

## OFFICIAL STATEMENT

NOT A NEW ISSUE  
BOOK-ENTRY ONLY

RATING: Moody's: "Aaa"  
(See "RATING")

*In the opinion of Graves, Horton, Askew & Johns, LLC, Washington, D.C., Bond Counsel, (i) under existing law assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, except interest on any Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) the Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.*

**\$12,830,000**  
**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY**  
**MULTIFAMILY HOUSING REVENUE BONDS**  
**(NIB PROGRAM – KING TOWERS PROJECT)**  
**SERIES 2009 A-5**



**Release Date: August 19, 2010**

**Due: As shown on inside cover**

The above-captioned bonds (the "Bonds") were 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 are 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 \$10,000 and any integral multiple of \$10,000 in excess thereof. 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 shall bear interest at the rate, set forth on the inside front cover page hereof and as described herein. Interest on the Bonds will be payable on the Conversion Date (as defined herein) and semiannually on each January 1 and July 1 thereafter (each an "Interest Payment Date"), commencing January 1, 2011. 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 were originally issued pursuant to the General Indenture dated as of December 1, 2009, as amended and supplemented by the First Supplemental Indenture (the "General Indenture") (collectively with the Indenture Supplement defined below, the "Indenture") between the Issuer and the Trustee as part of its Multifamily Housing Revenue Bonds (NIB Program), 2009 Series A (the "Program Bonds") in the original aggregate principal amount of \$168,100,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Treasury on October 19, 2009 (the "Program").

The Issuer has agreed to use the proceeds of the Bonds to make a mortgage loan in the principal amount of \$12,830,000 (the "Bond Mortgage Loan") to King Housing LLC, a Maryland limited liability company (the "Borrower") to finance the acquisition, rehabilitation and equipping of a 129-unit multifamily rental complex (two units of which will be used as a management office and a learning center) to be known as the King Towers Apartments and a thirty-one (31) space underground parking garage (the "Project") located in the District of Columbia. The Bond Mortgage Loan will be made pursuant to a Financing Agreement dated as of August 1, 2010 (the "Financing Agreement"), by and among the Issuer, the Trustee and the Borrower, and upon the satisfaction of various conditions contained in the Indenture, including the Sixth Supplemental Trust Indenture dated as of August 1, 2010 between the Issuer and Trustee (the "Indenture Supplement") being delivered in connection with the making of the Bond Mortgage Loan and the Conversion of such Bonds to the Permanent Rate.

Simultaneously with the Release Date of the Bonds, the Issuer is issuing its Multifamily Housing Revenue Bonds (King Towers Project) Series 2010 in the principal amount of \$2,780,000 (the "Series 2010 Bonds"), the proceeds of which will be used, together with the proceeds of the Bonds, to make a mortgage loan to the Borrower to finance the acquisition, rehabilitation and equipping of the Project. The Series 2010 Bonds are subordinate to the Bonds and are not being offered pursuant to this Official Statement.

Upon the Release Date, the Federal Home Loan Mortgage Corporation,

## FREDDIE MAC

a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States ("Freddie Mac") is expected 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 at closing 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 July 6, 2042 (unless earlier terminated or extended as provided therein), or upon the earlier redemption or purchase in lieu thereof of the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein and Appendix G hereto.

**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.**

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 subject to the approval of validity by Graves, Horton, Askew & Johns, LLC, 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 LLP, Washington, D.C., for the Borrower by its counsel, Gallagher Evelius & Jones LLP, Baltimore, Maryland, for the Trustee by its counsel, Kutak Rock LLP, Washington, D.C. and for the Issuer by its General Counsel, Maria Day-Marshall.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP</b>
January 1, 2044	\$12,830,000	4.09%*	100%	25477P KZ7

\* The Permanent Rate to be borne on the Bonds, from and including the Conversion Date to maturity. From the Release Date to the Conversion Date, the Bonds will bear interest at the Short-Term Rate.

## **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.

The information set forth in this Official Statement has been obtained from the Borrower, 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 Borrower, and nothing contained herein is or shall be relied upon as a guarantee of the Issuer or the Borrower. 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.

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 the delivery of this Official Statement, under any circumstances, shall not 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.

**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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## OFFICIAL STATEMENT

**\$12,830,000**

**DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
MULTIFAMILY HOUSING REVENUE BONDS  
(NIB PROGRAM - KING TOWERS PROJECT)  
SERIES 2009 A-5**

### 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."*

#### **General**

The Bonds were originally issued by the District of Columbia Housing Finance Agency (the "Issuer") pursuant to the General Indenture dated as of December 1, 2009, as amended and supplemented by the First Supplemental Indenture (the "General Indenture") (collectively with the Indenture Supplement defined below, the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee") as part of its Multifamily Housing Revenue Bonds (NIB Program), 2009 Series A (the "Program Bonds") in the original aggregate principal amount of \$168,100,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Treasury on October 19, 2009 (the "Program").

The Issuer has agreed to use the proceeds derived from the sale of a portion of the Program Bonds (to be redesignated the Multifamily Housing Revenue Bonds (NIB Program - King Towers Project), Series 2009A-5 in the principal amount of \$12,830,000 (the "Bonds") on the Release Date) to make a mortgage loan in the principal amount of \$12,830,000 (the "Bond Mortgage Loan") to King Housing LLC, a Maryland limited liability company (the "Borrower") to finance the acquisition, rehabilitation and equipping of a 129-unit multifamily rental complex (two units of which will be used as a management office and a learning center) to be known as the King Towers Apartments and a thirty-one (31) space underground parking garage (the "Project") located in the District of Columbia. See "THE PROJECT AND THE PRIVATE PARTICIPANTS."

Pursuant to the Act and the Indenture, simultaneously with the Release Date of the Bonds, the Issuer is issuing its Multifamily Housing Revenue Bonds (King Towers Project) Series 2010 in the principal amount of \$2,780,000 (the "Series 2010 Bonds"), the proceeds of which will be used, together with the proceeds of the Bonds, to make a mortgage loan to the Borrower to finance the acquisition, rehabilitation and equipping of the Project. The Series 2010 Bonds are subordinate to the Bonds and are not being offered pursuant to this Official Statement.

The Bond Mortgage Loan will be made pursuant to a Financing Agreement dated as of August 1, 2010 (the "Financing Agreement"), by and among the Issuer, the Trustee and the Borrower, and upon the satisfaction of various conditions contained in the Indenture, including the Sixth Supplemental Trust Indenture dated as of August 1, 2010 between the Issuer and Trustee (the "Indenture Supplement") being delivered in connection with the making of the Bond Mortgage Loan.

The Bond Mortgage Loan will be evidenced by the multifamily note dated the Release Date (the “Bond Mortgage Note”), executed by the Borrower. 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 August 1, 2010, together with all riders and addenda thereto (the “Bond Mortgage”), for the benefit of the Issuer and assigned to the Trustee.

### **Security for the Bonds**

The principal of and interest on the Bonds are payable from the payments under the Credit Enhancement Agreement dated as of August 1, 2010 (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 Credit Enhancement Agreement will terminate on July 6, 2042, or earlier under certain conditions, and may be amended at or prior to termination in accordance with the Indenture.

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. See “APPENDIX A – DEFINITIONS OF CERTAIN TERMS” and “APPENDIX G – PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT.”

The Borrower has agreed with Freddie Mac to execute and deliver a Reimbursement and Security Agreement, dated as of August 1, 2010 (the “Reimbursement Agreement”), by and between Freddie Mac and the Borrower, 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 Borrower will execute and deliver a second Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of August 1, 2010 (the “Reimbursement Mortgage”), for the benefit of Freddie Mac.

Pursuant to an Intercreditor Agreement dated as of August 1, 2010 (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 Borrower has entered into the Tax Regulatory Agreement, dated as of August 1, 2010 (the “Tax Regulatory Agreement”), among the Issuer, the Trustee and the Borrower, pursuant to which the Borrower 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. See “THE PROJECT AND THE PRIVATE PARTICIPANTS – Low Income Housing Limitations.”

**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 Borrower, 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 body corporate 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 Indenture 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 body corporate 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 was 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 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*

Currently serving as Managing Director with Frasca and Associates, a leading independent financial advisor primarily to transportation clients, Mr. Michael L. Wheat has more than 22 years of experience in the area of public finance. Mr. Wheat has participated as issuer, lawyer, financial advisor and investment banker, in the issuance of over \$10 billion of bonds during his career. Before joining Frasca and Associates, Mr. Wheat’s vast array of experience includes: 4 years as Managing Director in the Public Finance Department of Merrill Lynch & Co; 11 years as Director in the Public Finance Department of Citigroup Global Markets, Inc., a New York based investment bank, formerly named Salomon Smith Barney; and several years as a Vice President with Lazard Freres and Co., where he was responsible for a number 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. Wheat 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. Wheat received his Juris Doctorate degree from the University of Pennsylvania Law School in 1979 and his A.B. degree from Harvard University in 1976.



*Vice Chairperson – Jacque D. Patterson*

As Project Director with the Federal City Council, Mr. Jacque D. Patterson focuses 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 in the District of Columbia Executive Office of the Mayor's Office of Community Affairs as the Community Affairs Coordinator. Mr. Patterson's career in public service began when he was selected for the Capital City Fellows' Program. His assignments during the Fellowship were with the Deputy Chief Finance Officer, Office of Tax & Revenue and the DC Brownfields Program. He also served as a Policy Analyst in the Office of Policy, Planning, and Program Evaluation for the DC Department of Health.

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

*Member – Derek Ford*

Mr. Derek Ford is currently a Consultant, with more than 14 years of progressive financial experience within the private, governmental and non-profit sectors. He has served in the positions of Chief Financial Officer (CFO), Treasurer, Senior Auditor, Tax Associate, Financial Analyst and Real Estate Agent. Previously Mr. Ford managed the finances of a local community development organization, and provided financial and compliance oversight of the District of Columbia governmental operations on behalf of the DC Office of the Inspector General. During that time, he identified over \$150 million of unsubstantiated monetary benefits from the implementation of procurement, payroll, property, personnel and budget systems.

His additional experience includes performing financial statement audits and consulting to numerous federal government departments and agencies in accordance with the CFO Audit Act of 1990. Mr. Ford was also an accountant and finance associate with Charles E. Smith, where he provided financial expertise to the commercial and residential sections of the organization.

As a Ward 7 resident of the District of Columbia, he served as Campaign Treasurer for both the Committee to Elect and Re-Elect, Ward 7 Councilmember Yvette Alexander (D). Also, Mr. Ford serves as Treasurer for the Ward 7 Democrats. Mr. Ford received a B.S. in Accounting from North Carolina A&T State University in 1996 and was a member of the US Army Reserves for 8 years.

*Member – Buwa Binitie*

Mr. Buwa Binitie has more than 7 years of experience in real estate development and advisory services. He is instrumental in assessing development opportunities, managing development teams, as well as planning and underwriting budgets for development projects. Mr. Binitie's development experience also extends to the creation and preservation of affordable housing. Currently, Mr. Binitie 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, on behalf of the District, administered and managed 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. The New Communities Initiative will fight these conditions by transforming highly concentrated low-income neighborhoods into healthy mixed-income neighborhoods.

Prior to serving the District, Mr. Binitie consulted with The Neighborhood Development Company to build a \$27 million, 100% affordable 72 unit apartment building along Georgia Ave, 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 rates. Mr. Binitie also 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.

In addition to the above, Mr. Binitie serves on the Board of Capital City Charter School and the Washington Area Community Investment Fund (WACIF). Mr. Binitie received a B.S. from New York University and is a graduate of Johns Hopkins University's Master in Real Estate Development Program.

*Member – Leila Batties*

Ms. Leila Batties is a partner in the real estate section at the law firm of Holland & Knight; her practice focus is land use and zoning. In this capacity, she represents property owners, developers and investors in all aspects of the real estate development approval process. Ms. Batties works with governmental agencies and regularly appears before governmental boards in order to secure comprehensive plan amendments, rezonings, site plan approvals and legislation in support of residential, commercial, industrial and institutional projects. She regularly works with public agencies on a range of development-related matters, including, but not limited to, school, roadways and other infrastructure; negotiates and drafts land development agreements; conducts land use and zoning due diligence; and prepares zoning opinion letters.

Ms. Batties is admitted to practice law in the District of Columbia and Florida. She graduated cum laude from the University of Miami School of Law. She holds a B.A. in Mass Communications from the University of California at Berkeley, and an M.A. in Communications from the University of Miami.

*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 managed 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 ("GNMA") Mortgage Backed Securities.

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*

Ms. Makle has almost 30 years of housing finance experience, including 11 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*

Ms. 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 – Maria Day-Marshall*

Ms. Day-Marshall joined the District of Columbia Housing Finance Agency in November 2009, and serves as General Counsel to the Issuer. She is responsible for the overall supervision, coordination and management of all legal matters for the Issuer.

Prior to joining the Issuer, Ms. Day-Marshall was a Senior Business Development Manager in Fannie Mae's Community Lending Channel. Ms. Day-Marshall was responsible for business development, underwriting, legal documentation review, and transaction execution and closing related to two direct loan products that finance housing development and rehabilitation projects and are offered to governmental entities.

Ms. Day-Marshall has been involved in the municipal finance industry for over twenty years. Prior to joining Fannie Mae from 1982 to 1996, she served in financially and legally related positions in the District government. During her tenure, she served as Treasurer of the District of Columbia, Deputy Treasurer and Debt Manager. As Treasurer, she was responsible for the issuance of over \$6 billion of debt for the District and other D.C. government issuers. Subsequently, Ms. Day-Marshall served as a financial consultant to the D.C. Water and Sewer Authority. Ms. Day-Marshall joined Columbia Equity Financial Corp., an independent financial advisory firm, in 1999. While working at the firm, she was involved in an array of tax-exempt and taxable bond transactions totaling over \$3 billion, and served as financial advisor to, among others, Public Housing Authorities, Housing Finance Agencies and Redevelopment Authorities.

Ms. Day-Marshall currently serves as an adjunct professor in the University of Maryland's Colvin Institute of Real Estate Development. She is a member of the District of Columbia Bar, and other associations. She earned a Master of Laws in Taxation degree from Georgetown University Law Center, a Juris Doctorate degree from the Columbus School of Law, Catholic University of America, and her undergraduate degree from Fisk University.

*Deputy General Counsel – Michael Winter*

Mr. Winter is the Issuer's Deputy General Counsel. He provides legal assistance to the Issuer in structuring single-family bond transactions and has structured a variety of multifamily housing bond transactions. Mr. Winter has over 9 years of legal experience in the mortgage revenue bond and low income housing tax credit programs. He graduated from the Duke University School of Law and is a member of the District of Columbia Bar.

*Chief Financial Officer -- Sergei V. Kuzmenchuk*

Mr. Kuzmenchuk joined the Issuer as its Chief Financial Officer in October 2008. Mr. Kuzmenchuk has over 10 years of housing finance agency experience. Prior to joining the Issuer, 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 University 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 (now Urban Atlantic) 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 5-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, Compliance and Asset Management – David L. Jefferson*

David L. Jefferson began his 15-year career in affordable housing in Washington, D.C. 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, a mid-sized Housing Authority, where he managed operations. 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.

## **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 Bonds 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 shall be dated as of the Release Date and shall bear interest payable on each Interest Payment Date, in each case from the Interest Payment Date next preceding the date of authentication thereof to which interest has been paid or duly provided for, unless the date of authentication is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication of the Bond, or unless no interest has been paid or duly provided for on the Bonds, in which case from the Release Date, until payment of the principal of the Bond has been made or duly provided for. Notwithstanding the foregoing, if a Bond is authenticated after a Record Date and before the following Interest Payment Date, such Bond shall bear interest from such Interest Payment Date; provided, however, that if there shall be a default in the payment of interest due on such Interest Payment Date, then the Bonds shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for on the Bonds, from the Release Date.

The Bonds shall be issued in Authorized Denominations and shall bear interest payable on each Interest Payment Date at the rate(s) per annum and shall mature, subject to redemption prior to maturity as provided in the Indenture, on the date set forth on the inside front cover hereof.

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 and premium, if any, on the Bonds 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 5 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.

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.

### **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 securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of that maturity of Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money

market instruments (from over 100 countries) that DTC's 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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.

DTC may discontinue providing its services as 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-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

With regard to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer, the Borrower, and the Trustee will have no responsibility or obligation to any Direct Participant or to any Indirect Participant. Without limiting the preceding sentence, the Issuer, the Borrower and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Direct Participant or Indirect Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Direct Participant or Indirect Participant or any other person, other than Cede & Co., as nominee of DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant or Indirect Participant or any person, other than Cede & Co., as nominee of DTC, of any amount with respect to principal of, premium, if any, or interest on, the Bonds or (iv) any consent given by Cede & Co., as nominee of DTC, as registered owner of the Bonds.

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

### **Optional Redemption**

The Bonds are subject to optional redemption from payments made under the Credit Facility (subject to the limitations set forth in the Indenture) or with other Eligible Funds deposited with the Trustee as provided in the Indenture and as follows:

(i) With the prior written consent of the Credit Facility Provider, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and the Financing Agreement on the first Business Day of any month, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon, to the redemption date.

(ii) 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.

(iii) In the event that the Bonds are redeemed at the direction of the Borrower pursuant to the Indenture prior to August 1, 2022, then the Borrower shall pay to the Issuer on or before the date of redemption, as a prepayment fee, an amount equal to the present value of the amount of the Issuer's Fee which otherwise would have been payable from the date of redemption through August 1, 2022; provided however, that if the Bonds are redeemed with the proceeds of a refunding issue of bonds issued by the Issuer then the prepayment fee referred to above relating to the Issuer's Fee will not apply, but the Issuer's administrative fee with respect to such refunding bonds will be calculated and payable in accordance with the documentation executed with respect to such refunding bonds; provided, further, however, that such fees and the fees and expenses of the Issuer's counsel, including bond counsel, shall be no greater than the fees then customarily charged by the Issuer and such counsel for refunding bond issues. The Issuer and the Borrower agree that, the foregoing to the contrary notwithstanding, the Borrower may not pay any amounts under the Indenture which would cause the "yield" to the Issuer to be "materially higher" than the "yield" on the Bonds, within the meaning of Treas. Reg. 1.14S-2(d), as determined by a verification agent or Bond Counsel selected by the Issuer, acceptable to the Trustee. The Borrower, and not the Issuer, is solely responsible for compliance with the foregoing provision and for the payment of all expenses associated therewith.

In the event that the Bonds are redeemed at the direction of the Borrower pursuant to the Indenture prior to end of the Qualified Project Period (as defined in, and determined pursuant to, the Tax Regulatory Agreement), then the Borrower shall pay to the Issuer on or before the date of redemption, the Bond Monitoring Agent Fee (as defined in the Tax Regulatory Agreement) which otherwise would have been payable from August 1, 2022 through the end of the Qualified Project Period, provided, however, that such payment shall be subject to the same restrictions and limitations set forth in the immediately preceding paragraph.

### **Mandatory Redemption**

The Bonds are subject to mandatory redemption on any Business Day, 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) in the amount 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 using money obtained as a result of a draw on the Credit Facility; or

(ii) in whole or in part, 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 which is not less than five (5) days before the date of expiration of the Credit Facility; or

(iv) in part, as provided under the heading “Mandatory Sinking Fund Redemption” below; or

(v) [reserved]; or

(vi) in part, on the Interest Payment Date next following the completion of the rehabilitation of the Project, to the extent amounts remaining in the Project Account of the Bond Mortgage Loan Fund are transferred to the Redemption Fund pursuant to the Indenture.

### **Mandatory Sinking Fund Redemption**

The Bonds are subject to mandatory sinking fund redemption on any January 1 or July 1, commencing January 1, 2015 in Authorized Denominations in an amount not greater than the amount on deposit in the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund on the first day of the month immediately preceding such Interest Payment Date.

### **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, as verified by the Servicer, and the Bonds shall be selected by lot within each maturity, the cost of such selection being at the Borrower’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, or by facsimile transmission, 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. The Trustee may provide a conditional notice of redemption upon the direction of the Credit Facility Provider or the Borrower (with the prior written consent of the Credit Facility Provider).

Notices of redemption 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 number 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 only if bonds cease to be book entry bonds; (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; (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 premium or the redemption price, as applicable, 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 at the Principal Office of the Trustee unless the Bonds are then held in a book-entry only system of registration.

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

In addition to providing notice of redemption as set forth above, if the Bonds are no longer held in book-entry form, the Trustee shall send a second notice of redemption within 60 days following the redemption date, by first class 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 to any depository or information service shall not affect the validity of the proceedings for the redemption of any other Bond if notice of such redemption shall have been mailed as provided in the Indenture.

### **Effect of Notice of Redemption**

If a conditional notice of redemption has been provided pursuant to the terms of the Indenture Supplement 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 Supplement except to receive payment of the redemption price thereof.

### **Purchase of Bonds in Whole in Lieu of Redemption**

Notwithstanding anything in the Indenture Supplement to the contrary, at any time the Bonds are subject to redemption in whole pursuant to the provisions of the Indenture Supplement, all (but not less than all) of the Bonds to be redeemed may be purchased by the Trustee (for the account of the Borrower or the Credit Facility Provider or their respective 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 Borrower, with the prior written consent of the Credit Facility Provider (which direction shall specify that such purchase is pursuant to the Indenture and shall be given no later than 12:00 noon, Washington, D.C., time on 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.

## **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 money, income, revenues, issues, profits and other amounts payable or receivable thereunder (including all casualty insurance benefits or condemnation awards subject to the interest of the Credit Facility Provider under the Reimbursement Agreement and the Intercreditor Agreement), whether payable under the above referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other Person is or may become entitled to do under said documents; and

(c) Except for funds, money or securities in the Cost of Issuance Fund, the Administration Fund, the Borrower Equity Account, the Credit Facility Reimbursement Fund, and the Rebate 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 or the Borrower 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 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.

### ESTIMATED SOURCES AND USES OF FUNDS

*The following information has been provided by representatives of the Borrower 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 total permanent project costs of the Project are estimated by the Borrower to be \$36,170,772, not including interim sources or uses of funds or accrued interest on the Bonds. The sources and uses of funds for the Project are projected to be approximately as follows:

<b>Sources of Funds</b>	
Bond Proceeds	\$15,610,000
Tax Credit Equity	6,703,792
Deferred Developer Fee	481,473
Seller Financing	11,350,000
NFAHS Financing	1,444,841
Interim Income	<u>580,666</u>
<b>Total</b>	<b><u>\$36,170,772</u></b>
<b>Uses of Funds</b>	
Acquisition	\$19,100,000
Rehabilitation	6,497,220
Soft Costs	5,398,646
Bond Cost of Issuance	267,295
Reserves	2,218,206
Developer Fee	<u>2,689,405</u>
<b>Total</b>	<b><u>\$36,170,772</u></b>

### THE PROJECT AND THE PRIVATE PARTICIPANTS

*The following information concerning the Project and the Private Participants has been provided by representatives of the Borrower 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 Borrower**

The Project will be owned by King Housing LLC, a Maryland limited liability company (the “Borrower”), formed for the sole purpose of acquiring, rehabilitating and equipping the Project. The Sole Member of the Borrower is King Towers LLC, a Maryland limited liability company (“Sole Member”), which will be owned by King Housing, Inc., the non-profit Managing Member (the “Managing Member”)



with a 0.01% member interest, an investor member with a 99.99% interest, and a special member with a 0.0% interest.

The non-profit Managing-Member incorporated in the State of Maryland on May 8, 1995 as a Maryland nonprofit corporation and was granted exempt status as an organization under Section 501(c)(3) of the Internal Revenue Code. The specific charitable and public purposes for which the corporation is organized are to provide low income persons and families with housing services and facilities predicated upon the provision, operating and maintenance thereof.

### **Low Income Housing Tax Credits**

Simultaneously with the issuance of the Bonds, the Borrower is expected to sell a 99.99% investor member interest in the Borrower to an affiliate of AEGON USA Realty Advisors, LLC (the “Tax Credit Investor Member”). The Tax Credit Investor Member is expected to fund the tax credit equity, which is expected to be approximately \$6,703,792, in stages during construction and through stabilization and receipt of Forms 8609. The total amount to be funded and the timing of the fundings are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above under the heading “PLAN OF FINANCING” herein, and neither the Issuer nor the Underwriters make any representations as to the availability of such funds.

AEGON USA Realty Advisors, LLC (“AEGON”) has been investing through equity contributions in multifamily rental properties, indirectly through affiliates, since the early nineties. Through affiliates, AEGON has invested as a limited partner in various Low Income Housing Tax Credit entities that collectively had total assets of approximately \$2,335,818,412 billion and \$2,264,797,188 billion at December 31, 2009 and December 31, 2008, respectively.

### **The Project**

The Project, known as King Towers, is located at 1220 12<sup>th</sup> Street NW, Washington D.C., on a site of approximately 0.41 acres and was built in 1969. The Project consists of 129 units (two of which will be used as a management office and a learning center) in a single ten-story building with one below grade parking level containing approximately 30 parking spaces. Two units will remain offline; one as the management office and one as a learning center.

<b>Configuration</b>	<b>Number of Units</b>	<b>Approximate Square Footage</b>
Studio	11	386
1 BR/1 BA	30	625
2 BR/1 BA	78	821
3 BR/1.5 BA	10	936

The Project amenities will include a leasing office, community room/computer learning center with out of school program, courtyard with playground, and common laundry facilities. Units feature a living room, kitchens with wood cabinets, refrigerators and gas ranges, and bedroom(s) with spacious closet(s) and bathroom(s). Floor covering consists of wood and vinyl.

## **Management of the Project**

Management of the Project will be handled by The Affordable Housing Management Group (the “Manager”). The Manager was founded in 1973 and currently manages approximately 25,418 units in 176 projects, 10,662 of which are low income housing tax credit units.

## **The Contractor**

The Contractor for the Project will be Ellis Dale Construction, LLC (the “Contractor”). The Contractor and its affiliated construction companies have constructed and/or rehabilitated 18 multifamily rental housing developments comprised of approximately 754 units since 2003, with an additional 4 developments comprised of approximately 323 units currently in progress.

## **The Architect**

The architect for the Project is Square 134 Architects (the “Architect”). The Architect has been the principal architect for over 16 multifamily developments with an excess of 1,453 units throughout the United States. The principals of the Architect have a combined total of more than 45 years of experience in all aspects of architectural design and construction administration, with a primary focus on multifamily affordable housing.

## **Restrictive Covenants**

*Tax Regulatory Agreement.* The Tax Regulatory Agreement requires that at least 40% of the residential rental units in the Project be occupied or held for occupancy by tenants with incomes at or below 60% of the area gross median income, adjusted for family size. See “SUMMARY OF CERTAIN PROVISIONS OF THE TAX REGULATORY AGREEMENT” herein for more details.

*Low Income Housing Tax Credits.* The Borrower expects that, upon completion, the Project will qualify for federal low income housing tax credits. To maximize the aggregate low income tax credits realizable by the Borrower, it is anticipated that, among other things, 88% of the units in the Project will be rented to individuals or households earning 60% or less of median gross income for the area in which the Project is located, adjusted for household size, as determined by the United States Department of Housing and Urban Development following the rehabilitation period. Monthly rents on units in the Project will be limited to 30% of 60% of the applicable percentage of median gross income for the area in which the Project is located, adjusted for imputed household size. The tenant income limits and rental restrictions under Section 42 of the Code assume that studio apartments are occupied by one person, that one-bedroom apartments are occupied by an average of 1.5 persons, that two-bedroom apartments are occupied by three persons and that three-bedroom apartments are occupied by an average of 4.5 persons. Violation of tax credit covenants may result in penalties against the Borrower or recapture of the tax credits, among other things.

## **Certain Litigation**

See “NO LITIGATION – The Borrower” for a description of certain litigation relating to the Borrower, the General Partner and their respective principals.

## **Limited Recourse to Borrower**

The Borrower, the Sole Member and their members will not (subject to certain exceptions to nonrecourse liability set forth in the Bond Mortgage Note and the Bond Mortgage) be personally liable

for payments on the Bond Mortgage Note, the payments on which are to be applied to pay the principal of and interest on the Bonds; nor will the Borrower (subject to certain exceptions to nonrecourse liability set forth in the Financing Agreement, the Bond Mortgage Note and the Bond Mortgage) be personally liable under the other documents executed in connection with the issuance of the bonds and the making of the Bond Mortgage Loan. Furthermore, no representation is made that the Borrower will have substantial funds available for the Mortgaged Property. Accordingly, neither the Borrower's financial statements nor those of its partners are included in this Official Statement.

### **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.*

#### **Conditions to Release of the Bonds**

The release of the Bonds is subject to certain terms and conditions of the Program being satisfied on or before the Release Date, including but not limited to delivery of the Freddie Mac Credit Enhancement Agreement and the issuance and delivery of the Series 2010 Bonds. If those terms and conditions of the Program are not satisfied on or before the Release Date, the Bonds will not be released as contemplated by this Official Statement.

#### **Credit Facility; Primary Security**

The primary security for the Bonds will be the Credit Facility delivered by Freddie Mac to the Trustee in order to pay the principal and interest for the Bonds. See "FREDDIE MAC" herein. Based on this expectation, no financial information as to the creditworthiness of the Borrower or the value of the Project is included herein.

It is possible, in the event of the insolvency of 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 Borrower will be the only source of payment on the Bonds. There can be no assurance that the financial resources of the Borrower would be sufficient to pay the principal, premium, if any, and interest on the Bonds in the event the Trustee were forced to seek recourse against the Borrower. See "Enforceability and Bankruptcy" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

## **No Borrower Personal Liability**

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

## **Enforceability and Bankruptcy**

The remedies available to the Trustee and the 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.

## **Normal Risks**

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

## **TAX MATTERS**

In the opinion of Graves, Horton, Askew & Johns, LLC, Washington, D.C., Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) the Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Issuer and the Borrower contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Issuer’s and the Borrower’s certifications and representations or the continuing compliance with the Issuer’s and the Borrower’s covenants and will not independently verify the accuracy of the opinion of the Borrower’s counsel.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Issuer or the Borrower may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Borrower and, subject to certain limitations, the Issuer have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be included in the calculation of adjusted current earnings for purposes of the federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, including the Bonds, is excluded from that calculation. Interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and

extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Borrower or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

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

### **CONTINUING DISCLOSURE**

The Borrower has determined that no financial or operating data concerning the Borrower is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Borrower will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to the Beneficial Owners and Holders of any of the Bonds as described below, and the Borrower shall have no liability to the Beneficial Owners or Holders of any of the Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

The Borrower, the Trustee and Digital Assurance Certification, LLC, as dissemination agent (the "Dissemination Agent") have entered into a Continuing Disclosure Agreement, dated as of the date of the Indenture (the "Continuing Disclosure Agreement"). The Continuing Disclosure Agreement obligates the Borrower to send, or cause to be sent, certain financial information with respect to the Project to the Municipal Securities Rulemaking Board and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board upon the occurrence of certain enumerated events for the benefit

of the Beneficial Owners and Holders of any of the Bonds. The form of the Continuing Disclosure Agreement is attached as hereto as APPENDIX I. The Borrower has not entered into any other such undertaking with respect to the Rule.

A failure by the Borrower to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the Indenture or the Financing Agreement (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds. See “APPENDIX I – PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.”

### **SPECIAL ADVISOR**

Citigroup Global Markets Inc. is acting as special advisor to the Borrower in connection with certain administrative duties associated with the delivery of the Bonds. Citigroup Global Markets Inc. does not have a financial advisory relationship with the Borrower or the Issuer with respect to the Bonds and, in its capacity as special advisor, has no fiduciary obligations to either the Borrower or the Issuer.

### **RATING**

Upon the Release Date, Moody’s Investors Service, Inc. (“Moody’s”) is expected to assign to the Bonds the rating set forth on the cover page hereof. The rating reflects only the views of the rating agency, and an explanation of the significance of such rating may be obtained from it. No assurance can be given that the rating will be maintained for any given period of time or that the rating 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 rating may have an adverse effect on the market price of the Bonds. The Issuer has not undertaken any responsibility after issuance of the Bonds to assure the maintenance of the rating 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 Certificate are subject to the approving opinion of Graves, Horton, Askew & Johns, LLC, Washington, D.C., as Bond Counsel, which will be furnished at the expense of the Borrower 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 – PROPOSED 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 LLP, Washington, D.C., for the Borrower by its counsel, Gallagher Evelius & Jones LLP, Baltimore, Maryland, for the Trustee by its counsel, Kutak Rock LLP, Washington, D.C. and for the Issuer by its General Counsel, Maria Day-Marshall.

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 Borrower**

On the date of issuance of the Bonds, the Borrower will deliver a certificate to the effect that there is no pending or, to the knowledge of the Borrower, any threatened litigation against the Borrower 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 Borrower'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 Borrower, the Trustee and the Credit Facility Provider and the purchasers or Holders of the Bonds.

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

**DISTRICT OF COLUMBIA HOUSING FINANCE  
AGENCY**

By:

  
\_\_\_\_\_  
Harry D. Sewell, Executive Director

[Signatures continue on next page]

[Borrower Signature Page to the Official Statement]

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

**KING HOUSING LLC**

By: King Towers LLC, its sole member

By: King Housing, Inc., its managing member

By:   
Susan Wilder, Executive 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.

“AEGON” means AEGON USA Realty Advisors, LLC, an Iowa limited liability company, as advisor and asset manager on behalf of the Investor Member.

“Affiliate” or “affiliate” means, with respect to a Person, (a) such Person, (b) each member of the Immediate Family of such Person, (c) if the Person is an entity, (i) any officer or director thereof and any Person, trust, corporation, partnership, venture or other entity who or which is, directly or indirectly, the beneficial owner of more than 10% of any class of shares or other equity security, or (ii) any Person, trust, corporation, partnership, venture or other entity which, directly or indirectly, controls or is controlled by or is under common control with such entity. Control (including the correlative meanings of “controlled by” and “under common control with”) means effective power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, trust, corporation, partnership, venture or other entity; if, with respect to a partnership or venture, any (a) general partner, (b) general partner of a general partner, (c) partnership with a common general partner, or (d) co-venturer thereof, and if any general partner or co-venturer is a corporation, any person, trust, corporation, partnership, venture or other entity which is an affiliate, as defined above, of such corporation; if with respect to a limited liability company, any (a) member (b) managing member, (c) general partner or managing member of a managing member, (d) any co-venturer thereof, or (e) any Person or entity which is an affiliate (as defined herein) of a member.

“Authorized Denominations” means all Bonds shall be in denomination of \$10,000 or in denominations or maturity amounts of any whole 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 Borrower, the Managing Member of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Trustee, any authorized signatory of the Trustee, or any Person who is authorized in writing to take the action in question on behalf of the Trustee, (d) when used with respect to the Servicer, any 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 Dissemination Agent, any authorized signatory of the Dissemination Agent and such additional Person or Persons, if any, duly designated by the Dissemination Agent in writing to act on its behalf, and (f) 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 (i) on the Release Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds, or (ii) any other firm of attorneys selected by the Issuer that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and is acceptable to the Credit Facility Provider.

“Bond Fee Component” means the regular, ongoing fees due from time to time of the Issuer, the Trustee, the Dissemination 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 Supplement, the Bonds, the Financing Agreement, the Pledge Agreement, the Tax Certificate, the Continuing Disclosure Agreement and any Bond Mortgage Loan Documents not otherwise included in the foregoing list of documents.

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

“Bond Monitoring Agent Fee” shall have the meaning given to that term in Tax Regulatory Agreement mean the fee paid to the Issuer as Bond Monitoring Agent in accordance with the Issuer’s standard written policy, which may be paid as a portion of the Issuer’s Fee paid pursuant to the Indenture for so long as the Bonds are outstanding.

“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 Borrower to the Issuer, securing payment of the Bond Mortgage Loan, as such Bond Mortgage may from time to time be amended, modified or supplemented, as such Bond Mortgage has been assigned by the Issuer to the Trustee.

“Bond Mortgage Loan” means the loan by Issuer to the Borrower of the proceeds of the sale of Bonds in the principal amount of \$12,830,000 in connection with the Project.

“Bond Mortgage Loan Documents” means the Bond Mortgage, the Bond Mortgage Note, the Financing Agreement, the Regulatory Agreement, any Custodial Escrow Agreement, the Credit Facility, the Reimbursement Agreement, the Reimbursement Mortgage, the Intercreditor Agreement, the Pledge Agreement, the Rehabilitation Escrow 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 Borrower’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 Release Date from the Borrower to Issuer and assigned to the Trustee, subject to the Unassigned Rights, in the principal amount of \$12,830,000, 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 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 Supplement.

“Bond Year” means the period commencing on the Release Date and ending on July 31, 2011 and each 12-month period thereafter commencing on August 1 of each year, so long as the Bonds are Outstanding.

“Bondholder” or “Holder” or “Owner” 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 (NIB Program - King Towers Project), Series 2009A-5.

“Borrower” means King Housing LLC, a Maryland limited liability company organized and existing under the laws of the State of Maryland, or any of its permitted successors or assigns as owner of the Project.

“Borrower Equity Account” means the Borrower Equity Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture Supplement.

“Borrower Equity Deposit” means the deposit to be made by the Borrower with the Trustee to the Borrower Equity Account on or before the Release Date, which deposit shall be comprised of sources other than the proceeds of the Bonds.

“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 authorized or obligated by law or executive order to remain 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 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.

“Claims” means liabilities, obligations, suits, actions, claims, judgments, demands, damages, penalties, fines, assessments, losses, expenses, fees (including all reasonable fees of attorneys, auditors and consultants), taxes (inclusive of rebate to the United States, but exclusive of income taxes on fees earned by the Trustee), contributions, and costs of every kind and nature (including litigation and court costs, amounts paid in settlement by or with the approval of the Borrower and amounts paid to discharge judgments).

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

“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.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of the date of the Indenture Supplement between the Borrower and the Dissemination Agent, as such Continuing Disclosure Agreement may from time to time be amended or supplemented.

“Conversion Date” means, with respect to the Bonds, October 19, 2010.

“Cost,” “Costs” or “Costs of the Project” means costs paid with respect to the Project that are (i) properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations Section 1.103-8(a)(1), (ii) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) are paid after the earlier of 60 days prior to the date of a resolution of the Issuer to reimburse costs of the Project with proceeds of Bonds or the date of issue of the Bonds, and (iv) if the Costs of the Project were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations Section 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations Section 1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project are placed in service (but no later than three (3) years after the expenditure is paid); provided however, that if any portion of the Project are being constructed or developed by the Borrower or an Affiliate (whether as a developer, a general contractor or a subcontractor), “Cost,” “Costs” or “Costs of the Project” shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Affiliate in developing or constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliate (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or development of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof).

“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 four apartment buildings containing the residential housing units, which will consist of one hundred and eighteen upon completion, comprising a portion of the Project are placed in service or, at the election of the Borrower, the next succeeding year.

“Costs of Issuance” means (i) the fees (excluding ongoing fees), costs and expenses of (a) the Issuer, the Issuer’s counsel and the Issuer’s financial advisor, if any, (b) the Special Advisor (including discounts to the Special Advisor or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Special Advisor’s counsel, (c) Bond Counsel, (d) the Trustee and the Trustee’s counsel, (e) the Servicer and the Servicer’s counsel, if any, (f) the Credit Facility Provider and the Credit Facility Provider’s counsel, (g) the Borrower’s counsel attributable to the issuance of the Bonds and the Borrower’s financial advisor, if any, and (h) the Rating Agency, (ii) costs

of printing the offering documents relating to the sale of the Bonds and (iii) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

“Costs of Issuance Deposit” means the deposit to be made by the Borrower with the Trustee on or before the Release Date, which deposit shall be comprised of both proceeds of the Bonds and other sources.

“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 Supplement, 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.

“Credit Facility Interest Reimbursement Account” means the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund established by the Trustee pursuant to the Indenture Supplement.

“Credit Facility Principal Reimbursement Account” means the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund established by the Trustee pursuant to the Indenture Supplement.

“Credit Facility Provider” means, so long as the Credit Enhancement Agreement is in effect, Freddie Mac.

“Credit Facility Reimbursement Fund” means the Credit Facility Reimbursement Fund (and the separate principal and interest accounts therein) established by the Trustee pursuant to the Indenture Supplement.

“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 under the Pledge Agreement, and any successor in such capacity.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund established by the Trustee pursuant to the Indenture Supplement.

“Determination of Taxability” means, solely for purposes of the Tax Regulatory Agreement, (a) a determination by the Commissioner or any District Director of the Internal Revenue Service, (b) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service



in which Issuer and Borrower were afforded the opportunity to participate, (c) a determination by any court of competent jurisdiction, (d) the enactment of legislation or (e) receipt by Trustee, at the request of Issuer, Borrower or Trustee, of an opinion of Bond Counsel, in each case to the effect that the interest on the Bonds is includable in gross income for federal income tax purposes of any bondholder or any former bondholder; provided, however, that no such Determination of Taxability under clause (a) or (c) shall be deemed to have occurred if Issuer or Borrower is contesting such determination, has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (i) a final determination from which no appeal may be taken with respect to such determination, (ii) abandonment of such appeal by Issuer or Borrower, as the case may be, or (iii) one year from the date of initial determination.

“Dissemination Agent” means initially Digital Assurance Certification LLC, or any dissemination agent subsequently appointed in accordance with the Continuing Disclosure Agreement.

“Dissemination Agent’s Fee” means the annual fee for the Dissemination Agent’s fees and expenses in rendering its services under the Continuing Disclosure Agreement during each twelve month period, which fee is equal to (and shall not exceed) \$500 and shall be payable annually in advance on the Release Date and each July 1 thereafter.

“District” means the District of Columbia.

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

“Electronic Notice” means delivery of notice in a Word format or a Portable Document Format (PDF) by electronic mail to the electronic mail addresses listed in the Indenture Supplement; provided, that if a sender receives notice that the electronic mail is undeliverable, notice must be sent as otherwise required by the Indenture Supplement.

“Eligible Funds” means (a) proceeds received pursuant to the Credit Facility, (b) proceeds of the Bonds received contemporaneously with the issuance and sale of the Bonds (including any Bond proceeds deposited to the Project Account of the Bond Mortgage Loan Fund on the Release Date), (c) proceeds from the investment or reinvestment of moneys described in clauses (a) and (b) above, or (d) 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 Borrower, any general partner, member or guarantor of the Borrower, or the Issuer were to become a debtor in a proceeding under the Bankruptcy Code: (i) payment of such 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, with respect to the Indenture, any of those events specified in and defined by the applicable provisions thereof to constitute an event of default, and with respect to the Financing Agreement, those events specified in and defined by the applicable provisions of the Financing Agreement 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, including in its capacity as Paying Agent and Bond Registrar, in respect of or to prevent default under the Indenture Supplement or the Bond Mortgage Loan Documents, including any reasonable attorneys' or agent' fees and expenses and other litigation costs that are entitled to reimbursement under the terms of the Financing Agreement, and other actions

taken and carried out by the Trustee which are not expressly set forth in the Indenture Supplement or the Bond Mortgage Loan Documents.

“Extraordinary Servicing Fees and Expenses” means all fees and expenses of the Servicer under the Guide during any Bond Year in excess of Ordinary Servicing Fees and Expenses, as set forth in a detailed invoice to the Borrower and the Credit Facility Provider.

“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.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (d) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

“Financing Agreement” means the Financing Agreement dated as of August 1, 2010 by and among the Borrower, the Issuer and the Trustee, as such Financing Agreement may from time to time be amended or supplemented.

“First Supplemental Indenture” means the First Supplemental Indenture dated as of December 1, 2009 between the Issuer and the Trustee.

“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 given to that term in the Reimbursement Agreement.

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

“General Indenture” means the General Indenture dated as of December 1, 2009, as amended and supplemented by the First Supplemental Indenture.

“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.

“Guarantor or Guarantors” means, collectively, King Housing, Inc. and the Springing Guarantor which Springing Guarantor’s obligations are defined in the Springing Guaranty.

“Guaranty” means the Guaranty dated as of the Release Date between the Issuer and Guarantor, as such Guaranty may from time to time be amended or supplemented. The liability of the Guarantor under the Guaranty shall be secured by the Springing Guaranty.

“Guide” means the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide and Freddie Mac Multifamily Seller/Servicer Guide (as applicable), as amended and supplemented from time to time.

“Indenture” means the General Indenture, amended and supplemented by the Indenture Supplement, together with any other indentures amending or supplemental thereto.

“Indenture Supplement” means the Sixth Supplemental Trust Indenture dated as of August 1, 2010 by and between the Issuer and the Trustee, amending and supplementing the General Indenture.

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

“Intercreditor Agreement” means the Intercreditor Agreement, dated as of August 1, 2010, among the Issuer, the Trustee and Freddie Mac, as the same may be amended or supplemented.

“Interest Payment Date” means (i) following the payment of interest due on the Release Date, the Conversion Date and thereafter January 1 and July 1 of each year, commencing January 1, 2011 and (ii) for Bonds subject to redemption but only with respect to such Bonds, the date of redemption (or purchase in lieu of redemption).

“Investor Member” means initially, Garnet LIHTC Fund XXI, LLC, and following the post-closing transfer as currently contemplated by such party, Garnet LIHTC Fund XVIII, LLC, together with any other investor member of the Sole Member approved by the Issuer to be admitted as the tax credit investor member of the Borrower.

“Investor Partnership or LLC” means (a) a limited partnership composed of two or more partners, with an Approved Affiliate of AEGON as the general partner (or an Approved Affiliate of AEGON having direct or indirect control of such general partner), or (b) a limited liability company composed of one or more members with an Approved Affiliate of AEGON as the managing member (or an Approved Affiliate of AEGON having direct or indirect control of such managing member).

“Issuance Date” shall mean the date of redelivery of the Bonds as tax-exempt obligations, which is August 19, 2010.

“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 September 1, 2010 and on the first day of each month thereafter.

“Managing Member” means the managing member of the Sole Member, which is King Housing, Inc., a Maryland non-stock corporation and an organization described in Section 501(c)(3) of the Code, together with its permitted successors and/or assigns.

“Market Indenture” shall have the meaning set forth in the Indenture Supplement.

“Market Risk Event” means (i) legislation enacted by the Congress, (ii) a final non appealable decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling or regulation issued by the United States Department of the Treasury or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing interest received by any Bondholder (other than a Bondholder who is a “substantial user” of the Project or a “related person” of a substantial user (each within the meaning of Section 147(a) of the Code)) to be included in the gross income of such Bondholder for purposes of federal income taxation.

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

“Member” means any of the Managing Member, the Investor Member, and the Special Member or any successors in interest at the time of the reference thereto.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

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

“Non-Managing Members” means, collectively, the Investor Member and the Special Member; each, a “Non-Managing Member.”

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

“Operating Agreement” means the Borrower’s Operating Agreement in effect on the Release Date.

“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 Borrower, 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” 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 as provided in the Reimbursement Agreement.

“Ordinary Trustee’s Fees and Expenses” means the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under the Indenture Supplement as Trustee during each twelve month period, which fee is equal to (and shall not exceed) \$2,875 and shall be payable annually in advance on the Release Date and each July 1 thereafter, commencing July 1, 2011.

“Outstanding” or “Bonds Outstanding” means, as of any date, all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture Supplement, 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 Supplement, Bonds known to the Trustee to be owned by or for the account of the Borrower or any person owned, controlled by, under common control with or controlling the Borrower 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 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.

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

“Permanent Rate” means 4.09% per annum.

“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, the Borrower and Freddie Mac as originally executed or as modified or amended from time to time.

“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.

“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.

“Project” means the land and one apartment building comprised of a one hundred and twenty nine (129) unit rental housing complex (two units of which will be used as a management office and learning center) and related fixtures, equipment, furnishings and site improvements and a thirty-one (31) space underground parking garage known as King Towers Apartments located at 1220 12th Street, N.W., in Ward 2 in the District of Columbia, including the real estate described in the Bond Mortgage.

“Project Account” means the Project Account of the Bond Mortgage Loan Fund established by the Trustee pursuant to the Indenture Supplement.

“Purchase Price” means, with respect to any Bond to be purchased pursuant to the Indenture Supplement, 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 Borrower with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such Bond is (a) transferred pursuant to and in accordance with the Indenture Supplement or (b) redeemed or otherwise cancelled.

“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 or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency; (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; (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (A) direct obligations of the United States government, or (B) tax exempt obligations and which fund has been rated "Aaa"/"AAA" by Moody's/S&P or (h) (i) tax exempt obligations rated in the highest short term rating category by Moody's or S&P, or (ii) shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of "Aaa"/"AAA" by the Rating Agency, for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which the Trustee or its affiliates receive a fee for investment advisory or other services to the fund; or (i) 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.

"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 Code, selected and retained by the Borrower at the expense of the Borrower, with the prior written consent of the Trustee to make the computations required under the Indenture Supplement and the Financing Agreement.

"Rebate Fund" means the Rebate Fund established by the Trustee pursuant to the Indenture Supplement.

"Record Date" means the 15th day of the month preceding the month in which any Interest Payment Date falls.

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

"Rehabilitation Escrow Agreement" means the Rehabilitation Escrow Agreement dated as of August 1, 2010 between the Borrower, Freddie Mac, and the Servicer as the same may be amended, supplemented or restated from time to time.

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

"Reimbursement Mortgage" means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated as of the date of the Indenture, from the Borrower for the benefit of Freddie

Mac, together with all riders and addenda thereto, granting a second priority mortgage and security interest in the Project to Freddie Mac to secure the obligations of the Borrower under the Reimbursement Agreement and all documents related thereto, as the same may be amended, supplemented or restated from time to time.

“Reimbursement Security Documents” has the meaning given to that term in the Reimbursement Agreement.

“Release Date” means, with respect to the Bonds, August 19, 2010.

“Replacement Reserve Agreement” means that certain Replacement Reserve Agreement dated August 1, 2010, by and between the Borrower and Freddie Mac.

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

“Requisition” means, with respect to the Bond Mortgage Loan Fund and the Bond Mortgage Loan Fund contained under and defined in the Market Indenture, the requisition in the form of exhibit to the Indenture Supplement required to be submitted in connection with disbursements from the Project Account and/or the Borrower Equity Account of the Bond Mortgage Loan Fund and in connection with disbursements from the Project Account and/or the Borrower Equity Account of the Bond Mortgage Loan Fund contained under and defined in the Market Indenture, and with respect to the Cost of Issuance Fund, the requisition in the form of exhibit to the Indenture Supplement required to be submitted in connection with disbursements from the Cost of Issuance Fund.

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

“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 Security Documents), (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 Supplement (excluding moneys or securities designated for deposit into and held in the Cost of Issuance Fund, the Administration Fund, the Borrower Equity Account, the Credit Facility Reimbursement Fund, and the Rebate Fund), together with all investment earnings thereon.

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

“Securities Depository” means (a) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, facsimile: (516) 227-4039 or 4190; or (b) any replacement registered securities depository 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, National Association.

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

“Short-Term Rate” means the interest rate equal to the sum of 0.60% plus the lesser of (i) Four Week T-Bill Rate as of the second Business Day prior to the Release Date or (ii) the Permanent Rate less the Spread.

“Sole Member” means King Towers LLC, a Maryland limited liability company, together with its permitted successors and/or assigns.

“Sole Member Agreement” means that certain Operating Agreement of the Sole Member dated of even date with the Indenture Supplement, by and between King Housing, Inc., Garnet LIHTC Fund XXI, LLC and Transamerica Affordable Housing, Inc.

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

“Special Issuer Fee” means an amount equal to the difference between interest calculated on the Bonds at the Short-Term Rate and interest calculated on the Bond Mortgage Loan at the Permanent Rate for the period from and including the Release Date to, but not including, the Conversion Date, which amount shall be payable to the Issuer on the Conversion Date pursuant to the provisions of the Indenture Supplement.

“Special Member” means Transamerica Affordable Housing, Inc., a California corporation, approved by the Issuer to be admitted as the Special Investor Member of the Sole Member.

“Springing Guarantor” means National Foundation for Affordable Housing Solutions, Inc.

“Springing Guaranty” means the Springing Guaranty dated as of the Release Date between the Issuer and Springing Guarantor, as such Springing Guaranty may from time to time be amended or supplemented.

“Surplus Cash” means with respect to any period, and for purposes of the Replacement Reserve Fund, any revenues of the Borrower 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 Borrower in connection with the Bonds, including but not limited to fees and expenses of the Issuer, the Trustee 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” means the Tax Certificate and Agreement, dated as of the Release Date, among the Issuer, the Trustee and the Borrower.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement dated as of August 1, 2010 among the Issuer, the Trustee and the Borrower, as the same may be amended or supplemented.

“Taxes” means all taxes, water rents, sewer rents, assessments and other governmental or municipal or public or private dues, fees, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Project or any part thereof, or upon any leases pertaining thereto, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes or as income taxes.

“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 Supplement, the Financing Agreement and the Tax Regulatory Agreement to indemnification by the Borrower 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 Managing Member; (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 Borrower 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 Borrower; (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 Supplement, the Tax Regulatory Agreement, the Financing Agreement, and the Guaranty are reserved to the Issuer, as none of these rights under the

Indenture Supplement, the Tax Regulatory Agreement, or the Financing Agreement, are being assigned by the Issuer to the Trustee.

“Unit Reserve Amount” means an amount to be deposited by the Borrower 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 rentable apartment units in the Project, shall, with the consent of the United States Department of Housing and Urban Development, be paid in semi-annual installments of \$19,350, on each January 1 and July 1 (commencing January 1, 2011) into the Replacement Reserve Fund established pursuant to the Indenture, provided, that such Unit Reserve Amount shall be offset 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.

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

## 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 within the Bond Mortgage Loan Fund, a Loan Account and a Borrower Equity Account), the Trustee shall establish, maintain and hold in trust the following funds and accounts, each of which is established pursuant to the Indenture and each of which shall be disbursed and applied only as therein authorized:

- (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) Debt Service Reserve Fund;
- (g) Operating Reserve Fund;
- (h) Replacement Reserve Fund;
- (i) Rebate Fund; and
- (j) Credit Facility Reimbursement Fund, and within the Credit Facility Reimbursement Fund a Credit Facility Principal Reimbursement Account, a Credit Facility Interest Reimbursement Account and a Credit Facility Fee Reimbursement Account.

#### **Bond Mortgage Loan Fund**

(a) **Deposit.** The Trustee shall deposit the proceeds of the sale of the Bonds as provided in the Indenture Supplement. The Trustee shall deposit the Borrower Equity Deposit into the Borrower Equity Account of the Bond Mortgage Loan Fund, as well as any additional amounts delivered from time to time to the Trustee and directed by the Borrower or Servicer to be deposited therein (excluding any proceeds of the Bonds), as provided in the Indenture Supplement.

(b) **Disbursements.** Amounts on deposit in the Bond Mortgage Loan Fund shall be disbursed from time to time by the Trustee for the purpose of paying Costs of the Project. In addition, amounts in the Bond Mortgage Loan Fund shall be transferred to the Redemption Fund, the Rebate Fund and the Borrower at the times and in the manner provided in Section 4.02(e).

(c) Transfers and Requisitions. The Trustee shall make disbursements from the respective accounts of the Bond Mortgage Loan Fund for purposes described in the Indenture Supplement only upon the receipt of Requisitions signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer and the Issuer as provided in the Indenture Supplement.

Notwithstanding anything to the contrary contained in the Indenture Supplement, no signature of an Authorized Officer of the Borrower shall be required during any period in which a default has occurred and is then continuing under the Bond Mortgage Loan or any Reimbursement Security Document (notice of which default has been given in writing by the Credit Facility Provider or the Servicer to the Trustee and the Issuer, and the Trustee shall be entitled to conclusively rely on any such written notice as to the occurrence and continuation of such a default).

(d) Upon final disbursement of all amounts on deposit in the Bond Mortgage Loan Fund, including all interest accrued therein, the Trustee shall close the Bond Mortgage Loan Fund.

(e) Immediately prior to any mandatory redemption of Bonds pursuant to the Indenture Supplement, any amounts then remaining in the Bond Mortgage Loan Fund shall, at the written direction of the Credit Facility Provider, be transferred to the Redemption Fund to be applied to reimburse the Credit Facility Provider for the related redemption of Bonds pursuant to the Indenture Supplement. In addition, any amount remaining in the Project Account of the Bond Mortgage Loan Fund following completion of the rehabilitation of the Project, shall be transferred to the Redemption Fund and used to reimburse the Credit Facility Provider for the related redemption of Bonds in accordance with the Indenture Supplement, unless the Trustee receives an opinion of Bond Counsel (which shall also be addressed to the Credit Facility Provider) to the effect that an alternate use of such moneys will not adversely affect the tax exempt status of the Bonds; provided that any amounts in the Project Account of the Bond Mortgage Loan Fund and in the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund in excess of the amount needed to reimburse the Credit Facility Provider for the related redemption of the Bonds shall be transferred to the Rebate Fund. In the event there are funds remaining in the Borrower Equity Account following completion of the rehabilitation of the Project, and provided no default by the Borrower exists under the Indenture Supplement or any Bond Mortgage Loan Document, such funds shall be paid by the Trustee to the Borrower at the written direction of the Credit Facility Provider.

(f) Amounts on deposit in the Bond Mortgage Loan Fund shall be invested as provided in the Indenture Supplement. All Investment Income earned on amounts on deposit in the Bond Mortgage Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in the Bond Mortgage Loan Fund, and shall constitute part of any transfers required by the Indenture Supplement.

### **Application of Revenues**

All Revenues 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 Release 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 Borrower, which shall 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, such amount as the Credit Facility Provider shall advise the Trustee is equal to the interest due on the Purchased Bonds on such date.

Promptly 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; and (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.

At the written direction of the Borrower, and with the written consent of the Credit Facility Provider and the Issuer, interest earnings deposited into the General Account of the Revenue Fund shall be paid to the Borrower semi-annually on each January 1 and July 1, commencing July 1, 2011, so long as (i) there is no deficiency in the Administration Fund, the Rebate Fund or any Custodial Account, (ii) no default exists under the Bond Mortgage Loan and (iii) no event of default exists under any of the Bond Mortgage Loan Documents.

### **Application of 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.

### **Application of Redemption Fund**

Any moneys credited to the Redemption Fund shall be applied as set forth in the Indenture Supplement; provided however, that to the extent any money credited to the Redemption Fund from Eligible Funds (other than draws under the Credit Facility) is in excess of the amount necessary to effect the redemptions described in the Indenture Supplement it shall be applied 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 which is held for payment of Bonds that are no longer Outstanding under the Indenture, such money 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.

### **Application of 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 and the Debt Service Reserve Fund are insufficient to make up such deficiency;

SECOND: To pay to the Trustee when due the Ordinary Trustee's Fees and Expenses;

THIRD: To pay to the Issuer when due the Issuer Fee and the Special 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 Supplement and the Financing Agreement, upon receipt of an invoice from the Rebate Analyst;

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

SIXTH: To pay to the Trustee any Extraordinary Trustee's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Borrower and Freddie Mac;

SEVENTH, to pay to the Issuer any extraordinary expenses it may incur in connection with the Bonds or the Indenture Supplement from time to time, as set forth in an invoice submitted to the Trustee and Freddie Mac;

EIGHTH, 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;

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 Freddie Mac;

TENTH: 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;

ELEVENTH, to pay to the Dissemination Agent when due the Dissemination Agent's Fee;

TWELVETH: To pay to the Rating Agency when due the annual rating maintenance fee, if any, as set forth in an invoice submitted to the Trustee; 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 Borrower 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 Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Trustee.

On or before each Interest Payment Date, the income realized from the investment of money in the Administration Fund will be credited by the Trustee to the General Account of the Revenue Fund. No amount shall be charged against the Administration Fund not needed to pay the foregoing amounts except as expressly provided in the Indenture.

### **Debt Service Reserve Fund**

(a) The Trustee shall establish and maintain in accordance with the terms of the Indenture Supplement a separate fund to be known as the "Debt Service Reserve Fund." On the Release Date, the Borrower shall deliver or cause to be delivered to the Trustee for deposit to the Debt Service Reserve Fund \$432,798.



(b) Amounts on deposit in the Debt Service Reserve Fund shall be used solely (i) to reimburse Freddie Mac for amounts drawn under the Credit Enhancement Agreement to pay principal and interest on the Bonds upon receipt of a notice by the Trustee from the Servicer or Freddie Mac stating that such amounts remain unreimbursed by the Borrower pursuant to the Reimbursement Agreement, and (ii) solely in the event of a Wrongful Dishonor, to pay the principal of and interest on the Bonds to the extent that the amounts on deposit in the General Account of the Revenue Fund are insufficient to pay such amounts on any Interest Payment Date, in which event amounts needed to make such debt service payments shall be applied to such payment.

(c) In the event any funds are drawn from the Debt Service Reserve Fund, then the Borrower shall deposit funds into the Debt Service Reserve Fund in an amount equal to the amounts drawn to replenish such Fund within thirty (30) days from the date such amounts are withdrawn.

(d) Amounts on deposit in the Debt Service Reserve Fund shall be invested solely in Qualified Investments of the type described in subparagraph (g)(B) of the definition of “Qualified Investments.” Investment Income earned on amounts on deposit in the Debt Service Reserve Fund shall be retained in the Debt Service Reserve Fund.

(e) The Trustee shall maintain the Debt Service Reserve Fund for so long as the Bonds shall remain Outstanding.

### **Operating Reserve Fund**

On or prior to the Release Date, the Borrower shall deliver or cause to be delivered, from sources other than proceeds of the Bonds, for deposit to the Operating Reserve Fund the amount of \$474,564 (the “Initial Operating Reserve Requirement”) and prior to meeting the Stabilization Requirement (defined below) shall cause the replenishment of the Operating Reserve Fund to the Initial Operating Reserve Requirement no later than 30 days after any disbursement of funds in accordance with the Indenture Supplement. The Borrower shall be required to maintain the amount in the Operating Reserve Fund at the Initial Operating Reserve Requirement until the Project achieves thirty-six (36) consecutive months of minimum debt service coverage of 1.20 to 1 (the “Stabilization Requirement”) as such is evidenced in accordance with documentation acceptable to the Issuer and Freddie Mac. After the Project has met the Stabilization Requirement, the amount required to be maintained in the Operating Reserve Fund shall be reduced to \$312,439 and the Borrower shall only be required to replenish the Operating Reserve Fund to such amount to the extent of available Surplus Cash; provided, however, that in the event the amount in the Operating Reserve Fund falls below \$215,000 (“Minimum Reserve Requirement”) the Borrower shall cause the Operating Reserve Fund to be replenished to the Minimum Reserve Requirement no later than 30 days after the related disbursement.

The Trustee shall disburse amounts from the Operating Reserve Fund upon the written requisition of the Borrower, with the written approval of the Issuer (provided the Issuer’s consent shall no longer be required for any withdrawal under this heading after the Stabilization Requirement is satisfied), Freddie Mac (or the Servicer on Freddie Mac’s behalf) and the Investor Member. Amounts disbursed from the Operating Reserve Fund shall be disbursed for and applied by the Borrower to the payment of operating deficits for the Project, the reimbursement of Freddie Mac for principal or interest payments made on the Bonds or the payment of fees or other obligations due under the Bond Financing Documents. The Borrower agrees to request approval from the Issuer, Freddie Mac and the Investor Member in advance of disbursements of funds from the Operating Reserve Fund by providing written notice in accordance with the Indenture Supplement together with appropriate back-up documentation. Notwithstanding the foregoing, if the Trustee and the Issuer receive notice that an “Event of Default” is existing under the Reimbursement Agreement and no Wrongful Dishonor is existing under the Indenture Supplement,

Freddie Mac may, with the Issuer's prior written consent (which consent shall not be unreasonably withheld and shall be deemed given if the Issuer fails to respond within 3 Business Days after the receipt of the afore-mentioned notice), direct withdrawals from the Operating Reserve for any use designated in writing by Freddie Mac.

Investment Income earned on amounts on deposit in the Operating Reserve Fund shall be retained in the Operating Reserve Fund.

### **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 shall be, except as otherwise expressly provided in the Indenture, invested by the Trustee, at the direction of the Issuer or the Servicer (upon the request of Borrower), in Qualified Investments which mature on the earlier of (i) six months from the date of investment and (ii) the date such money is 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; provided further, that all funds held in the Credit Facility Reimbursement Fund and 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 money is required to be applied pursuant to the provisions of the Indenture Supplement. Except as otherwise provided in the preceding sentence, in the absence of written direction from Issuer upon the request of the Borrower, the Trustee shall invest amounts on deposit in the funds and accounts established under the Indenture in investments of the type 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.

The Trustee may purchase from or sell to itself or an affiliate, as principal or agent, securities authorized in the Indenture. Any instruction from the Borrower shall be deemed to include a representation that the investment constitutes a Qualified Investment and is in accordance with the terms of the Indenture and the Tax Certificate. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase in a Qualified Investment remains a Qualified Investment thereafter.

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.

The Issuer acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and notifies the Trustee under the Indenture, that no brokerage confirmations need be sent relating to the security transactions as they occur.

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 Fair Market Value.

### **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 Release Date or as soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Borrower, as set forth in the closing memorandum prepared by or on behalf of the Borrower (and accepted and agreed to by the Issuer) on the Release Date or by Requisition, upon delivery to the Trustee of appropriate invoices for such expenses. Amounts in the Costs of Issuance Fund funded with proceeds of the Bonds, if any, shall be expended prior to the application of the Costs of Issuance Deposit. Investment earnings on amounts in the Cost of Issuance Fund shall be retained in such fund. Amounts remaining on deposit in the Cost of Issuance Fund 6 months after the Release Date shall be transferred to the Borrower 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**

On the Release Date, the Borrower shall deliver or cause to be delivered for deposit to the Replacement Reserve Fund the amount of \$258,000. In addition, beginning on August 1, 2011, the Unit Reserve Amount shall be deposited on each January 1 and July 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 Borrower to make a deposit of the Unit Reserve Amount into the Replacement Reserve Fund shall not constitute an Event of Default under the Indenture or under the Financing Agreement or 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 Borrower and approved in writing by the Issuer which approval shall not be unreasonably withheld, conditioned or delayed 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 Borrower, with the prior written approval of the Issuer which approval shall not be unreasonably withheld, conditioned or delayed, as soon as practicable upon the Borrower's written request therefor.

### **Rebate Fund; Compliance with Tax Certificate**

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 Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the

extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Borrower, 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 Certificate. 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 Certificate, and shall not be required to take any actions under the Tax Certificate 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 Borrower.

### **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 Borrower; provided, however, that if a default shall have occurred and remain uncured under any Bond Mortgage Loan Document of which the Trustee shall have received written notice from the Credit Facility Provider or the Servicer, then any such amounts remaining in any fund or account under the Indenture shall be paid to the Credit Facility Provider in accordance with the Reimbursement Agreement.

### **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 Borrower 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 Borrower 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 in lieu of redemption pursuant to the Indenture, 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.

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 Borrower via facsimile 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 Borrower

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). Notwithstanding the foregoing or any other provisions in the Indenture Supplement to the contrary, the Trustee shall not draw money under the Credit Enhancement Agreement for any amount due to the Issuer as discussed under subparagraph (iii) under the heading "THE BONDS – Optional Redemption" above, such amounts being payable solely by the Borrower.

### **Special Issuer Fee**

On the Conversion Date, after depositing into the Bond Fund sufficient amounts to pay the interest on the Bonds, the Trustee shall transfer any amounts remaining in the Credit Facility Account of the Revenue Fund to the Administration Fund in full payment of the Special Issuer Fee.

The Trustee in drawing on the Credit Facility to pay interest on the Bonds accruing to the Conversion Date, has acknowledged that the Bond Mortgage Loan has borne interest at the Permanent Rate from the Release Date to, but not including, the Conversion Date, and that the Credit Facility shall be drawn in accordance with its terms on such date as if the Bonds also accrued interest from the Release Date to the Conversion Date at the Permanent Rate.

### **Credit Facility Reimbursement Fund**

The Trustee shall deposit into the Credit Facility Interest Reimbursement Account of the Credit Facility Reimbursement Fund, promptly upon receipt thereof, all amounts received from the Servicer, including but not limited to scheduled monthly interest collections pursuant to the Reimbursement Agreement, designated for deposit into such account. Amounts on deposit in the Credit Facility Interest Reimbursement Account shall be applied by the Trustee to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to pay interest on the Bonds. Additionally, the Trustee shall on the Release Date deposit the initial amount set forth in the Indenture Supplement to the Credit Facility Interest Reimbursement Account. On each Interest Payment Date, the Trustee, without the need for any further direction, shall pay to the Credit Facility Provider by no later than 2:30 p.m., Washington D.C. time, from and to the extent of amounts on deposit in the Credit Facility Interest Reimbursement Account, an amount up to the amount drawn by the Trustee under the Credit Facility to pay interest on the Bonds on such date.

The Trustee shall deposit into the Credit Facility Principal Reimbursement Account of the Credit Facility Reimbursement Fund, promptly upon receipt thereof, all amounts received from the Servicer designated for deposit into such account, including but not limited to scheduled monthly principal deposits pursuant to the Reimbursement Agreement. Amounts on deposit in the Credit Facility Principal

Reimbursement Account shall be applied by the Trustee to reimburse the Credit Facility Provider for amounts drawn under the Credit Facility to pay principal on the Bonds. On each maturity date for the Bonds and each date the Bonds are subject to optional or mandatory redemption, the Trustee, without the need for any further direction, shall pay to the Credit Facility Provider by no later than 2:30 p.m., Washington D.C. time, from and to the extent of amounts on deposit in the Credit Facility Principal Reimbursement Account, an amount up to the principal amount drawn by the Trustee under the Credit Facility to pay or redeem Bonds in Authorized Denominations on such date.

The Trustee shall on the Release Date deposit into the Credit Facility Fee Reimbursement Account of the Credit Facility Reimbursement Fund the initial deposits set forth in the Indenture Supplement. The Trustee shall remit to the Servicer, without the need for further direction, not less than three (3) Business Days prior to the first day of each calendar month beginning with the second (2nd) calendar month following the Release Date an amount equal to the Freddie Mac Credit Facility Fee and the Servicing Fee (as such terms are defined in the Reimbursement Agreement) then due under the Reimbursement Agreement (or such other amount as invoiced by the Servicer or Freddie Mac). Following the final disbursement from the Credit Facility Fee Reimbursement Account the Trustee shall close such account and shall provide notice of such final disbursement to the Servicer.

In the event that the amounts on deposit in the respective accounts in the Credit Facility Reimbursement Fund are insufficient to reimburse the Credit Facility Provider (as provided in the Indenture Supplement) the full amount to be drawn under the Credit Facility to pay interest or principal on the Bonds, as applicable, the Trustee shall promptly give notice to the Credit Facility Provider, the Servicer and the Borrower of such deficiency and of the amount of such deficiency.

All Investment Income on amounts on deposit in the Credit Facility Reimbursement Fund shall be retained in and credited to and become a part of the amounts on deposit in the respective accounts in such fund. Provided that (as confirmed by the Trustee with the Servicer or the Credit Facility Provider) (i) there is no deficiency in the Credit Facility Reimbursement Fund, the Administration Fund, the Debt Service Reserve Fund, the Operating Reserve Fund, the Rebate Fund, or any collateral account required under the Reimbursement Security Documents, (ii) no default exists under the Bond Mortgage Loan, (iii) no Event of Default exists under the Indenture Supplement or under any of the other Borrower Documents (as defined in the Reimbursement Agreement), and (iv) Credit Facility Provider has been fully reimbursed for amounts drawn on the Credit Facility, the Trustee, without the need for any further direction, shall pay such Investment Income to the Borrower on the Interest Payment Date next succeeding receipt thereof (after making all payments specified under this heading).

At the written direction of the Credit Facility Provider, the amounts on deposit in the Credit Facility Reimbursement Fund shall be used by the Trustee to pay any amounts required to be paid by the Borrower under any Bond Mortgage Loan Document, to pay any amounts owed to the Credit Facility Provider in connection with any loan purchased by the Credit Facility Provider and secured by the Project, or to pay any other amount agreed to in writing by the Borrower and the Credit Facility Provider; provided that the amounts on deposit in the Credit Facility Reimbursement Fund shall, upon the occurrence of an event of default under any Bond Mortgage Loan Document, be used in any manner and for any purpose specified by the Credit Facility Provider.

At the written request of the Borrower, 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 Credit Facility Reimbursement Fund to the Borrower (in which case the Trustee shall release such amounts to the Borrower, 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 Supplement to be rebated to the United States Department of the Treasury, then prior to any such release to the Borrower, any

amounts on deposit in the Credit Facility Reimbursement 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 Credit Facility Reimbursement Fund.

Any amounts remaining in the Credit Facility Reimbursement Fund after payment in full of the principal of and interest on the Bonds and reimbursement of the Credit Facility Provider for all amounts drawn under the Credit Facility shall be applied as provided in the Indenture Supplement.

### **Events of Default**

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

- (a) failure to pay the principal of, premium, if any, or interest on any Bond (other than Purchased Bonds) when due, whether on an Interest Payment Date, at the stated maturity thereof, by proceedings for redemption thereof, by acceleration or otherwise; 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 (or such longer period, if any, as is specified in the Indenture for particular defaults) after written notice thereof (which notice shall be effective only with the written consent of the Credit Facility Provider if no Event of Default has occurred and is then continuing under the Indenture) 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 if such default cannot be cured within such thirty (30) day period through the exercise of diligence and the Issuer commences the required cure within such thirty (30) day period and continues the cure with diligence and the Issuer reasonably anticipates that the default could be cured within sixty (60) days, the Issuer shall have sixty (60) days following receipt of such notice to effect the cure.

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.

### **Acceleration; Remedies**

Upon the occurrence of an Event of Default described in paragraph (c) above, the Trustee shall, 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, 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 interest shall continue to accrue thereon until such amounts are paid.

Upon the occurrence of an Event of Default (other than an Event of Default under paragraph (b) above), the Trustee shall, but 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, upon the Credit Facility Provider having honored a properly presented and conforming draw under the Credit Facility to pay such amounts, interest on the Bonds shall cease to accrue, anything contained in this Indenture Supplement 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 occurring under 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 Borrower or the Credit Facility Provider, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) upon all the Bonds then due, with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Trustee (including its counsel) 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, without limitation, with respect to the Credit Facility Provider all outstanding amounts owed to the Credit Facility Provider and all fees owed to the Credit Facility Provider) (collectively, the "Cure Amount")) 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. Notwithstanding the foregoing provisions of this paragraph, in the event the Cure Amount is derived in whole or in part from a draw on the Credit Facility, any such rescission or annulment of such declaration of acceleration shall not occur without the written consent of the Credit Facility Provider.

Upon the occurrence and during the continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds with respect to which such an Event of Default has occurred and of the Credit Facility Provider, 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 District 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, the Credit Facility or any other Bond Financing Document;

(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, the Reimbursement Agreement or any other Bond Financing Document, 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 or a committee of Responsible Officers, deems to be in the best 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 (other than amounts drawn from the Credit Facility under the Indenture) 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 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 and amounts drawn from the Credit Facility 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, being advised by counsel or a committee of Responsible Officers, exercises one or more of such rights and powers as the Trustee, being advised by counsel, 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 all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture Supplement, or for the appointment of a receiver or any other proceedings thereunder, in accordance with the provisions of law and of the Indenture Supplement.

## **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 formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (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 or conferred and that are not contrary to or inconsistent with the Indenture Supplement or the rights of the Trustee hereunder as theretofore in effect;
- (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) to make such additions, deletions or modifications as may be, in the opinion of Bond Counsel delivered to the Issuer, the Trustee and the Credit Facility Provider, necessary to

maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds;

(f) to modify, amend or supplement the Indenture Supplement as required by the Rating Agency to obtain or maintain a rating or ratings for the Bonds, except no change may be made that will materially adversely affect the interest of the Holders of the Bonds to be Outstanding after the effective date of the change;

(g) to implement or modify any secondary market disclosure requirements;

(h) to modify, amend or supplement the Indenture Supplement in any other respect which is not materially adverse to the Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change described therein.

### **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 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 Borrower'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 Borrower shall then be in default of any of its obligations under the Financing Agreement, the Reimbursement Agreement, the Tax Regulatory Agreement, the Bond Mortgage Note, the Reimbursement Mortgage or the Bond Mortgage, a supplemental indenture under the Indenture which affects any rights of the Borrower shall not become effective unless and until the Borrower shall have expressly consented in writing to the execution and delivery of such supplemental indenture. 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 Borrower or the Borrower'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 Borrower.

#### **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 Borrower 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 Facility, by the Financing Agreement or the Indenture;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in the Financing Agreement;
- (c) in a manner not materially adverse to the Holder of any Bond to be Outstanding after the effective date of the change;
- (d) 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;
- (e) to modify, amend or supplement the Financing Agreement as required by the Rating Agency to obtain or maintain a rating or ratings for the Bonds, except no change may be made that will materially adversely affect the interests of the Holders of the Bonds to be Outstanding after the effective date of the change; or
- (f) to modify, amend or supplement the Financing Agreement in any other respect which is not materially adverse to the Trustee or Holders of the Bonds to be Outstanding after the effective date of the change and which does not involve a change described in the Indenture.

#### **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 Borrower, 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 Borrower’s obligation to make the payments required under the Financing Agreement without the consent of the Holders of 100% of the Bonds then Outstanding. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of 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 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 formal defect, omission, inconsistency or ambiguity in the Credit Facility, (c) in a manner which is not prejudicial to the interests of the Bondholders as determined by the Trustee being advised by counsel, a committee of Responsible Officers or by a written confirmation from the Rating Agency of the then existing rating on the Bonds, or (d) as required by the Rating Agency to maintain the then current rating on the Bonds.

### **Opinion of Bond Counsel Required**

No supplement or amendment to the Financing Agreement or the Indenture Supplement, as described in the Indenture Supplement, shall be effective until the Issuer, the Trustee and the Credit Facility Provider shall have received an opinion of Bond Counsel to the effect that such supplement or amendment is authorized or permitted by the Indenture Supplement and, upon execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not cause interest on the Bonds to be includable in gross income of the Holders thereof for federal income tax purposes. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (i) any proposed supplemental indenture or amendment permitted by the Indenture Supplement complies with the provisions thereof, (ii) it is proper for the Trustee to join in the execution of that supplemental indenture or amendment under the provisions of the Indenture Supplement, and (iii) if applicable, such proposed supplemental indenture or amendment is not materially adverse to the interests of the Bondholders.

### **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 or negligence by the officer or employee of the Trustee as the case may be; and

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the 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 may at any time resign from the trusts by giving written notice to the Issuer, the Borrower 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 Borrower and the Credit Facility Provider may be served personally or sent by certified mail or overnight delivery service. The resignation of the Trustee shall not be effective until a successor Trustee has been appointed, as provided 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 Indenture and the Intercreditor Agreement.

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 Borrower, 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 and the Borrower. 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 Borrower and the Credit Facility Provider. The Trustee may also be removed by the Credit Facility Provider, following notice to the Issuer and after a thirty (30) day period during which the Issuer may attempt to cause the Trustee to discharge its duties in a manner acceptable to Credit Facility Provider, and in each case written notice of such removal shall be given to the Servicer, the Borrower and to each registered Borrower of Bonds then Outstanding as shown on the Bond Registrar. Any such removal shall take effect on the day specified in such written instrument(s), but the Trustee shall not be discharged from the trusts created until a successor Trustee has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Trustee under the Intercreditor Agreement and the Indenture.

In case at any time the Trustee shall resign, be removed or be dissolved, or shall be in course of dissolution or liquidation, or otherwise shall become incapable of acting under the Indenture, or be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee under the Indenture, and the Issuer, with the written consent of the Credit Facility Provider, shall promptly appoint a successor Trustee. Any such appointment shall be made by a written instrument executed by an Authorized Officer of the Issuer.

If, in a proper case, no appointment of a successor Trustee shall be made pursuant to the Indenture within sixty (60) days following delivery of all required notices of resignation given or of removal of the Trustee pursuant to the Indenture, the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

### **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 and interest to the date established for redemption whether by redemption or otherwise; or
- (c) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

and shall have paid all amounts due and owing to the Credit Facility Provider under the Indenture and under the Credit Facility and 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 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 Borrower 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 Borrower 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 Borrower 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 and the Bond Mortgage; (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 principal and interest payments in accordance with the Bond Mortgage Note; 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 Commitment and the Guide.

#### **Initial Deposits**

On the Release Date, proceeds of the Bonds shall be deposited by the Trustee in accordance with the Indenture. In addition to the deposits to be made with Bond proceeds pursuant to the foregoing the Borrower will deposit with the Trustee the amounts set forth in the Financing Agreement for credit to the Cost of Issuance Fund, to the Borrower Equity Account of the Bond Mortgage Loan Fund, to the Administration Fund, to the Credit Facility Reimbursement Account and to the credit of the Operating Reserve Fund.

To the extent that amounts in the Cost of Issuance Fund are insufficient to pay all costs of issuing the Bonds, the Borrower 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 Borrower**

The Borrower agrees to repay the Bond Mortgage Loan as provided in the Bond Mortgage Note, and in all events at the times and in the amounts necessary to enable the Trustee, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds, when due, whether at maturity or upon redemption (with premium, if applicable), acceleration, tender, purchase or otherwise. The obligation of the Borrower to make the payments set forth in the Financing Agreement shall be an independent and

separate obligation of the Borrower from its obligation to make payments under the Bond Mortgage Note, *provided, that* in all events payments made by the Borrower under and pursuant to the Bond Mortgage Note shall be credited against the Borrower's obligations under the Financing Agreement on a dollar for dollar basis. If for any reason the Bond Mortgage Note or any provision of the Bond Mortgage Note shall be held invalid or unenforceable against the Borrower by any court of competent jurisdiction, the Bond Mortgage Note or such provision of the Bond Mortgage Note shall be deemed to be the obligation of the Borrower 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 Borrower's payment obligations under the Financing Agreement or eliminate the credit against such obligations to the extent of payments made under the Bond Mortgage Note.

The Borrower acknowledges and agrees the Servicer may collect monthly payments from the Borrower with respect to the Bond Mortgage Loan in accordance with the Reimbursement Agreement, but such payments shall not be credited against the principal or interest due with respect to the Bond Mortgage Loan or the Bond Mortgage Note until and only to the extent such amounts are used to reimburse the Credit Facility Provider for amounts paid under the Credit Facility to pay principal of or interest on the Bonds.

The obligations of the Borrower to repay the Bond Mortgage Loan, to perform all of its obligations under the Bond Mortgage Loan Documents, to provide indemnification, to pay costs, expenses and charges 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, subject to the limitations set forth in the Financing Agreement, be absolute and unconditional and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise.

Notwithstanding anything contained in any other provision of the Financing Agreement to the contrary (but subject to the provisions thereof and of the Intercreditor Agreement), the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower and the Borrower's Managing Member, payable from and enforceable against any and all income, assets and properties of the Borrower: (i) the Borrower's obligations to the Issuer and the Trustee under the Financing Agreement; (ii) the Borrower's obligations set forth in Financing Agreement; (iii) the Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Bonds as provided in the Financing Agreement and the Tax Certificate; and (iv) the Borrower's obligation to pay legal fees and such expenses under the Financing Agreement.

#### **Payment of Certain Fees and Expenses Under the Bond Mortgage Note; Additional Payments**

The payments to be made by the Borrower under the Bond Mortgage Note include certain moneys to be paid in respect of, among others, the Bond Fee Component, the Special Issuer Fee, Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, any annual rating maintenance fees of the Rating Agency and amounts required to be deposited in the Custodial Escrow Account pursuant to the Bond Mortgage Loan Documents. To the extent that any portion of the Bond Fee Component, the Special Issuer Fee, the Ordinary Servicing Fees and Expenses, the Freddie Mac Credit Enhancement Fee, any annual rating maintenance fees of the Rating Agency pursuant to the Financing Agreement and amounts required to be deposited in a 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 Borrower, 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 Borrower as provided in the Financing Agreement.

In addition to the payment obligations in the Financing Agreement, the Borrower acknowledges its obligation to make payments to the Debt Service Reserve Fund and the Operating Reserve Fund pursuant to, and in accordance with, the provisions set forth in the Indenture. Notwithstanding any other provision of the Financing Agreement, the Indenture or any other Bond Mortgage Loan Document, failure of the Borrower to make a deposit into the Debt Service Reserve Fund or Operating Reserve Fund shall not constitute an Event of Default under the Financing Agreement, or under the Indenture or under any other Bond Mortgage Loan Document.

### **Option to Prepay the Bond Mortgage Loan**

The Borrower 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 Borrower 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 Borrower shall 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 Borrower shall provide notice of the prepayment to the Issuer, the Trustee, 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 Borrower 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 Borrower, and (c) the cause for the prepayment, if any.

### **Borrower's Obligations Upon Redemption**

In the event of any redemption, the Borrower 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, such premium to be paid with Eligible Funds not consisting of funds drawn under the Credit Facility. In addition, the Borrower will timely pay all fees, costs and expenses associated with any redemption of Bonds. The Borrower 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 Borrower and will be pledged to the Credit Facility Provider pursuant to the Pledge Agreement.

### **Events of Default**

The following shall be "Events of Default" under the Financing Agreement and the term "Event of Default" shall mean, whenever it is used in the Financing Agreement, one or all of the following events:

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

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

(c) The Borrower'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 Borrower; provided, however, that if the failure shall be such that it can be corrected but not within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected; or

(d) The occurrence of a default under the Reimbursement Agreement shall at the discretion of the Credit Facility Provider constitute an Event of Default under the Financing Agreement but only if the Trustee is provided written notice thereof by the Credit Facility Provider that an Event of Default has occurred under the Reimbursement Agreement and the Trustee is instructed by the Credit Facility Provider that such default constitutes 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 occurred and be continuing, the Trustee or the Issuer where so provided may take, any one or more of the following remedial steps; 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 Borrower.

(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 Borrower 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 Borrower if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Borrower, and the Borrower 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.

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## 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 Borrower and the Trustee each made certain covenants for the purpose of preserving the exclusion from gross income of interest on the Bonds for purposes of Federal income taxation and qualifying the Project for the Tax Credits (as defined therein) 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 Borrower 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 Borrower under the Tax Regulatory Agreement by all available legal and equitable means.

(b) (1) The Borrower 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, (2) the Borrower shall own the entire Project for federal tax purposes, and (3) 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 Issuer, at the request of the Borrower, hereby elects the 40/60 test requirement of Section 142(d)(1)(B) and Section 42(g)(1)(B) of the Code.

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

(e) The Bond proceeds shall be deemed allocated on a pro rata basis to each building in the Project so that 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 the date the Issuer passed a resolution with respect to the eligibility of the Project for tax-exempt financing on (the “Official Action Date”). No expenditures paid by the Borrower more than 60 days prior to the Official Action Date in connection with the equipping or rehabilitation of the Project by the Borrower (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 (i) will contain separate and complete facilities for living, sleeping, eating, cooking, and sanitation for a single tenant or multiple tenants, as applicable or (ii) will be a single-room occupancy unit (with in the meaning of Section 42 of the Code).

(c) (i) None of the Units in the Project shall at any time be utilized 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 that are available only to all tenants and their guests), trailer court or park.

(d) The Project shall consist of one ten-story apartment building, consisting of an independent foundation, outer walls and roof that will be (i) 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 that are contiguous except for being separated only by a road, street, stream or similar property, and (iii) financed by the Bond Mortgage Loan or otherwise pursuant to a common plan of financing, and that will consist entirely of:

(1) Units that 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), (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 J attached to the Tax Regulatory Agreement.

(e) 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 Borrower 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 Borrower 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 Borrower or an Affiliated Party at any time unless the Borrower 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 Borrower, 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 Borrower, 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” within the meaning of Section 142 (a)(7) of the Code. On the Issuance Date, the Borrower will execute a project cost certificate in substantially the form provided in Exhibit J, based on the amount of Bonds issued on such date.

(j) The Borrower 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)(8) and (9) of the Code.

(k) The Borrower 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) The Project will not include a Unit in a building unless all Units in such building are also included in the Project.

(m) The Borrower 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.

(n) The Borrower 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 Borrower 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 applicable 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 Borrower 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” (as promulgated by HUD) and in compliance with (i) the Act and any and all rules and regulations promulgated thereunder by the Issuer; provided, that only with respect to such rules and regulations promulgated, the same are not inconsistent with the Tax Regulatory Agreement and not in derogation of any rights of the Borrower which arise and vest under the Tax Regulatory Agreement, (ii) Section 142(d) of the Code and any regulations promulgated thereunder during the Qualified Project Period, and (iii) Section 42 of the Code and any regulations promulgated thereunder.

(q) The Project will be owned in its entirety by the Borrower, will be financed pursuant to a common plan, and will be located on a single parcel of land or two or more contiguous parcels of land (except for the interposition of a road, street, stream or similar property), and all of the improvements will comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, account, and operation of the Project.

(r) 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 Borrower represents that to the extent required in order to comply with Section 42(g)(1)(B) of the Code, no less than 88% of the Units will be held available for tenants at 60% of MSA Median Family Income throughout the Extended Use Period, and the Borrower will not at any time during the Extended Use period terminate any tenant leases other than for cause.

(s) All of the amenities made available to any group of residents in the Project shall be made available to all residents of the Project, regardless of the building or Unit in which they live.

3. General Tax Covenant; Reliance. The Borrower 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 Borrower 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 Borrower thereunder. In order to verify compliance with the Tenant Selection Plan, the Issuer will have the right to inspect the Borrower's records regarding tenants and tenant selection policy, including any applications received by the Borrower 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 Borrower shall at all times comply with the Marketing and Tenant Selection Plan and all requirements of the Act and the rules and regulations promulgated by the Issuer thereunder. In order to verify compliance with the Marketing and Tenant Selection Plan, the Issuer shall have the right to inspect the Borrower's records regarding tenants and tenant selection policy, including any applications received by the Borrower 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. The Marketing and 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, the Borrower 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 Tax Credit Compliance Period not less than forty percent (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 Borrower, however, has agreed that one hundred percent (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 sixty percent (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 Borrower 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. For determinations under this paragraph (b) made for determination periods beginning after July 30, 2008, if the Project is a project with respect to which Tax Credits are allowed under Section 42 of the Code, the "next vacant Unit" requirement or condition in the first two sentences of this paragraph (b) shall be applied based on the "next vacant unit of the building" (within the meaning of Section 42 of the Code) instead of being based on the next vacant Unit of the Project.

(d) (1) Notwithstanding the covenant of the Borrower 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 Borrower covenants that, subject to the further provisions under this heading, throughout the Extended Use Period not less than one hundred percent (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 of the Tax Regulatory Agreement.

(2) If such occupancy by Qualifying Unit Tenants drops below one hundred percent (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 Borrower to cure the deficiency and achieve the required occupancy by Qualifying Unit Tenants. Such cure period will not be denied if the Borrower 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 Tax Credit 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 Managing Member withdraw or retire from the Sole Member pursuant to the Tax Regulatory Agreement. In the event that the Managing Member is required to withdraw or retire from the Sole Member pursuant to the Tax Regulatory Agreement, the Investor Member 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 Managing Member 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 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 Borrower to comply with the minimum rental restrictions required by Section 42 of the Code, the Borrower covenants that throughout the Extended Use Period, the maximum rent on one hundred percent (100%) of the Units shall not exceed thirty percent (30%) of sixty percent (60%) of the then current MSA Median Family Income (as determined by HUD) adjusted for a household consisting of the number obtained by multiplying one and one-half (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 the Tax Regulatory Agreement shall not apply to any existing tenant, as of the Issuance Date, whose income is greater than sixty percent (60%) of MSA Median Family Income.

### 3. Determination of Income.

The Borrower 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, 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 Borrower 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 Borrower acknowledges that, for the purpose of establishing compliance with Section 142(d) of the Code, the Qualified Project Period will commence, subject to any stay during the Transition Period, 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 Borrower shall promptly notify the Issuer of the first day on which 10% of the Units are occupied and the first (1<sup>st</sup>) day on which 50% of the Units are occupied for purposes of determining the Qualified Project Period. Based on the foregoing, the Borrower 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 Borrower 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 MSA Median Family 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 Borrower 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 MSA 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 Borrower 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 MSA Median Family Income (as adjusted for family size).

## **Rent Restrictions**

### 1. Tax Credit Compliance Period; Rents on Tax Credit Units.

(a) During the Tax Credit Compliance Period, the Borrower shall lease no less than 40% of the Units to Qualifying Unit Tenants (“Tax Credit Tenants”) in accordance with the requirements of Section 42 of the Code. Notwithstanding the minimum requirements of Section 42 of the Code, the Borrower has agreed to lease no less than one hundred percent (100%) of the Units to Tax Credit 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 of this Section 5.1(a). The Tax Credit requirements shall be met continuously throughout the Tax Credit Compliance Period, and the Units must remain rental property throughout the Tax Credit Compliance Period.

(b) Rent payable by Tax Credit Tenants 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 annual adjustment of Rents for Units qualifying for Tax Credits shall be calculated in accordance with then current MSA Median Family Income as adjusted as described in the Tax Regulatory Agreement. The initial Rents for all Qualified Units are listed in Exhibit K attached to the Tax Regulatory Agreement. The Borrower may not implement any changes in the rent charged for any Unit without the prior written consent of the Issuer. The Borrower 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 Borrower 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 Borrower 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 Borrower (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 or the Trustee 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 or the Trustee to enforce the obligations of the Borrower 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, and no such damages shall be collected from any source.

(c) In addition to any and all other available remedies, the Borrower 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 Borrower 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 exclusion from gross income of interest on the Bonds for federal income tax purposes, and that the Trustee, the Issuer and the holders of the Bonds would be irreparably injured by the Borrower'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, rehabilitation, equipping and operation of the Project or an order enjoining any violation of the Tax Regulatory Agreement.

(ii) The Borrower agrees that the appointment of a receiver may be necessary to prevent waste to the Project and to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes following an Event of Default by the Borrower 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 Borrower 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 Borrower 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 Borrower (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 Borrower 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 exclusion from gross income of interest on the Bonds for purposes of Federal income taxation.

(g) No Event of Default under the Tax Regulatory Agreement shall constitute a default under the Financing Agreement or 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 Borrower and the Managing Member under the Tax Regulatory Agreement shall be limited to the Borrower's and the Managing Member's interest in the Project and the Borrower'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 Borrower or the Managing Member under the Tax Regulatory Agreement shall be limited to the Project and the Borrower'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 Borrower, its Managing Member, 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 Borrower or the Managing Member 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 Borrower and the Managing Member 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 Borrower with respect to the Unassigned Rights.

The limit on the Borrower'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 Borrower under 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 the Bond Financing 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 Borrower’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 Borrower.

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 Borrower 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.

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

#### **Events of Default**

The occurrence of any one or more of the following shall constitute an Event of Default under the Reimbursement Agreement:

- (i) the Borrower shall fail to pay when due any amount payable by the Borrower under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;
- (ii) the Borrower shall fail to perform its obligations under the Reimbursement Agreement relating to maintaining the tax exempt status of the Bonds, maintaining its character as a single purpose entity, amending or modifying its organizational documents without Freddie Mac's consent, dissolving or liquidating in whole or in part, refunding the Bonds within six months of acquiring the Project, permitting subordinate financings with respect to the Project or prepaying the Bond Mortgage Loan except in accordance with the Reimbursement Agreement;
- (iii) the Borrower 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 Freddie Mac to Borrower and the Investor Member (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in Freddie Mac's sole discretion, adversely affect Freddie Mac 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 Borrower or Investor Member on behalf of the Borrower 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 Freddie Mac's judgment, absent immediate exercise by Freddie Mac of a right or remedy under the Reimbursement Agreement, result in harm to Freddie Mac, impairment of the Reimbursement

Agreement, the Bond Mortgage, the Reimbursement Mortgage or any other Reimbursement Security Document;

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

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

(vi) the Borrower shall fail to cause the deposit to the HAP Transition Reserve Agreement when and in the amount set forth therein;

(vii) the Borrower shall fail to complete all repairs and other rehabilitation in the time and manner required under the Rehabilitation Escrow Agreement (after taking into account any applicable cure period); or

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

## **Remedies**

Upon the occurrence of an Event of Default, Freddie Mac may declare all the obligations of the Borrower 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, Freddie Mac shall have the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Freddie Mac against the Borrower in and to the Project conveyed by the Reimbursement Mortgage or the Bond Mortgage, including, but not limited to, the following actions: (i) demand cash collateral or Qualified Investments in the full amount of the obligations under the Bonds whether or not then due and payable by Freddie Mac under the Credit Enhancement Agreement; (ii) give written notice to the Trustee stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to cause the mandatory redemption (or purchase in lieu) of the Bonds; (iii) exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents; and (iv) exercise the same rights, powers, and remedies with respect to the UCC Collateral (as defined in the Reimbursement Agreement) that the Borrower 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, Freddie Mac shall have all rights, remedies and recourses with respect to the UCC Collateral granted in the Borrower 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 and any other state in which the filing of a UCC financing statement is necessary to perfect Freddie Mac’s security interest), the right of offset, the right to sell the UCC Collateral at public or private sale, and the right to receive distributions to the Borrower.

Freddie Mac shall have 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 shall 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.

**APPENDIX G**

**PROPOSED FORM OF CREDIT ENHANCEMENT AGREEMENT**

**Freddie Mac Loan No.: 940998300**

**CREDIT ENHANCEMENT AGREEMENT**

**between**

**FEDERAL HOME LOAN MORTGAGE CORPORATION**

**and**

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

**Relating to a  
Bond Mortgage Loan  
Securing**

**\$12,830,000  
District of Columbia Housing Finance Agency  
Multifamily Housing Revenue Bonds  
(NIB Program – King Towers Project)  
Series 2009A-5**

**Dated as of August 1, 2010**

## **CREDIT ENHANCEMENT AGREEMENT**

**THIS CREDIT ENHANCEMENT AGREEMENT** (this “Agreement”) made and entered into as of August 1, 2010, 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 the under a Sixth Supplemental Trust Indenture dated as of August 1, 2010 (the “Supplemental Indenture” and together with the General Indenture defined below, the “Indenture”), each between the District of Columbia Housing Finance Agency (the “Issuer”) and the Trustee.

### **W I T N E S S E T H:**

**WHEREAS**, pursuant to the District of Columbia Housing Finance Agency Act (Chapter 27, Title 42 of the District of Columbia Code), as amended (the “Act”) and the General Indenture dated as of December 1, 2009, as amended and supplemented by the First Supplemental Indenture dated of even date therewith (together, the “General Indenture”) between the Issuer and the Trustee, the Issuer previously issued its Multifamily Housing Revenue Bonds (NIB Program), Series 2009A (the “Program Bonds”) in the original aggregate principal amount of \$168,100,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Treasury on October 19, 2009 (the “Program”); and

**WHEREAS**, pursuant to the Supplemental Indenture, the Issuer has agreed to use the proceeds derived from the sale of a portion of the Program Bonds (to be reissued and redesignated the Multifamily Housing Revenue Bonds (NIB Program – King Towers Project) Series 2009A-5 in the principal amount of \$12,830,000 (the “Bonds”) on the related Release Date) to make a mortgage loan in the principal amount of \$12,830,000 (the “Bond Mortgage Loan”) to King Housing LLC, a limited liability company duly organized and existing under the laws of the State of Maryland (the “Borrower”) pursuant to a Financing Agreement dated as of August 1, 2010 (the “Financing Agreement”) among the Issuer, the Trustee and the Borrower to finance the acquisition, rehabilitation and equipping of a multifamily rental complex, which consists of approximately 127 affordable housing units to be known as the King Towers Apartments and located in the District of Columbia (the “Project”); and

**WHEREAS**, the Borrower’s repayment obligations in respect of the Bond Mortgage Loan are evidenced by a promissory note dated the Delivery Date (together with all riders and addenda thereto, the “Bond Mortgage Note”) delivered to the Issuer and 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 August 1, 2010 (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, the Borrower has requested that Freddie Mac enter into this Agreement with the Trustee, which permits the Trustee to make draws in an amount equal to Guaranteed Payments with respect to the Bond Mortgage Loan; 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 August 1, 2010 among the Issuer, the Trustee and Freddie Mac; and

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

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

## **ARTICLE I DEFINITIONS AND INTERPRETATION**

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

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

"*Available Amount*" means, at any time, an amount equal to the aggregate principal amount of Bonds Outstanding (initially, \$12,830,000) plus an amount equal to the accrued interest on the Bonds Outstanding for up to 189 days at the Permanent Rate, computed 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 case as reduced by that amount, if any, previously provided by Freddie Mac to the Trustee for payment of the Guaranteed Payment, such reduction to be in an amount equal to 100% of the amount of such Guaranteed Payment. 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 Section 3.1(a)(iv).

"*Bonds*" means the Issuer's Multifamily Housing Revenue Bonds (NIB Program – King Towers Project) Series 2009A-5 issued in the original principal amount of \$12,830,000.

"*Bond Mortgage*" means the Multifamily Deed of Trust, Assignment Rents and Security Agreement dated as of August 1, 2010, together with all riders and addenda thereto, from the Borrower to the Issuer securing payment of the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which Bond Mortgage has been assigned by the Issuer to the Trustee pursuant to the Indenture.

"*Bond Mortgage Loan*" means the loan in the original amount of \$12,830,000 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 Bond Mortgage Note dated the Delivery Date, delivered by the Borrower to the Issuer in the original principal amount of \$12,830,000, together with all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Bond Mortgage Loan, as the same may be amended, modified or supplemented from time to time, which promissory note has been assigned by the Issuer to the Trustee pursuant to the Indenture.

“*Bond Mortgage Payment Date*” means (i) each Interest Payment Date (as defined in the Indenture) while the Bond Mortgage Loan is outstanding, commencing January 1, 2011 and (ii) any other date on which principal of the Bond Mortgage Note is paid.

“*Borrower*” means King Housing LLC, a Maryland limited liability company, 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 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) 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).

“*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, collectively, the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide and Freddie Mac Multifamily Seller/Servicer Guide (as applicable), as the same may be amended, modified or supplemented from time to time.

“*Indenture*” means that certain Trust Indenture dated as of August 1, 2010 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 September 1, 2010 and on the first day of each month thereafter. Issuer Fee shall not include any amount due pursuant to Section 3.01(a)(v) of the Supplemental Indenture.

“*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* hereto.

“*Pledge Agreement*” means the Pledge, Security and Custody Agreement dated as of August 1, 2010, among the Borrower, Freddie Mac 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 purchased pursuant to Section 3.06 of the Indenture during the period from and including the date of its purchase in lieu of redemption by the Trustee on behalf of the Borrower with amounts provided by Freddie Mac under this Agreement.

“*Purchase Price*” means, with respect to any Bond purchased in lieu of redemption pursuant to Section 3.06 of the Indenture, 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 August 1, 2010, 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:

	<b>Interest Component</b>	<b>Principal Component</b>
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 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	The Interest Component of the corresponding Required Bond Mortgage Payment.	<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 provided in the Reimbursement Agreement, or other escrows required by the Bond Mortgage or the Reimbursement Mortgage are not included in the Required Bond Mortgage Payment or Guaranteed Payment.

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

“*State*” means the District of Columbia.

“*Supplemental Indenture*” means the Sixth Supplemental Indenture dated as of August 1, 2010, between the Issuer and the Trustee, as the same may be amended, supplemented or restated from time to time.

“*Termination Date*” means the first to occur of (a) the date the Bonds shall have been paid in full, (b) the date all of the Bonds shall have been redeemed or purchased in lieu of redemption in accordance with the provisions of Section 3.2 of this Agreement, (c) July 6, 2042 and (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.

“*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.

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

(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, has 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 B** not less than five (5) Business Days prior to the effective date thereof.

### **ARTICLE III CREDIT ENHANCEMENT**

#### **Section 3.1**     **Credit Enhancement 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, \$12,830,000) 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 189 days at the Permanent Rate and (y) the accrued but unpaid Issuer Fee, (calculated as provided in the definition of Available Amount), 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** 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, 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) Intentionally Omitted.

(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) Intentionally Omitted.

(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.

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 therefore 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, Purchase in Lieu of Redemption 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 or purchase in lieu of redemption 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 or purchase in lieu of redemption thereof.

(b) If Freddie Mac pays the Purchase Price of Bonds in accordance with a purchase in lieu of redemption thereof pursuant to 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 to present all or a portion of such Bonds to the Trustee for cancellation pursuant to Section 3.07 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, together with accrued interest thereon to the date of acceleration of the 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 the 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, and (ii) 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 National Association  
Name of Bank (if different from Trustee Name) USBANK Trust  
Location of Bank (City and State) St. Paul, MN  
ABA Routing Number: 091 000 022  
Account Number: 180121167365  
FBO Account Number: 142036001  
Reference: Charlie VanVleet  
651-495-3743

**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 principal or redemption price of and interest on the Bonds (including the Purchase Price in connection with any purchase in lieu of redemption pursuant to Section 3.06 of the Indenture).

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

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

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

To Freddie Mac:	Federal Home Loan Mortgage Corporation 8100 Jones Branch Drive Mail Stop B4F McLean, Virginia 22102 Attention: Director of Multifamily Loan Servicing Facsimile: (703) 714-3003 Telephone: (703) 903-2000
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with a copy to:

Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive  
McLean, Virginia 22102  
Attention: Managing Associate General Counsel – Multifamily  
Legal Division  
Facsimile: (703) 903-2885  
Telephone: (703) 903-2000

with a copy to:

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive  
Mail Stop B4Q  
McLean, Virginia 22102  
Attention: Director of Multifamily Loan Accounting  
Facsimile: (571) 382-4798  
Telephone: (703) 714-4177

To the Trustee: 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 KING TOWERS CREDIT ENHANCEMENT AGREEMENT]

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

By: \_\_\_\_\_  
Name:  
Title:

[TRUSTEE'S SIGNATURE PAGE TO KING TOWERS CREDIT ENHANCEMENT AGREEMENT]

**EXHIBIT A**

**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: King Towers Project

Related Bonds: \$12,830,000, District of Columbia Housing Finance Agency Multifamily Housing Revenue Bonds (NIB Program – King Towers Project), Series 2009A-5

CUSIP Number: 25477P KZ7

Loan No.: 940998300

Date of Notice: \_\_\_\_\_

**CERTIFICATE FOR THE PAYMENT OF GUARANTEED PAYMENT**

**under Section 3.1(a)(i) of Credit Enhancement Agreement between Freddie Mac and the undersigned, as Trustee, dated as of August 1, 2010 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 (a) \$ \_\_\_\_\_ represents the Interest Component 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 King Housing LLC, and (b) \$ \_\_\_\_\_ 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 B**  
**FREDDIE MAC MULTIFAMILY**  
**BOND WIRE INSTRUCTION CHANGE REQUEST FORM**

<i>Freddie Mac Internal Use:</i>			
_____	_____	_____	_____
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 (Beneficiary):** \_\_\_\_\_

**\*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 B CONTINUES ON FOLLOWING PAGE]



**C. Trustee Authorized Signature:**

Each of 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, 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 as Schedule A 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 2, which has been signed and sealed by the corporate Secretary or Assistant Secretary of the Trustee, a true, complete and correct copy of which is attached hereto.

Trustee Name: \_\_\_\_\_

Date: \_\_\_\_\_

Name	Position/Title	Signature
Address		<u>City, State and Zip Code</u>
Telephone	Fax	E-mail

Name	Position/Title	Signature
Address		<u>City, State and Zip Code</u>
Telephone	Fax	E-mail

[Insert other Authorized Persons, as needed.]

**NOTE: PROVIDE A NOTARY PANEL FOR EACH AUTHORIZED PERSON INDICATED ABOVE.**

STATE OF \_\_\_\_\_)

: ss

CITY/COUNTY OF \_\_\_\_\_)

On the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned notary public, personally appeared \_\_\_\_\_, who is personally known to me, or who proved to me on the basis of satisfactory evidence that he/she is the individual whose name is subscribed to the within instrument, and he/she acknowledged to me that he/she executed the same in his/her capacity as the \_\_\_\_\_ of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_)

: ss

CITY/COUNTY OF \_\_\_\_\_)

On the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned notary public, personally appeared \_\_\_\_\_, who is personally known to me, or who proved to me on the basis of satisfactory evidence that he/she is the individual whose name is subscribed to the within instrument, and he/she acknowledged to me that he/she executed the same in his/her capacity as the \_\_\_\_\_ of \_\_\_\_\_.

[Seal]

\_\_\_\_\_  
Notary Public

\* 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 2**

**to**

Bond Wire Instruction Change Request Form

**[INSTRUCTIONS: CORPORATE SECRETARY, PLEASE REMOVE THIS PAGE AND ATTACH AS EXHIBIT “A” THE BOARD RESOLUTION REFERENCED ABOVE USING THE EXAMPLE BELOW.]**

**EXAMPLE OF CORPORATE RESOLUTION:**

BOARD OF DIRECTORS  
OF  
[INSERT CORPORATION NAME]

DATE: \_\_\_\_\_

WHEREAS, the Board of Directors (the “Board”) of [INSERT CORPORATION NAME] (the “Corporation”) is adopting the following Resolution to amend, restate, assign or reassign general delegations of authority regarding its management with respect to subject matters not otherwise covered by specific Resolutions of the Board.

NOW, THEREFORE, BE IT RESOLVED that the individuals listed below are fully authorized and empowered to establish accounts in any bank or financial or depository institution in the name and on behalf, of [INSERT CORPORATION’S NAME]; to make deposits in, charge, transfer funds to, or withdraw funds from such accounts by checks, drafts, wire transfers, or other instruments or orders customarily used for the payment of accounts or the transfer of funds, including the proceeds of mortgages; and to make, execute, and deliver, wire transfer instructions or Automated Clearing House (ACH) instructions (if applicable) in writing or by electronic means, including any and all written instruments necessary or proper to effectuate the authority hereby conferred; and that any such actions heretofore taken by any of the following persons on behalf of [INSERT CORPORATION’S NAME] are hereby ratified, approved, and confirmed.

**[The Resolution should set forth either: (i) designated individuals by their names and their titles or (ii) categories of authorized employees (for example: Senior Vice Presidents, Vice Presidents, Treasurers, etc.)]**

By the Board of Directors

\_\_\_\_\_  
[Typed Name], Secretary/Assistant Secretary

[ATTACH CORPORATE SEAL]

**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 \_\_\_\_\_, duly organized and existing under the laws of \_\_\_\_\_, and that, as such, I am duly authorized to execute this Incumbency Certificate on behalf of the Trustee; and I further certify that each of the following persons, as of the date hereof, holds the office of the Trustee set opposite his or her name below, and that each such person is duly authorized to disseminate the Trustee's wire instructions.

Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_  
Name: \_\_\_\_\_

Title: \_\_\_\_\_  
Title: \_\_\_\_\_  
Title: \_\_\_\_\_  
Title: \_\_\_\_\_

WITNESS the official seal of the Trustee and the signature of the undersigned this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**[ATTACH THE CORPORATE SEAL]**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

Title: [Secretary / Assistant Secretary]

## APPENDIX H

### PROPOSED FORM OF OPINION OF BOND COUNSEL

August \_\_, 2010

To: District of Columbia Housing Finance Agency  
Washington, D.C.

Federal Home Loan Mortgage Corporation  
McLean, Virginia

U.S. Bank National Association,  
as Trustee  
Richmond, Virginia

**\$12,830,000**  
**District of Columbia Housing Finance Agency**  
**Multifamily Housing Revenue Bonds**  
**(NIB Program – King Towers Project)**  
**Series 2009A-5**

We have acted as Bond Counsel in connection with the issuance and sale by the District of Columbia Housing Finance Agency (the “Agency”) of its \$12,830,000 Multifamily Housing Revenue Bonds (NIB Program – King Towers Project), Series 2009A-5 (the “Bonds”), dated the date of this opinion. The Bonds are issued under and pursuant to the General Indenture dated as of December 1, 2009, as amended and supplemented by the First Supplemental Indenture dated as of December 1, 2009 and a Sixth Supplemental Trust Indenture dated as of August 1, 2010 (collectively, the “Indenture”), each between the Agency and U.S. Bank National Association, as trustee (the “Trustee”). Terms not defined herein shall have the meanings provided in the Indenture.

The Agency is a corporate body and instrumentality of the District of Columbia (the “District”), organized and existing under and pursuant to the District of Columbia Housing Finance Agency Act, D.C. Law 2-135, D.C. Code § 42-2701.01 et seq., as amended (the “Act”). The Bonds are issued under and pursuant to (i) the Act, (ii) the eligibility resolution, adopted by the Agency on November 25, 2009, (iii) the final approving resolution for the Bonds, adopted by the Agency on July 23, 2010 and (iv) the New Issue Bond Program Resolution (resolution 2009-09), adopted by the Agency on December 17, 2009.

The proceeds of the Bonds are to be used to fund a loan to King Housing, LLC (the “Borrower”), pursuant to a Financing Agreement (the “Financing Agreement”), dated as of August 1, 2010, by and among the Agency, the Trustee and the Borrower, to finance a portion of the costs of the acquisition, rehabilitation and equipping of an approximately 129-unit residential rental development( two units of which will be used as a management office and learning center) to be known as King Towers Apartments and located in the District, to be owned by the Borrower.

In our capacity as Bond Counsel, we have examined the law and such certified proceedings, a specimen Bond, and certain documents, including the Indenture, Financing Agreement and the Tax Regulatory Agreement dated as of August 1, 2010 (the “Regulatory Agreement”), among the Agency, the Trustee and the Borrower, opinions of counsel to other parties to the transaction upon which certain reliance has been

placed, documents, records and other papers as we have deemed relevant and necessary to render the opinions set forth below.

As to questions of fact material to our opinion, we are relying upon (i) representations of the Agency and the Borrower contained in the documents underlying the issuance of the Bonds, (ii) certified proceedings and other certifications of public officials furnished to us, and (iii) other certifications given to us, without undertaking to verify any of the foregoing by independent investigation.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents, written opinions and other proceedings provided to us, the authenticity of all documents submitted to us as originals, the genuineness of all signatures appearing on documents we have examined, the conformity of the originals of all documents submitted to us as certified or photostatic copies and the legal capacity of natural persons executing all executed documents.

Based on this examination we are of the opinion that, under existing law:

1. The Agency is duly created and validly exists under the Act as a corporate body and an instrumentality of the District with full power to issue, sell and deliver the Bonds for the financing of the Project.

2. The Indenture, the Regulatory Agreement and the Financing Agreement have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Agency enforceable against the Agency in accordance with their terms, subject to certain exceptions set forth below.

3. The Bonds have been duly and validly authorized, executed and delivered by the Agency and constitute valid and binding special obligations of the Agency, payable solely from and secured in the manner and to the extent set forth in the Indenture and are entitled to the benefit, protection and security of the provisions, covenants and agreements contained therein. Neither the faith and credit nor taxing power of the District is pledged to the payment of principal of or interest or any premium on the Bonds. The Agency has no taxing power.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code), except for interest on any Bond for any period during which it is held by a "substantial user" or a "related person" as those terms are used in Section 147(a) of the Code, and is not an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax imposed on individuals and corporations.

We have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the Agency and the Borrower in the documents in the transcript of proceedings for the Bonds. The accuracy of the representations and certifications and compliance by the Agency and the Borrower with such covenants are necessary for interest on the Bonds to be and to continue to be excluded from gross income for federal income tax purposes. Failure by the Agency or the Borrower to comply with certain of such covenants on the date of or subsequent to the issuance of the Bonds could cause interest on all or a portion of the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and a federal tax imposed on excess net passive income of certain S Corporations. The extent of other tax consequences will depend upon the particular status

and circumstances of the owner of the Bonds. We express no opinion regarding any such tax consequences.

5. The Bonds and the interest thereon are exempt from all District taxation, except estate, inheritance and gift taxes.

The rights of owners of the Bonds and the enforceability of the Bonds and related Bond Documents may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the extent constitutionally applicable and subject to the exercise of judicial discretion in appropriate cases.

We have assumed the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the Trustee of the Indenture.

Respectfully submitted,

## APPENDIX I

### PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by King Housing LLC, a Maryland limited liability company (the “Borrower”), Digital Assurance Certification LLC, as Dissemination Agent (the “Dissemination Agent”), and U.S. Bank National Association, as trustee (the “Trustee”) in connection with the delivery of the District of Columbia Housing Finance Agency (the “Issuer”) \$12,830,000 aggregate principal amount of Multifamily Housing Revenue Bonds (NIBP – Program King Towers Project) Series 2009 A-5 (the “Bonds”). The Bonds were originally issued pursuant to the General Indenture dated as of December 1, 2009, as amended and supplemented by the First Supplemental Indenture (the “General Indenture”) (collectively with the Indenture Supplement defined below, the “Indenture”) between the Issuer and the Trustee. The Issuer previously issued its Multifamily Housing Revenue Bonds (NIB Program), Series 2009A (the “Program Bonds”) in the original aggregate principal amount of \$168,100,000 to provide for the financing of multifamily rental housing developments through the New Issue Bond Program of the Housing Finance Agency Initiative announced by the United States Treasury on October 19, 2009 (the “Program”). The Issuer has agreed to use the proceeds derived from the sale of a portion of the Program Bonds to make a mortgage loan (the “Mortgage Loan”) to the Borrower pursuant to a Financing Agreement, dated as of August 1, 2010, among the Issuer, the Borrower and the Trustee (the “Financing Agreement”) and upon the satisfaction of various conditions contained in the Indenture, including the Sixth Supplemental Trust Indenture dated as of August 1, 2010 between the Issuer and Trustee (the “Indenture Supplement”). Pursuant to the Financing Agreement, the Borrower, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Bondholders and in order to comply with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Section 3 and 4 of this Disclosure Agreement.

“Business Day” shall mean any day which is not a Saturday, Sunday or other day on which commercial banks in New York are authorized or required by law to be closed.

“Disclosure Representative” shall mean the sole member of the Borrower or its designee, or such other person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in a word searchable electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure



Agreement shall use the MSRB's Electronic Municipal Market Access (EMMA) system at [www.emma.msrb.org](http://www.emma.msrb.org).

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-Exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### Section 3. Provision of Annual Reports.

(a) The Borrower shall, or shall direct the Dissemination Agent to, not later than June 1 of each year, commencing in 2011, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Borrower shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Borrower to determine if the Borrower is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) file a report with the Borrower and the Trustee certifying whether it has received and provided the Annual Report pursuant to this Disclosure Agreement, and if it has received the Annual Report from the Borrower, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Borrower's Annual Report shall be in the form of Exhibit B hereto and contain or incorporate by reference the following:

1. Average annual occupancy of the Project for the preceding calendar year.
2. Operating data for the Project for the preceding calendar year, including total revenues, operating expenses, debt service on the Mortgage Loan, net operating income and net cash flow.
3. The foregoing data shall be based upon the audited financial statements to the extent the above information is covered in those audited financial statements, and otherwise may be unaudited.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “obligated person” (as defined by the Rule), which have been filed with each of the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available

from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to rights of holders of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

(b) Whenever the Borrower obtains knowledge of the occurrence of a Listed Event, the Borrower shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(11) shall always be deemed to be material.

(c) If the Borrower has determined that knowledge of the occurrence of a Listed Event would be material, the Borrower shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) and shall include sufficient information concerning the Listed Event to enable the Dissemination Agent to report the occurrence.

(d) If the Borrower determines that the Listed Event would not be material, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence reporting the information provided by the Borrower with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Borrower's obligation under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If the Borrower's obligations under the Financing Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Borrower and the Original Borrower shall have no further responsibility hereunder.

Section 7. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, or such Dissemination Agent may resign upon 30 days prior written notice to the Borrower, with or without the Borrower appointing a successor Dissemination Agent. The Dissemination Agent shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including fees and expenses of its counsel).

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Borrower to comply with any provision of this Disclosure Agreement, the Trustee, subject to prior receipt of indemnification reasonably satisfactory to it and payment of its reasonable fees and expenses, including fees and expenses of its counsel (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding), at the written request of the Issuer or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus of specific performance by court order, to cause the Borrower to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Financing Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Provided the Trustee is acting as Dissemination Agent, Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and

agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses including reasonable attorneys fees (whether incurred before trial, at trial, on appeal or in any bankruptcy or arbitration proceeding) incurred in performing its duties hereunder and in defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and the Trustee and payment of the Bonds. The Dissemination Agent shall have no obligation or liability for the accuracy or completeness of any Annual Report or report of Listed Event or Events provided in accordance with Sections 3 and 5 hereunder, and no obligation to review or make any determination of materiality made in accordance with Section 5 hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Borrower, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Borrower, the Trustee, the Dissemination Agent, and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

[Borrower's Signature Page to the Continuing Disclosure Agreement]

**KING HOUSING LLC**

By: King Towers LLC, its sole member

By: King Housing, Inc., its managing member

By: \_\_\_\_\_  
Susan Wilder, Executive Vice President

[Signatures Continued on Next Page]

[Counterpart signature page to Continuing Disclosure Agreement]

**DIGITAL ASSURANCE CERTIFICATION LLC**, as  
Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[Signatures continued on next page]

[Counterpart Signature Page to the Continuing Disclosure Agreement]

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

By: \_\_\_\_\_  
Name: M. Dorsel Robinson  
Title: Vice President

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF  
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: District of Columbia Housing Finance Agency

Name of Bond Issue: \$12,830,000 Multifamily Housing Revenue Bonds  
(NIBP – Program King Towers Project) Series 2009 A-5

Name of Borrower: King Housing LLC, a Maryland limited liability company

Date of Issuance of  
Bonds: August 19, 2010

NOTICE IS HEREBY GIVEN that King Housing LLC has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of August 1, 2010, between King Housing LLC, Digital Assurance Certification LLC and U.S. Bank National Association. [The Borrower has notified the Dissemination Agent and Trustee that the Borrower anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

**U.S. BANK NATIONAL ASSOCIATION,**  
as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

cc: Borrower



**EXHIBIT B**

**ANNUAL FINANCIAL INFORMATION**

\$12,830,000  
DISTRICT OF COLUMBIA HOUSING FINANCE AGENCY  
MULTIFAMILY HOUSING REVENUE BONDS  
(NIB PROGRAM - KING TOWERS PROJECT)  
SERIES 2009 A-5

Report for Period Ending

THE PROJECT

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Occupancy \_\_\_\_\_

Number of Units \_\_\_\_\_

Number of Units Occupied as of Report Date \_\_\_\_\_

Operating History of the Project

The following table sets forth a summary of the operating results of the Project for fiscal year ended \_\_\_\_\_, as derived from the Borrower's [un]audited financial statements.

Total Revenues

Operating Expenses<sup>1</sup>

Net Operating Income

Debt Service on the Mortgage Loan

Net Operating Income/(Loss)

After Debt Service

The average occupancy of the Project for the fiscal year ended [\_\_\_\_] was [\_\_\_\_] %.

<sup>1</sup>Excludes depreciation and other non-cash expenses, includes management fee.