection Plan shall not be amended without prior written consent of the Issuer.

2. Occupancy.

For the purpose of satisfying the requirements of the Act, the 40/60 test requirement of Section 142(d) of the Code and Section 42 of the Code, the Owner represents, covenants and agrees:

(a) Commencing on the first day of the Qualified Project Period, not less than 40% of the Units in the Project at all times throughout the Qualified Project Period shall be rented to and occupied (or held available for rent, if previously rented to and occupied by a Qualifying Unit Tenant) by Qualifying Unit Tenants as required by Section 142(d) of the Code. For purposes of satisfying this requirement, a Qualifying Unit Tenant shall continue to qualify as a Qualifying Unit Tenant if, after admission, the Qualifying Unit Tenant's Annual Income exceeds the applicable qualifying income level set forth in the definition of "Qualifying Unit Tenant" so long as the Annual Income of such tenant does not exceed 140% of the then current maximum allowable Annual Income for Qualifying Unit Tenants of the same family size.

(b) Throughout the Compliance Period not less than 40% of the units in the Project at all times shall be rented to and occupied (or held available for rent, if previously rented to and occupied by a Qualifying Unit Tenant) by Qualifying Unit Tenants as provided in paragraphs (c)(2) and (g)(1)(B) of Section 42 of the Code. The Owner, however, has agreed that 100% of the units in the Project shall be so

rented and occupied; provided, however, that no existing tenant, as of the Date of Delivery, whose income is greater than 60% of MSA Median Family Income shall be displaced as a result of the requirements of the Tax Regulatory Agreement.

(c) If, as of the most recent annual Income Certification, it is determined that the Annual Income of a person or family occupying a Qualified Unit exceeds 140% of the then current maximum allowable Annual Income, such person shall not be disqualified as a Qualifying Unit Tenant, provided that the next vacant Unit of comparable or smaller size is rented to a person or family that qualifies as a Qualifying Unit Tenant. Only if the next vacant Unit of comparable or smaller size is rented to a new resident who does not qualify as a Qualifying Unit Tenant will such person or family whose income increased above the 140% limit no longer qualify as a Qualifying Unit Tenant. If necessary, the Owner shall refrain from renting dwelling Units in the Project to persons other than Qualifying Unit Tenants in order to avoid violating the requirement that at all times during the Qualified Project Period not less than 40% of the completed dwelling Units in the Project shall be occupied by Qualifying Unit Tenants. If a Unit is vacated by an individual or family who qualified as a Qualifying Unit Tenant, such Unit shall be treated as occupied by a Qualifying Unit Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of the unit shall be redetermined, provided the next available unit of comparable or smaller size is rented to and occupied by a Qualifying Unit Tenant.

(d) (1) Notwithstanding the covenant of the Owner to comply with the minimum occupancy restrictions required by Sections 142(d) and 42 of the Code as set forth in the Tax Regulatory Agreement, the Owner covenants that, subject to the further provisions under this heading, throughout the Extended Use Period not less than 100% of the Units in the Project at all times shall be rented to and occupied (or held available for rent, if previously rented to and occupied by a Qualifying Unit Tenant) by Qualifying Unit Tenants; provided, however, that no existing tenant, as of the Issuance Date, whose income is greater than 60% of MSA Median Family Income shall be displaced as a result of the requirements under this heading .

(2) If the Project does not achieve 100% occupancy by Qualifying Unit Tenants or such occupancy by Qualifying Unit Tenants drops below 100% at anytime during the Extended Use Period, the Issuer may permit a 60-day period, or longer if the Issuer deems appropriate, to the Owner to cure the deficiency and achieve 100% occupancy by Qualifying Unit Tenants. Such cure period will not be denied if the Owner is making acceptable efforts, in the Issuer's sole discretion, to rent all available units, including those occupied but not subject to a lease, to Qualifying Unit Tenants. At any time during the Compliance Period, if the problem is not cured during the approved cure period or if such cure period is not allowed by the Issuer, the Issuer can request that the General Partner of the Owner withdraw or retire from the Owner pursuant to the Tax Regulatory Agreement. In the event that the General Partner of the Owner is required to withdraw or retire from the Owner pursuant to the Tax Regulatory Agreement, the Limited Partner shall have 90 days to cure the deficiency, provided, however, that no existing tenant, as of the Issuance Date, whose income is greater than 60% of MSA Median Family Income shall be displaced as a result of the requirements of the Tax Regulatory Agreement.

(3) The General Partner of the Owner shall provide monthly notices to the Issuer if during the prior month the Project failed to achieve 90% occupancy by Qualifying Unit Tenants. Such notice will minimally provide the percentage of units currently occupied by Qualifying Unit Tenants and such other information requested by the Issuer, provided, however, that this shall not apply if 100% of the units are not occupied by Qualifying Unit Tenants and all remaining vacant units are made available to such Qualifying Unit Tenants, and provided, further that this shall not apply to any existing tenant, as of the Issuance Date, whose income is greater than 60% of MSA Median Family Income.

(e) Notwithstanding the covenant of the Owner to comply with the minimum rental restrictions required by Section 42 of the Code, the Owner covenants that throughout the Extended Use Period, the maximum rent on 100% of the Units shall not exceed 30% of 60% of the then current MSA Median Family Income (as determined by HUD) adjusted for a household consisting of the number obtained by multiplying 1.5 by the number of bedrooms for any such Unit unless specifically agreed to by the Issuer at its sole discretion; provided, however, that this heading shall not apply to any existing tenant, as of the Issuance Date, whose income is greater than 60% of MSA Median Family Income.

3. Determination of Income. The Owner shall obtain from all Qualifying Unit Tenants no more than 60 days prior to their respective initial occupancy of Units, and thereafter shall use its best efforts to obtain not less than 60 days prior to the anniversary of each such Tenant's occupancy (a) the Tenant's Federal income tax return for the taxable year immediately preceding such occupancy or anniversary or such other third party income verification as may substantiate the Tenant's sources of income during the year preceding such occupancy or anniversary and (b) a sworn and notarized current Income Certification substantially in the form of Exhibit B attached to the Tax Regulatory Agreement as the same may be amended from time to time by the Issuer on the written advice of Bond Counsel, or in such other form and manner as may be required by the Tax Requirements, and as the same may be amended from time to time by the Issuer on the written advice of Bond Counsel), and, if requested by the Issuer for a particular Qualifying Unit Tenant or Tenants following its or their initial occupancy of a Unit, an income verification from such Tenant's employer or other source of income. The Owner shall be deemed to have used its best efforts under this heading if it exercises all available remedies under its lease with the respective Tenant, including a suit for possession.

4. Occupancy Notification.

The Owner acknowledges that, for the purpose of establishing compliance with Section 142(d) of the Code, the Qualified Project Period will commence upon the later of (i) the first day on which 10% of the Units in the Project are occupied or (ii) the Issuance Date. The Owner shall promptly notify the Issuer of the first day on which 10% of the Units are occupied and the first (1st) day on which 50% of the Units are occupied for purposes of determining the Qualified Project Period. Based on the foregoing, the Owner acknowledges that, as of the Issuance Date of the Bonds, the Qualified Project Period shall commence, as the Project is more than 10% occupied.

For purposes of satisfying the low income occupancy requirements under Section 142(d) of the Code, the Owner will establish with adequate documentation (e.g., tenant certifications, copies of tax returns, employment records) that, as of the first day of the Qualified Project Period, at least 40% of the residential units that are occupied on that date are occupied by individuals or families who, as of their initial date of occupancy (as established by information provided by the tenant at the time of initial occupancy), had income not in excess of 60% of the area median income (as adjusted for family size) effective as of the date of initial occupancy of each such tenant (the "Holdover Low Income Tenants"). Unless the Owner is able to produce contrary documentation, it will be assumed that the current income of each Holdover Low Income Tenant exceeds 140% of 60% of the applicable area median family income currently in effect. Therefore, any vacancy in effect on or after the commencement of the Qualified Project Period must be reoccupied by a low income tenant until the Owner is able to establish with current income information (i.e., income documentation that is not more than one year old) that at least 40% of the rental units are occupied by individuals or families with incomes that do not exceed 60% of the current area median family income (as adjusted for family size).

Rent Restrictions

1. Compliance Period; Rents on Tax Credit Units.

(a) Throughout the Compliance Period not less than 90% of the units in the Project at all times shall be rented to and occupied (or held available for rent, if previously rented to and occupied by a Qualifying Unit Tenant) by Qualifying Unit Tenants as provided in paragraphs (c)(2) and (g)(1)(B) of Section 42 of the Code. The Owner, however, has agreed that 100% of the units in the Project shall be so rented and occupied; provided, however, that no existing tenant, as of the Issuance Date, whose income is greater than 60% of MSA Median Family Income shall be displaced as a result of the requirements listed under this heading.

(b) Rent for each Tax Credit Unit with one or more separate bedrooms shall not exceed 30% of 60% of the then current MSA Median Family Income (as determined by HUD) adjusted for a household consisting of the number obtained by multiplying 1.5 by the number of bedrooms for any such Unit.

(c) Any increase in the Rents shall be subject to the prior approval of the Issuer as provided in the Tax Regulatory Agreement.

2. Rent Increases. The initial Rents for all Qualified Units are listed in Exhibit K attached to the Tax Regulatory Agreement. The annual adjustment of Rents for Units qualifying for Tax Credits shall be calculated in accordance with Article V of the Financing Agreement. The Owner may not, without the prior written consent of the Issuer, implement any changes in the Rent charged for any Unit. The Owner shall make its request to the Issuer in writing of any proposed Rent changes for Units and shall include the percentage of the increase in the monthly Rents. No Rent increases shall be effective until the first day on which Rent is normally paid, occurring at least 30 days after notice of such increase is given to a tenant. At the request of the Owner and with a showing of need, the Issuer will consider requests for adjustment to Rents prior to the annual adjustments. The Issuer will not unreasonably withhold, condition or delay consent to a reasonable Rent increase.

Event Of Default and Enforcement

(a) If the Owner defaults in the performance or observance of any covenant, agreement or obligation under the Tax Regulatory Agreement, and if such default remains uncured for a period of sixty (60) days after written notice specifying such default and the actions required to correct the same shall have been given by the Trustee or the Issuer to the Owner (or for an extended cure period approved in writing by Bond Counsel if such default stated in such notice can be corrected, but not within such 60-day period), then such uncured breach or default shall constitute an "Event of Default" under the Tax Regulatory Agreement.

(b) Upon the occurrence of an Event of Default under the Tax Regulatory Agreement, the Issuer may take whatever other action at law or in equity or otherwise, whether for specific performance of any covenant in the Tax Regulatory Agreement or such other remedy as may be deemed most effectual by the Issuer to enforce the obligations of the Owner under the Tax Regulatory Agreement, and including the appointment of a receiver to operate the Project in compliance with the Tax Regulatory Agreement, or the institution and prosecution of any action or proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to enforce compliance or to recover monetary damages caused by such violation or attempted violation, except that no action for damages shall be brought without the consent of the Trustee while the Bonds are outstanding, and no such damages shall be collected from any source.

(c) In addition to any and all other available remedies, the Owner consents and agrees that any one or more of the following remedies shall be available upon the occurrence of an Event of Default under the Tax Regulatory Agreement:

(i) The Owner acknowledges and agrees that specific performance of the covenants and requirements of the Tax Regulatory Agreement shall be necessary, and that no appropriate remedy at law would be available upon an Event of Default under the Tax Regulatory Agreement, or if available, any such remedy would be inadequate to implement the public purposes of the Act and to maintain the tax-exempt status of interest on the Bonds, and that the Trustee, the Issuer and the holders of the Bonds would be irreparably injured by the Owner's failure specifically to perform the covenants and requirements; therefore, notwithstanding anything to the contrary stated in the Tax Regulatory Agreement, the Trustee and the Issuer each will have the right to seek specific performance of any of the covenants and requirements of the Tax Regulatory Agreement concerning the acquisition, equipping, rehabilitation and operation of the Project or an order enjoining any violation of the Tax Regulatory Agreement.

(ii) The Owner agrees that the appointment of a receiver may be necessary to prevent waste to the Project and to maintain the tax-exempt status of interest on the Bonds, following an Event of Default by the Owner under the Tax Regulatory Agreement. The Issuer or Trustee may require the appointment of such a receiver.

(d) In addition to the indemnification provided by the Tax Regulatory Agreement, the Owner agrees to pay, indemnify and hold the Issuer and the Trustee harmless from any and all reasonable costs, expenses and fees, including all reasonable attorneys' fees which may be incurred by the Issuer or the Trustee in enforcing or attempting to enforce the Tax Regulatory Agreement following an Event of Default on the part of the Owner under the Tax Regulatory Agreement or their successors, whether the same shall be enforced by suit or otherwise or incurred by any such party as a result of such Event of Default; together with all reasonable costs, fees and expenses which may be incurred in connection with any amendment to the Tax Regulatory Agreement (or to the Financing Agreement, the Indenture or any other document) or otherwise by the Issuer at the request of the Owner (including the reasonable fees and expenses of Bond Counsel in connection with any opinion to be rendered under the Tax Regulatory Agreement).

(e) No remedy conferred upon or reserved to the Issuer or the Trustee by the Tax Regulatory Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Tax Regulatory Agreement, the Financing Agreement, the Indenture or any related documents, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any failure to perform under the Tax Regulatory Agreement shall impair any such right or power or shall be construed to be a waiver thereof. The Issuer authorizes and directs the Trustee to enforce any and all of the Issuer's rights and remedies under the Tax Regulatory Agreement on behalf of the Issuer in the event the Issuer fails to exercise the same and the Trustee acknowledges its right to enforce such rights and remedies.

(f) The Trustee and the Issuer shall have the right, either jointly or severally, to enforce the Tax Regulatory Agreement and require curing of an Event of Default by the Owner under the Tax Regulatory Agreement in periods shorter than otherwise specified under this heading, if Bond Counsel shall, in writing, opine to the parties that it is necessary to effect a cure within a shorter period in order to maintain the tax-exempt status of interest on the Bonds.

(g) No Event of Default under the Tax Regulatory Agreement shall constitute a default under the Financing Agreement or under the Bond Mortgage.

(h) No Event of Default with respect to any Tax Credit requirement shall constitute a default on the Bonds.

(i) From and after the date of the Tax Regulatory Agreement, (i) the liability of the Owner and the General Partner under the Tax Regulatory Agreement shall be limited to the Owner's and the General Partner's interest in the Project and the Owner's right to receive any proceeds of insurance thereon, and the Issuer and the Trustee shall look exclusively thereto, or to such other security as may from time to time be given or which has been given for payment of the obligations under the Tax Regulatory Agreement, and any judgment rendered against the Owner or the General Partner under the Tax Regulatory Agreement shall be limited to the Project and the Owner's right to receive any proceeds of insurance thereon, and any other security so given for satisfaction thereof; and (ii) no deficiency or other personal judgment shall be sought or rendered against the Owner, its General Partner, or their respective successors, transferees or assigns, in any action or proceeding arising out of the Tax Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that nothing under this heading shall limit the Issuer's ability to exercise any right or remedy that it may have with respect to any property pledged or granted to the Issuer or any trustee under the Tax Regulatory Agreement, or both of them, or to exercise any right against the Owner or the General Partner on account of any claim for fraud and deceit and against any other person or entity on account of any claim for fraud and deceit. The Owner and the General Partner shall be fully liable for: (1) amounts payable to the Issuer constituting Unassigned Rights, (2) any amount due and owing as a result of any calculation or determination which may be required in connection with the Bonds for the purpose of complying with Section 148 of the Code (including rebate liability) or any applicable Treasury regulation, (3) the indemnification and payment obligations to the Issuer under the Tax Regulatory Agreement and under the Financing Agreement, (4) the misapplication of (i) proceeds paid prior to any foreclosure under any and all insurance policies, under which the Issuer is named as insured, by reason of damage, loss or destruction to any portion of the Project, to the full extent of such proceeds, (ii) proceeds or awards resulting from the condemnation, or other taking in lieu of condemnation, prior to any foreclosure of any portion of the Project, to the full extent of such proceeds and awards, (iii) rents, issues, profits and revenues received or applicable to a period subsequent to the occurrence and during the continuance of an Event of Default under the Tax Regulatory Agreement but prior to foreclosure, and (iv) proceeds from the sale of all or any part of the Project (except the proceeds from the sale of any personal property), (5) any payment obligation contained in the Financing Agreement which is not also a payment obligation under the Bond Mortgage Note, or any other payment obligation contained in the Financing Agreement or in the Tax Regulatory Agreement, including the obligations of the Owner with respect to the Unassigned Rights.

(j) Notwithstanding the Owner's agreement to hold available 100% of the units for tenants at 60% MSA Median Family Income, the Owner shall not be in default under the sections described in the Tax Regulatory Agreement if, as of the Issuance Date, there are existing tenants residing in any of the units with an annual income that is greater than 60% of MSA Median Family Income.

The limit on the Owner's liability set forth under this heading shall not, however, be construed, and is not intended in any way, to constitute a release, in whole or in part, of the indebtedness evidenced by the Tax Regulatory Agreement, a release, in whole or in part, or effect the enforcement of any other Unassigned Rights of the Issuer to alter, limit or affect the liability of any person or party who may now or hereafter or prior hereto guarantee, or pledge, grant or assign its assets or collateral as security for, the obligations of the Owner under the Tax Regulatory Agreement.

The provisions under this heading shall survive the termination of the Tax Regulatory Agreement.

Freddie Mac Rider

During any period that Freddie Mac is the Credit Facility Provider for the Bonds, the Freddie Mac Rider attached as an exhibit to the Regulatory Agreement and made a part the Regulatory Agreement by reference thereto, shall be in full force and effect.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INTERCREDITOR AGREEMENT

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

The Issuer, Trustee and Freddie Mac will agree upon their respective rights arising from an Event of Default under either the Bond Financing Documents or the Bond Mortgage Loan Documents in an Intercreditor Agreement, dated as of the date of the Indenture (the “Intercreditor Agreement”). Under the terms of the Intercreditor Agreement, the Issuer, the Trustee and Freddie Mac agree, among other things, that, until either (a) Freddie Mac fails to honor a draw properly presented in accordance with the terms of the Credit Enhancement Agreement (a “Wrongful Dishonor”) or (b) the Credit Enhancement Agreement terminates in accordance with its terms and all of the Owner’s obligations to Freddie Mac under the Reimbursement Agreement shall have been paid in full, certain of the rights and remedies of the Issuer, the Trustee and Freddie Mac, under certain of the Bond Financing Documents, including (without limitation) the rights and remedies of the Bond Mortgagee (as defined in the Bond Mortgage) under the Bond Mortgage may (except for the exercise of remedies to preserve the tax-exempt status of the Bonds and the Trustee’s right to seek payment of certain fees due under the Financing Agreement) be exercised only with the consent or at the direction of Freddie Mac, in its sole discretion, including (without limitation) the right to waive certain terms and conditions of certain of the Bond Financing Documents pertaining to the Owner.

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

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APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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

Defined Terms

Capitalized terms used under this heading and not defined hereunder or elsewhere in this Official Statement will have the meanings assigned thereto in the Reimbursement Agreement.

General

The obligations of the Owner to the Credit Facility Provider under the Credit Enhancement Agreement will be evidenced by a Reimbursement Agreement. Under the Reimbursement Agreement, the Owner will be obligated to repay the Credit Facility Provider all sums of money the Credit Facility Provider has advanced to the Trustee under the Credit Enhancement Agreement. The Reimbursement Agreement also provides that the Owner is to pay the Credit Facility Provider Credit Enhancement Fee, the Ordinary Servicing Fees and Expenses, and other fees and expenses as provided therein.

Events of Default

Under the provisions of the Reimbursement Agreement, the Credit Facility Provider may declare an Event of Default if any one or more of the following occurs:

- (i) the Owner shall fail to pay when due any amount payable by the Owner under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;
- (ii) the Owner shall fail to perform its obligations under the Reimbursement Agreement relating to maintaining the tax exempt status of the Bonds or maintaining its character as a single purpose entity or fail to perform its obligations under the Reimbursement Agreement to deliver a Subsequent Hedge, to provide notice or satisfactory evidence required in the Reimbursement Agreement relating to termination of a Hedge or to provide an executed counterpart of a Subsequent Hedge when required by the Reimbursement Agreement;
- (iii) the Owner shall fail to observe or perform any other term, covenant, condition or agreement set forth in the Reimbursement Agreement, which failure continues for a period of 30 days after notice of such failure by Credit Facility Provider to Owner (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in Credit Facility Provider's sole discretion, adversely affect Credit Facility Provider or result in impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document, in which case no Event of Default shall be deemed to exist so long as Owner shall have commenced to cure the default or Event of Default within 30 days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods shall

apply in the case of any such failure which could, in Credit Facility Provider's judgment, absent immediate exercise by Credit Facility Provider of a right or remedy under the Reimbursement Agreement, result in harm to Credit Facility Provider, impairment of the Reimbursement Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

(iv) the Owner shall fail to observe or perform any other term, covenant, condition or agreement set forth in any of the other Owner Documents or there shall otherwise occur an "Event of Default" under the Reimbursement Mortgage or an event of default under any of the other Owner Documents (taking into account any applicable cure period);

(v) any representation or warranty made by or on behalf of the Owner in the Reimbursement Agreement, in any other Owner Document or in any certificate delivered by the Owner to Credit Facility Provider or to the Servicer pursuant to the Reimbursement Agreement or any other Owner Document shall be inaccurate or incorrect in any material respect when made or deemed made;

(vi) Credit Facility Provider shall have given the Owner written notice that Purchased Bonds have not been remarketed as of the 90th day following purchase by the Trustee on behalf of the Owner and the Owner has not reimbursed Credit Facility Provider for the applicable Liquidity Advance or Liquidity Withdrawal and Liquidity Use Fee or has not paid in full all fees and other amounts due to Credit Facility Provider under the Reimbursement Agreement;

(vii) a Reset Period expires and the Owner has not either (a) received the prior written consent of Credit Facility Provider to a change in interest mode or the maintenance of the existing mode or (b) delivered an Alternate Credit Facility in accordance with the terms of the Bond Documents;

(viii) the Servicer has timely submitted the required request therefor and HUD fails to make a scheduled payment under the IRP Agreement;

(ix) an "Event of Default" shall have occurred and be continuing by the Owner pursuant to the IRP Agreement or the Section 236 Use Agreement;

(x) the Owner shall fail to complete all repairs and other rehabilitation required under the Rehabilitation Escrow Agreement by December 1, 2010;

(xi) a default or event of default occurs under the terms of any other indebtedness permitted to be incurred by the Owner (after taking into account any applicable cure period), or

(xii) the Owner shall have failed to perform its obligations under the Reimbursement Agreement or if for any other reason by September 1, 2028, Credit Facility Provider shall not have been replaced by a Credit Facility Provider under the terms of the Indenture and Financing Agreement.

Remedies

Upon the occurrence of an Event of Default, Credit Facility Provider may declare all the obligations of the Owner under the Reimbursement Agreement to be immediately due and payable, in which case all such obligations will become due and payable, without presentment, demand, protest or

notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Credit Facility Provider has the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Credit Facility Provider against the Owner in and to the Project conveyed by the Reimbursement Mortgage or the Bond Mortgage, including, but not limited to, the following actions: (i) demand cash collateral or Qualified Investments in the full amount of the obligations under the Bonds whether or not then due and payable by Credit Facility Provider under the Credit Enhancement Agreement; (ii) give written notice to the Trustee stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to accelerate or cause the mandatory redemption (or purchase in lieu) of the Bonds; (iii) exercise any rights and remedies available to Credit Facility Provider under any of the Owner Documents; and (iv) exercise the same rights, powers, and remedies with respect to the UCC Collateral (as defined in the Reimbursement Agreement) that the Owner may exercise, which rights, powers, and remedies are incorporated therein by this reference for all purposes. In furtherance and not in limitation of the foregoing, Credit Facility Provider shall have all rights, remedies and recourses with respect to the UCC Collateral granted in the Owner Documents and any other instrument executed in connection therewith, or existing at common law or equity (including specifically those granted by the Uniform Commercial Code as adopted in the State), the right of offset, the right to sell the UCC Collateral at public or private sale, and the right to receive distributions to the Owner.

Credit Facility Provider has the right, to be exercised in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted will extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

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APPENDIX G

PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT

Freddie Mac Loan (Real Estate) No.: 504162454

Freddie Mac Loan (IRP) No.: 504162462

CREDIT ENHANCEMENT AGREEMENT

between

FEDERAL HOME LOAN MORTGAGE CORPORATION

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

**Relating to a
Bond Mortgage Loan
Securing**

**\$11,560,000
District of Columbia Housing Finance Agency
Multifamily Housing Revenue Bonds
(Pentacle Apartments Project)
Series 2008**

Dated as of November 1, 2008

CREDIT ENHANCEMENT AGREEMENT

THIS CREDIT ENHANCEMENT AGREEMENT (this “Agreement”) made and entered into as of November 1, 2008, by and between the **FEDERAL HOME LOAN MORTGAGE CORPORATION** (“Freddie Mac”), a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and **U.S. BANK NATIONAL ASSOCIATION** (the “Trustee”), a national banking association, duly organized and existing under the laws of the United States, in its capacity as Trustee under a Trust Indenture dated as of November 1, 2008 (the “Indenture”), between the District of Columbia Housing Finance Agency (the “Issuer”) and the Trustee,

WITNESSETH:

WHEREAS, pursuant to the Indenture, the Issuer has issued its Multifamily Housing Revenue Bonds (Pentacle Apartments Project) Series 2008 (the “Bonds”) in the original principal amount of \$11,560,000; and

WHEREAS, pursuant to a Financing Agreement dated as of November 1, 2008 (the “Financing Agreement”) among the Issuer, the Trustee and Pentacle Limited Partnership, a limited partnership duly organized and existing under the laws of the District of Columbia (the “Borrower”), the Issuer used the proceeds of the sale of Bonds to make a mortgage loan (the “Bond Mortgage Loan”) to the Borrower to acquire, rehabilitate and equip the Project described therein; and

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

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

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

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

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

WHEREAS, to secure the Borrower’s reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Borrower is executing and delivering for the benefit of Freddie Mac a Multifamily Deed of Trust, Assignment of Rents and Security Agreement contemporaneously with the execution and delivery hereof (the “Reimbursement Mortgage”) with respect to the Project; and

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

WHEREAS, Wells Fargo Bank, N.A. (the “Servicer”) will act as initial servicer for the Bond Mortgage Loan;

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

ARTICLE I DEFINITIONS AND INTERPRETATION

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

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

“*Available Amount*” means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, \$11,560,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period, and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be, computed, during the period when the Bonds bear interest at the Variable Rate, on the basis of the actual days elapsed and a 365- or 366-day year, and computed, during the period when the Bonds bear interest at a Reset Rate or Fixed Rate, on the basis of a 360-day year of twelve (12) thirty (30) day months plus an amount equal to the accrued but unpaid Issuer Fee, in each instance as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment or to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to (i) in the case of payment of a Guaranteed Payment, 100% of the amount of such payment and (ii) in the case of the purchase of Purchased Bonds, 100% of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds. Following any provision of funds under this Agreement, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated only as provided in Sections 3.1(a) (iv) and 3.1(b) (iv).

“*Bonds*” means the Issuer’s Multifamily Housing Revenue Bonds (Pentacle Apartments Project) Series 2008 issued in the original principal amount of \$11,560,000.

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

“*Bond Mortgage Loan*” means the mortgage loan in the original amount of \$11,560,000 by the Issuer to the Borrower pursuant to the Financing Agreement, as evidenced by the Bond Mortgage Note and secured by the Bond Mortgage.

“*Bond Mortgage Note*” means the promissory note from the Borrower to the Issuer in the original principal amount of \$11,560,000, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been endorsed by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing December 1, 2008 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means Pentacle Limited Partnership, a limited partnership duly organized and existing under the laws of the District of Columbia, and any permitted successor to or assignee of its rights and obligations under the Bond Financing Documents.

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

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

“*Custodian*” means U.S. Bank National Association, not in its individual capacity but solely in its capacity as collateral agent for Freddie Mac, and any successor thereto in such capacity.

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

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

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

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

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

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

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

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

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

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

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

“*Issuer*” means the District of Columbia Housing Finance Agency, and its successors.

“*Issuer Fee*” means an annual amount equal to the greater of (i) \$5,000 per annum or (ii) 0.40% per annum of the Bond Outstanding payable by the Borrower to the Issuer payable in arrears to the Issuer in an amount equal to one-twelfth of the Issuer’s Fee on the first day of each month, commencing December 1, 2008 and on the first day of each month thereafter.

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

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

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

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

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

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of November 1, 2008 between the Borrower and the Custodian, as the same may be amended, supplemented or restated from time to time.

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

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

“Purchase Price,” with respect to any Bond required to be purchased pursuant to Sections 2.02, 2.13, 10.01 or 10.02 of the Indenture, means the principal amount of such Bond plus interest accrued thereon to the Settlement Date and with respect to any Bond to be purchased pursuant to Section 3.06 of the Indenture means the principal amount of each Bond plus any redemption premium due thereon plus interest accrued to the Settlement Date. No portion of the Purchase Price consisting of any redemption premium shall be payable from funds drawn under this Agreement.

“Reimbursement Agreement” means the Reimbursement and Security Agreement dated as of November 1, 2008 between the Borrower and Freddie Mac, as the same may be amended, supplemented or restated from time to time.

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

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

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

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

“State” means the District of Columbia.

“Termination Date” means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date the Bonds shall have been purchased in accordance with the provisions of Section 3.2 of

this Agreement, (c) November 6, 2028, (d) the date on which the Trustee, after having received sufficient funds to redeem all of the Bonds Outstanding in accordance with the terms of the Indenture, shall have released the lien of the Indenture and shall have paid to Freddie Mac all amounts required to be paid under the Indenture, the Financing Agreement, the Reimbursement Agreement, this Agreement and any other Bond Financing Document, and (e) the day immediately following the effective date of any Alternate Credit Facility.

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

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

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

ARTICLE II REPRESENTATIONS

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

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

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

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

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

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

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

ARTICLE III CREDIT ENHANCEMENT AND LIQUIDITY

Section 3.1 Credit Enhancement Payments and Liquidity Payments.

(a) (i) On each Bond Mortgage Payment Date, a portion of the Available Amount in an amount not to exceed the aggregate principal amount of the Bonds Outstanding (initially, \$11,560,000) is available for the payment of the Principal Component of the Guaranteed Payment and a portion of the Available Amount in an amount not to exceed the sum of (x) the accrued interest on the Bonds Outstanding for up to 35 days at the Maximum Interest Rate during the Variable Period and up to 189 days at the Reset Rate or the Fixed Rate during any Reset Period or Fixed Rate Period, as the case may be (calculated as provided in the definition of Available Amount) and (y) the accrued but unpaid Issuer Fee, is available for the payment of the Interest Component of the Guaranteed Payment, subject to reduction and reinstatement as provided in Section 3.1(a)(iv). Funds shall be made available to the Trustee for such payment against delivery by the Trustee of a demand for payment (each a "Draw Request"). Until Freddie Mac provides the Trustee with written or electronic notice to the contrary, the Trustee shall deliver Draw Requests to Freddie Mac using the Wire Request System. If, for any reason, the Trustee is unable to deliver a Draw Request electronically for processing a payment using the Wire Request System, the Trustee shall notify Freddie Mac immediately via the Freddie Mac Trustee Hotline and Freddie Mac Trustee E-mail Account and deliver that Draw Request by facsimile or electronic transmission, immediately confirmed by overnight delivery service, of a Notice, in the form set forth in Exhibit A-1 hereto, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing); provided that Freddie Mac may waive in writing the requirement of confirmation by overnight delivery service. If a Draw Request is made in strict conformity with the terms and conditions hereof, payment shall be made to the Trustee in immediately available funds (A) if such Draw Request is received by Freddie Mac by 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D.C. time) on the next Business Day, and (B) if such Draw Request is so received after 12:00 Noon (Washington, D.C. time) on any Business Day, not later than 2:00 p.m. (Washington, D. C. time) on the second succeeding Business Day.

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

(iii) To the extent there are Purchased Bonds, Freddie Mac shall have no obligation under any circumstance to make a Freddie Mac Credit Enhancement Payment with respect to that portion of the Required Bond Mortgage Payments allocable to amounts owed on Purchased Bonds.

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

(b) (i) If on any Settlement Date, the Remarketing Agent is unable to remarket any or all of the Bonds tendered for purchase on such Settlement Date, Freddie Mac shall be obligated to pay to the Trustee in immediately available funds, not later than 2:00 p.m., Washington, D.C. time, on the Settlement Date, the Purchase Price of such tendered Bonds. The obligation of Freddie Mac to make such payment is subject to the condition precedent that Freddie Mac (A) shall have timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Freddie Mac pursuant to Section 10.03 of the Indenture, and (B) shall have received not later than 11:00 a.m., Washington D.C. time, on the Settlement Date, (1) a Draw Request, and (2) an e-mail from the Trustee to the Freddie Mac Trustee E-mail Account notifying Freddie Mac that the Draw Request on such date is made pursuant to the Liquidity Commitment. Such Draw Request shall be made using the Wire Request System until Freddie Mac provides the Trustee with written or electronic notice to the contrary. If, for any reason, the Trustee is unable to deliver such Draw Request electronically using the Wire Request System, the Trustee shall immediately notify Freddie Mac via both the Freddie Mac Trustee Hotline and the Freddie Mac Trustee E-mail Account, and shall deliver such Draw Request, instead, in the form of Exhibit A-2 by facsimile or electronic transmission, immediately confirmed by overnight delivery service, to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission (or to such other facsimile number or e-mail address or using such other means of electronic or telephonic communication as Freddie Mac shall designate in writing). In no event

shall the amount payable pursuant to this Section 3.1(b) exceed the Available Amount, nor shall any amounts payable hereunder be used to purchase Purchased Bonds.

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

(iii) The Trustee shall receive and hold all funds provided by Freddie Mac under this Agreement on account of the Purchase Price of Bonds in trust for the benefit of Freddie Mac and shall not disburse such funds to the Tender Agent until the tendered Bonds have been received by the Tender Agent. The Trustee shall, on the Settlement Date, on behalf of the Borrower, cause Purchased Bonds to be registered in the name of the Custodian, until remarketed or redeemed, subject to the security interest provided for in Section 3.1(b)(v) of this Agreement and the Pledge Agreement.

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

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

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

and direct the Trustee to redeem the Bonds in accordance with Section 3.01(b)(ii) of the Indenture. In any of such events Freddie Mac shall pay the redemption price of all Bonds (other than Purchased Bonds) Outstanding.

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

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

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

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

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

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

(b) If Freddie Mac pays the Purchase Price of tendered Bonds in accordance with Section 3.06 of the Indenture, subsequent to its date of purchase Freddie Mac or an entity designated by Freddie Mac in accordance with Section 3.06 of the Indenture, as the case may be, may on any day elect:

(i) to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 of the Indenture;

(ii) to direct the Trustee to redeem all or a portion of such Bonds pursuant to Section 3.01(a)(ii) of the Indenture from the sources identified in that Section, in which case all or such portion of such Bonds shall be redeemed pursuant to Section 3.01(a)(ii) of the Indenture; or

(iii) upon fifteen days' prior notice to the Trustee and the Issuer, to deliver to the Trustee a written undertaking by Freddie Mac confirming its continuing obligations under this Agreement upon a remarketing of such Bonds pursuant to Section 10.10(d) of the Indenture.

(c) Freddie Mac shall have the right to cause an acceleration of the Bonds pursuant to Section 6.02 of the Indenture provided the conditions set forth therein have been satisfied. In such event, Freddie Mac shall pay to the Trustee the entire principal amount of the Bonds, minus the principal amount of any Purchased Bonds, together with accrued interest thereon to the date of acceleration of the Bonds and may direct the cancellation of any such Purchased Bonds.

(d) Upon the payment by Freddie Mac of the redemption price or Purchase Price of the Bonds as provided in Sections 3.2(a), (b) or (c) all payment obligations of Freddie Mac under Section 3.1 with respect to such Bonds to the extent of such payment shall thereupon terminate, other than payment obligations becoming due and owing prior to the date of such payment.

Section 3.3 Nature of the Trustee's Rights. The right of the Trustee to receive payments from Freddie Mac pursuant to Sections 3.1 and 3.2 shall not be diminished by any rights of set-off, recoupment or counterclaim Freddie Mac might otherwise have against the Issuer, the Trustee, the Borrower or any other person. Notwithstanding the foregoing, this Section 3.3 shall not be construed: to release the Trustee or the Issuer from any of their respective obligations hereunder or under the Indenture; except as provided in this Section, to prevent or restrict Freddie Mac from asserting any rights which it may have against the Issuer, the Trustee or the Borrower under this Agreement, the Indenture, the Intercreditor Agreement, the Bond Mortgage Loan or any provisions of law; or to prevent or restrict Freddie Mac, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer, the Trustee or the Borrower or taking any other actions to protect or secure its rights; provided, however that any recovery against the Issuer is limited to amounts held under the Indenture.

Section 3.4 Adjustments to Required Bond Mortgage Payments and Guaranteed Payments. In connection with any partial principal prepayments of amounts owing under the Bond Mortgage Note, the Interest Component of the Required Bond Mortgage Payment shall be adjusted only upon the redemption of Bonds in the amount of such principal prepayment.

ARTICLE IV FREDDIE MAC REIMBURSEMENTS

Section 4.1 Reimbursements.

(a) For each Freddie Mac Credit Enhancement Payment made by Freddie Mac, Freddie Mac shall be entitled to receive reimbursement under the Reimbursement Agreement in the amount of the Freddie Mac Reimbursement Amount. If the Trustee shall have received a Freddie Mac Credit Enhancement Payment from Freddie Mac with respect to any particular Guaranteed Payment and the Trustee shall have received or shall thereafter receive from the Borrower all or any portion of such Guaranteed Payment or any other amount in lieu of such Guaranteed Payment, the Trustee shall promptly

reimburse to Freddie Mac, from any such amounts received from the Borrower, the Freddie Mac Credit Enhancement Payment paid by Freddie Mac as provided in the Indenture.

(b) The Trustee shall maintain records of all Freddie Mac Credit Enhancement Payments received from Freddie Mac hereunder. The Trustee shall, upon receipt of a written request of Freddie Mac, cooperate with Freddie Mac and the Servicer in connection with the reconciliation of the Trustee's records maintained pursuant to this Subsection and any similar records maintained by Freddie Mac or the Servicer.

ARTICLE V COVENANTS

Section 5.1 Annual Reports. Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Any document that Freddie Mac files with the SEC may be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. These SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>.

Section 5.2 Notice of Certain Events. The Trustee shall promptly give notice by facsimile or electronic transmission to Freddie Mac at (571) 382-4798, if by facsimile transmission, or the Freddie Mac Trustee E-mail Account, if by electronic transmission, of (i) the occurrence of any Event of Default under the Indenture or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which the Trustee has actual knowledge, specifying the action taken or proposed to be taken with respect to such event, (ii) all notices required under Article X of the Indenture to be provided to Freddie Mac in connection with the remarketing of Bonds and (iii) each proposed redemption of Bonds and the amount thereof, in writing, not later than 20 days (or as soon as practicable after receiving notice or other information that such a redemption is expected to occur, if such proposed redemption is to be effected with less than 20 days' prior notice in accordance with the Indenture) prior to such redemption, other than scheduled mandatory sinking fund redemptions.

Section 5.3 Amendment of Documents. So long as no Event of Default hereunder shall have occurred and be continuing, the Trustee will not amend or modify, or consent to any amendment or modification of any Bond Financing Document without the prior written consent of Freddie Mac.

Section 5.4 Replacement of Servicer. The Trustee acknowledges that, under certain circumstances set forth in the Guide, Freddie Mac shall have the right to terminate the Servicer's servicing of the Bond Mortgage Loan and to transfer the servicing of the Bond Mortgage Loan to a successor servicer in accordance with the Guide. Freddie Mac will promptly notify the Trustee upon termination of the Servicer and the appointment of a successor servicer.

Section 5.5 Wiring Information. All payments under this Agreement may be made by means of wire transfer of funds to the Trustee to the following account or such other account as the Trustee may specify in writing from time to time:

U.S. Bank N.A.	
ABA Routing Number:	091000022
BNF:	USBANK CT SOUTHEAST WIRE CLRG
Beneficiary Account Number:	173103781824
Beneficiary Address:	777 E. Wisconsin Avenue, Milwaukee, WI 53202
OBI:	Pentacle Apartments/Robinson
Reference:	129375010

ARTICLE VI DEFAULT AND REMEDIES

Section 6.1 Events of Default. Any one or more of the following acts or occurrences shall constitute an Event of Default hereunder:

(a) Failure by Freddie Mac to pay any amounts due under Section 3.1 or 3.2 when due; or

(b) Failure by Freddie Mac to perform or observe any of its covenants, agreements or obligations hereunder, except a failure described in (a) above, if the same shall remain uncured for a period of 45 days after written notice of such failure shall have been given by the Trustee to Freddie Mac; provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such 45-day period, no Event of Default shall be deemed to have occurred if Freddie Mac shall commence such acts or remedies within such 45-day period and thereafter, in the opinion of the Trustee, diligently pursue the same to completion; or

(c) any governmental authority shall require Freddie Mac to suspend its operations for more than three (3) Business Days (unless such requirement is applicable to corporate instrumentalities or financial institutions generally in the United States), or require the sale or transfer of all or substantially all of the assets of Freddie Mac.

Section 6.2 Remedies of Trustee. Upon the occurrence and continuance of any Event of Default by Freddie Mac hereunder, unless such Event of Default has been cured, the Trustee may take any one or more of the following steps, at its option:

(1) by action at law or in equity, require Freddie Mac to perform its covenants and obligations hereunder, or enjoin any acts which may be unlawful or in violation of the rights of the Trustee; and

(2) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Freddie Mac hereunder, or to enforce any other obligations, covenant or agreement of Freddie Mac hereunder.

The above provisions are subject to the condition that if, after any Event of Default hereunder, all amounts which would then be payable hereunder by Freddie Mac if such Event of Default had not occurred and were not continuing, shall have been paid by or on behalf of Freddie Mac, and Freddie Mac shall have also performed all other obligations in respect of which it is then in default hereunder to the

satisfaction of the Trustee, then such Event of Default may be waived and annulled, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any consequent right or remedy.

Section 6.3 Remedies Not Exclusive. No remedy conferred in this Agreement or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 6.4 Restoration of Rights and Remedies. If the Trustee shall have instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the party instituting such proceeding, then and in every such case Freddie Mac, and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.1 Interest of Bondholders. The payments to be made by Freddie Mac hereunder are to be pledged by the Trustee to secure payment of the Purchase Price, principal or redemption price of and interest on the Bonds; provided that in no event shall Freddie Mac be obligated to pay the Purchase Price, principal or redemption price of and interest on Purchased Bonds.

Section 7.2 Amendment. This Agreement shall be amended only by an instrument in writing executed on behalf of the parties by their duly authorized representatives.

Section 7.3 No Individual Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any member of the Board of Directors of Freddie Mac or any officer, agent, employee or representative of Freddie Mac, or the Trustee, in his or her individual capacity and none of such persons shall be subject to any personal liability or accountability by reason of the execution of this Agreement, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise.

Section 7.4 Notices. All notices, certificates and other written communications shall be sufficiently given and shall be deemed to be given (unless another form of notice shall be specifically set forth in this Agreement) on the Business Day following the date on which the same shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt for overnight delivery service) with arrangements made for payment of all charges for next business day delivery, addressed as follows (provided that any of such addresses may be changed at any time upon written notice of such change sent, as provided in this Section, to the other party):

To Freddie Mac:	Federal Home Loan Mortgage Corporation 8100 Jones Branch Drive, Mail Stop B4Q McLean, Virginia 22102 Attention: Director of Multifamily Loan Accounting Telephone: (703) 903-2000 Facsimile: (703) 714-3003
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with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Associate General Counsel – Multifamily, Legal Division
Telephone: (703) 903-2000
Facsimile: (703) 903-2885

with a copy to: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, Mail Stop B4F
McLean, Virginia 22102
Attention: Director of Multifamily Loan Accounting
Telephone: (703) 714-4177
Facsimile: (571) 382-4798

To the Trustee: U.S. Bank National Association
Two James Center
1021 E. Cary Street, 18th Floor
Richmond, VA 23219
Attention: Corporate Trust Administration
Telephone: (804) 782-7928
Facsimile: (804) 782-7941

Notwithstanding anything herein to the contrary, copies of account statements shall be sent to the attention of Freddie Mac's Director of Multifamily Loan Accounting at the above address.

Section 7.5 Governing Law. This Agreement shall be construed, and the rights and obligations of Freddie Mac and the Trustee hereunder determined in accordance with federal statutory or common law ("federal law"). Insofar as there may be no applicable rule or precedent under federal law and insofar as to do so would not frustrate the purposes of any provision of this agreement, the local law of the Commonwealth of Virginia shall be deemed reflective of federal law. The parties agree that any legal actions between Freddie Mac and the Trustee regarding each party hereunder shall be originated in the United States District Court in and for the Eastern District of Virginia, and the parties hereby consent to the jurisdiction and venue of said Court in connection with any action or proceeding initiated concerning this Agreement.

Section 7.6 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

Section 7.7 Multiple Counterparts. This Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 7.8 Successor Trustee. This Agreement and all of the rights and obligations of the Trustee in this Agreement shall be automatically transferred and assigned to a successor Trustee appointed or acting pursuant to the Indenture.

Section 7.9 Assignment. Except as provided in Section 7.8 hereof, this Agreement and the rights of the Trustee created hereby may not be assigned or transferred by the Trustee.

Section 7.10 Acceptance. The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee;

(b) as to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee shall be entitled to rely in good faith upon a certificate purportedly signed by an authorized signatory of Freddie Mac as sufficient evidence of the facts contained in such certificate;

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

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

(e) the Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and not in its individual or corporate capacity; and

(f) all of the provisions of the Indenture related to the duties, obligations, standard of care, protections and immunities from liability afforded the Trustee under the Indenture shall apply to the Trustee under this Agreement.

[Signatures follow]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Enhancement Agreement to be duly executed by their duly authorized officers or representatives.

FEDERAL HOME LOAN MORTGAGE CORPORATION

By: _____
Name: _____
Title: _____

[FREDDIE MAC SIGNATURE PAGE TO PENTACLE APARTMENTS CREDIT ENHANCEMENT AGREEMENT]

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name: _____
Title: _____

[TRUSTEE'S SIGNATURE PAGE TO PENTACLE APARTMENTS CREDIT ENHANCEMENT AGREEMENT]

EXHIBIT A-1

FORM OF NOTICE UNDER SECTION 3.1(a)(i)

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Loan Accounting
Facsimile: (571) 382- 4798

Project Name: Pentacle Apartments

Related Bonds: \$11,560,000 District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds (Pentacle Apartments Project) Series 2008

CUSIP Number: 25477PJN6

Loan No.(Real Estate): 504162454 Date of Notice: _____
Loan No. (IRP) 504162462

CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT

under Section 3.1(a)(i) of Credit Enhancement Agreement between Freddie Mac and the undersigned, as Trustee, dated as of November 1, 2008 relating to the Bond Mortgage Loan securing the Bonds referenced above

Bond Mortgage Payment Date: _____, ____

Guaranteed Payment: \$ _____

NOTICE is hereby given that on the Bond Mortgage Payment Date set forth above, a Freddie Mac Credit Enhancement Payment in the amount equal to the Guaranteed Payment, of which amount (1) \$ _____ represents the Interest Component of which \$ _____ represents interest payable on the Bond Mortgage Loan and (if applicable) \$ _____ represents the portion of the Issuer Fee that is currently due but has not yet been paid by or on behalf of Pentacle Limited Partnership as the Borrower, and (2) and \$ _____ represents the Principal Component, is due. The amount of the Guaranteed Payment has been determined pursuant to the above-referenced Credit Enhancement Agreement.

REQUEST is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment in accordance with the Credit Enhancement Agreement.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____
Name: _____
Title: _____

EXHIBIT A-2

FORM OF DEFICIENCY NOTICE UNDER SECTION 3.1(b)(i)

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, VA 22102
Attention: Multifamily Loan Accounting
Facsimile: (571) 382- 4798

Project Name: Pentacle Apartments

Related Bonds: \$11,560,000 District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds (Pentacle Apartments Project) Series 2008

CUSIP Number: 25477PJN6

Loan No.(Real Estate): 504162454 Date of Notice: _____
Loan No. (IRP) 504162462

DEFICIENCY NOTICE

under Section 3.1(b)(i) of Credit Enhancement Agreement between Freddie Mac and the undersigned, as trustee, dated as of November 1, 2008 relating to the Bond Mortgage Loan securing the Bonds referenced above.

Settlement Date: _____, ____

Tendered Bonds for Purchase: \$ _____
Remarketing Proceeds Held by Tender Agent: (_____)

Amount of "REQUIRED PURCHASE PRICE PAYMENT DEFICIENCY": \$ _____

CREDIT ENHANCEMENT PAYMENT DATE: _____, ____

NOTICE is hereby given that, on the Settlement Date set forth above, there exists a Required Purchase Price Payment Deficiency in the amount set forth above. As a result of said Required Purchase Price Payment Deficiency, a Freddie Mac Credit Enhancement Payment in an amount equal to the Required Purchase Price Payment Deficiency is due on the Credit Enhancement Payment Date set forth above. The amount of the Required Purchase Price Payment Deficiency and the Credit Enhancement Payment Date have been determined pursuant to the above-referenced Credit Enhancement Agreement.

REQUEST is hereby made for payment by Freddie Mac of such Freddie Mac Credit Enhancement Payment at or prior to 2:00 p.m., Washington, D.C. time, on the Credit Enhancement Payment Date.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Authorized Signature: _____

Name: _____

Title: _____

EXHIBIT B

CERTIFICATE FOR REINSTATEMENT OF AVAILABLE AMOUNT

To: Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, Mail Stop B4Q
McLean, Virginia 22102
Attention: Multifamily Loan Accounting

\$11,560,000
District of Columbia Housing Finance Agency
Multifamily Housing Revenue Bonds
(Pentacle Apartments Project)
Series 2008

The undersigned, a duly authorized officer of U.S. Bank National Association, as Tender Agent (the "Tender Agent") under the Trust Indenture (the "Indenture") dated as of November 1, 2008, between the District of Columbia Housing Finance Agency and U.S. Bank National Association, as Trustee, pursuant to which the above-referenced Bonds have been issued, certifies as follows (the capitalized terms used in this Certificate and not defined in this Certificate shall have the meanings given to those terms in the Indenture or the Credit Enhancement Agreement (the "Credit Enhancement Agreement"), dated as of November 1, 2008, between Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee, as applicable):

1. The Tender Agent is the Tender Agent under the Indenture for the holders of the Bonds.

2. On the date of this Certificate \$ _____ aggregate principal amount of Bonds are being sold to purchasers upon a remarketing of such Bonds by the Remarketing Agent. All of such Bonds were previously purchased with moneys provided by Freddie Mac under the Credit Enhancement Agreement in the total amount of \$ _____, of which \$ _____ was provided in respect of principal of the Purchased Bonds and \$ _____ was provided in respect of accrued interest on the Purchased Bonds. [Prior to the date of this Certificate there has been no reinstatement of the Available Amount with respect to amounts provided by Freddie Mac.]

3. The Tender Agent has received for immediate payment to [the Trustee for the account of] Freddie Mac in respect of the Bonds described in paragraph 2 of this Certificate the total amount of \$ _____, consisting of \$ _____ from the Remarketing Agent and \$ _____ from the Borrower. Such total amount is being paid to Freddie Mac at the above address with reference to the Credit Enhancement Agreement, as reimbursement for amounts provided by Freddie Mac under the Credit Enhancement Agreement.

4. Of the total amount referred to in paragraph 3 of this Certificate, \$ _____ represents the aggregate principal amount of Bonds described in paragraph 2 of this Certificate and \$ _____ represents accrued interest on such Bonds.

5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts previously paid to Freddie Mac by or on behalf of the Borrower, represents reimbursement for the entire outstanding balance of all amounts provided in respect of the Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in

reliance upon representations by the Borrower and/or Freddie Mac to the Tender Agent that, upon payment of such amounts, Freddie Mac will be fully reimbursed for the amount provided under the Credit Enhancement Agreement.

6. Pursuant to Section 3.1(b)(iv) of the Credit Enhancement Agreement, the Available Amount shall be automatically reinstated by an amount equal to \$_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement to purchase such Bonds), of which \$_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as principal) is principal and \$_____ (which does not exceed the aggregate amount provided by Freddie Mac under the Credit Enhancement Agreement as interest) is interest.

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

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

U.S. BANK NATIONAL ASSOCIATION, as Tender Agent

By: _____
Name: _____
Title: _____

EXHIBIT C

FREDDIE MAC MULTIFAMILY

BOND WIRE INSTRUCTION CHANGE REQUEST FORM

Freddie Mac Internal Use:

Loan Accounting Approval Date

MF Operations Approval

Date

Bond Trustee – Please complete all required (*) fields. This wire instruction change applies only to the Freddie Mac loan number(s) referenced below.

A. Trustee's Prior Wire Instructions:

Bond Property Name: _____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

B. Trustee's New Wire Instructions:

Bond Property Name: _____

***Freddie Mac Loan Number(s):** _____

***Bank Name:** _____

***Bank City:** _____

***Bank State:** _____

***ABA Number:** _____

***Account Number:** _____

Further Credit Instructions:

Name of Final Credit Party: _____

Final Credit Party Account Number: _____

Effective Date of Notice: _____, *which date is at least five (5) Business Days after the date of this notice.*

As of the Effective Date set forth above, all wires of funds to the Trustee for the above-referenced Freddie Mac loan number(s) pursuant to the Wire Request System shall be transmitted using the new wire instructions set forth in this notice.

[EXHIBIT C CONTINUED ON FOLLOWING PAGE]

Trustee Authorized Signature:

The undersigned hereby represents and warrants to Freddie Mac that he/she is a duly appointed officer of the Trustee who is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System, all of which is evidenced by either (i) resolutions (in full force and effect on the date of the execution of this form) of the board of directors of the Trustee, a true, complete and correct copy of which is attached hereto, or (ii) an Incumbency Certificate (in full force and effect on the date of the execution of this form) in the form attached hereto as Schedule 1, which has been signed and sealed by the Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

U.S. Bank National Association

Signatory's Printed Name

() _____
Signatory's Phone Number

Signature

Date

Signatory's Title

* This form is to be delivered to: Freddie Mac Multifamily, Loan Accounting Manager, 8100 Jones Branch Drive, Mail Stop B4Q, McLean, VA 22102 via overnight mail service.

SCHEDULE 1
to
Bond Wire Instruction Change Request Form

INCUMBENCY CERTIFICATE

The undersigned hereby certifies to the Federal Home Loan Mortgage Corporation (“Freddie Mac”) that I am the [Secretary/Assistant Secretary] of U.S. Bank National Association (the “Trustee”), a national banking association, duly organized and existing under the laws of the United States, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that the following person, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that such person is duly authorized to disseminate the Trustee's wire instructions, and to approve or sign wire requests in Freddie Mac's Wire Request System:

Name: _____

Title: _____

WITNESS the official seal of the Trustee and the signature of the undersigned this ____ day of _____, 20__.

[Corporate Seal]

Print Name: _____

Title: [Secretary / Assistant Secretary]

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

November 24, 2008

District of Columbia
Housing Finance Agency
815 Florida Avenue, N.W.
Washington, D.C. 20001

U.S. Bank National Association
Two James Center
1021 E. Cary Street, 18th Floor
Richmond, VA 23219

\$11,560,000
District of Columbia Housing Finance Agency
Multifamily Housing Revenue Bonds
(Pentacle Apartments Project)
Series 2008

Ladies and Gentlemen:

We have examined the applicable law, including the District of Columbia Housing Finance Agency Act (Chapter 27, Title 42 of the District of Columbia Code, 2001 Ed., as amended) (the "Act"), and certified copies of proceedings and documents relating to the organization of the District of Columbia Housing Finance Agency (the "Issuer") and the issuance and sale by the Issuer of its \$11,560,000 Multifamily Housing Revenue Bonds (Pentacle Apartments Project), Series 2008. Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, their purpose and proceedings pursuant to which they are issued. Capitalized terms used but not defined herein have the same meanings as set forth in the Indenture, as defined below.

The Bonds are issued under and are equally and ratably secured by the Trust Indenture dated as of November 1, 2008 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), which assigns to the Trustee, as security for the Bonds the Issuer's rights (except for its Unassigned Rights) under a Financing Agreement dated as of November 1, 2008 (the "Financing Agreement"), among the Issuer, the Trustee and Pentacle Limited Partnership (the "Borrower"). The Issuer will lend the proceeds of the Bonds to the Borrower, a limited partnership organized and existing under the laws of the District of Columbia, pursuant to the terms of the Financing Agreement, to finance a portion of the cost of acquisition, rehabilitation and equipping a 167-unit multifamily rental housing development, which will consist of 182 units upon completion, in the District of Columbia to be known as Pentacle Apartments Project (the "Project"). We also have reviewed the Tax Regulatory Agreement dated as of November 1, 2008 (the "Regulatory Agreement"), among the Issuer, the Trustee and the Borrower.

Reference is made to the opinion of Powell Goldstein LLP, counsel to the Borrower, dated today, as to, among other things, the due authorization, execution and delivery of the Financing Agreement and related documents and the enforceability of such documents against the Borrower, upon which you are relying as to matters therein.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Issuer and the Borrower as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer and the Borrower have covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of proceeds of the Bonds, the use of the Project as a qualified residential rental property within the meaning of Section 142(d)(1) of the Code and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the "Covenants").

Based on the foregoing, and assuming the due authorization, execution and delivery of the documents described below by parties thereto other than the Issuer, we are of the opinion that:

(1) The Issuer is duly organized and validly existing under the Act and has authority under the Act to execute and deliver the Indenture and to issue and sell the Bonds.

(2) The Bonds have been duly authorized and issued in accordance with the Act and constitute valid and binding limited obligations of the Issuer payable as to principal, premium, if any, and interest solely from the revenues and receipts pledged thereto pursuant to the Indenture. The Bonds do not constitute a debt or pledge of the faith and credit of the Issuer or the District.

(3) The Indenture, Financing Agreement and Regulatory Agreement have been duly authorized, executed and delivered by the Issuer, constitute valid and binding agreements of the Issuer and are enforceable against the Issuer in accordance with their terms.

(4) The rights of the holders of the Bonds and the enforceability of such rights including the enforcement by the Trustee of the obligations of the Issuer under the Indenture, and of the obligations of the Issuer under the Financing Agreement and the Regulatory Agreement, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, and (b) principles of equity, whether considered at law or in equity.

(5) The Internal Revenue Code of 1986, as amended (the "Code"), contains certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Failure to comply with such requirements may cause the interest on the Bonds to become included in gross income retroactive to the date of issue of the Bonds. The Issuer has covenanted in the Indenture and the Borrower has covenanted in the Financing Agreement and the Regulatory Agreement, to take, or refrain from taking, such actions as are required under the Code to maintain the exclusion from gross income of the interest on the Bonds. Interest on the Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, except for interest on any Bond for any period during which the Bond is held by a person who is a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Code. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the Issuer or

Borrower to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issuance. Interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted earnings for purposes of computing the alternative tax on corporations.

(6) Other provisions of the Code may give rise to adverse federal income tax consequences to particular owners of the Bonds. We express no opinion regarding other federal tax consequences caused by ownership of, or the receipt or accrual of interest on, or disposition of the Bonds.

(7) Under existing law, interest on the Bonds is exempt from income taxation by the District, except estate, inheritance and gift taxes.

In rendering the opinion in paragraph (5) above with respect to the Bonds, we have assumed continuous compliance with certain procedures designed to meet the requirements of Section 142(d) of the Code and the regulations thereunder or applicable thereto, including the requirements that for a period of time specified in Section 142(d) of the Code and the regulations thereunder (i) at least forty percent (40%) of the occupied rental units in a project must be initially occupied, and thereafter occupied or held available for occupancy on a continuous basis by "individuals whose income is sixty percent (60%) or less of area median gross income," within the meaning of the Code, and (ii) all of the units in a project must be available for rental on a continuous basis.

Our services as bond counsel to the Issuer have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest on the Bonds. We express no opinion as to the financial resources of the Borrower, its ability to provide for payment of the Bonds or the accuracy or completeness of any information that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

BRYANT MILLER OLIVE P.C.

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