The Bonds are issued in book entry form through the facilities of DTC in New York, New York ("DTC"). Ownership interests in the Bonds may be purchased only in book entry form in initial denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000. See "APPENDIX F – BOOK ENTRY SYSTEM" herein.

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No dealer, broker, salesperson or other person has been authorized by the Issuer, the Borrower or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered herein, nor shall there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description herein under the caption “FANNIE MAE,” takes no responsibility for any other information contained in this Official Statement and makes no representation as to the contents of this Official Statement (other than with respect to the description herein under the caption “FANNIE MAE”). Without limiting the foregoing, Fannie Mae makes no representation as to 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. Fannie Mae’s role is limited to providing the Credit Enhancement Instrument to the Trustee.

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. This Official Statement speaks only as of its date, and the information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Borrower or Fannie Mae since the date hereof. Information in this Official Statement under the heading “THE PROJECT AND THE PRIVATE PARTICIPANTS” has been provided solely by the Borrower.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE EARLIER OF (A) THE DATE ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A RESET RATE OR TO THE FIXED RATE OR (B) THE DATE ON WHICH THE CREDIT ENHANCEMENT INSTRUMENT DESCRIBED HEREIN NO LONGER SECURES THE BONDS. PROSPECTIVE PURCHASERS OF BONDS BEARING INTEREST AT A RESET RATE OR THE FIXED RATE OR SECURED BY CREDIT ENHANCEMENT OTHER THAN THE CREDIT ENHANCEMENT INSTRUMENT DESCRIBED HEREIN CANNOT RELY ON THIS OFFICIAL STATEMENT, BUT RATHER MUST RELY UPON ANY DISCLOSURE DOCUMENTS OR OFFERING DOCUMENT SUPPLEMENTS PREPARED IN CONNECTION WITH SUCH REMARKETING.

References in this Official Statement to the Indenture, the Financing Agreement, the Regulatory Agreements, the Credit Enhancement Instrument and other documents do not purport to be complete, and reference should be made to such documents for full and complete details of their contents.

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

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.
REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>THE BONDS</td>
<td>6</td>
</tr>
<tr>
<td>SECURITY FOR THE BONDS</td>
<td>16</td>
</tr>
<tr>
<td>ESTIMATED SOURCES AND USES OF FUNDS</td>
<td>21</td>
</tr>
<tr>
<td>LIMITED LIABILITY</td>
<td>22</td>
</tr>
<tr>
<td>FANNIE MAE</td>
<td>22</td>
</tr>
<tr>
<td>THE LOAN SERVICER</td>
<td>23</td>
</tr>
<tr>
<td>THE ISSUER</td>
<td>23</td>
</tr>
<tr>
<td>THE LOAN</td>
<td>24</td>
</tr>
<tr>
<td>THE PROJECT AND THE PRIVATE PARTICIPANTS</td>
<td>24</td>
</tr>
<tr>
<td>ENFORCEABILITY OF REMEDIES</td>
<td>27</td>
</tr>
<tr>
<td>TAX MATTERS</td>
<td>27</td>
</tr>
<tr>
<td>LITIGATION</td>
<td>29</td>
</tr>
<tr>
<td>CERTAIN LEGAL MATTERS</td>
<td>29</td>
</tr>
<tr>
<td>RATINGS</td>
<td>30</td>
</tr>
<tr>
<td>UNDERWRITING</td>
<td>30</td>
</tr>
<tr>
<td>MULTIPLE ROLES OF PARTIES</td>
<td>30</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>30</td>
</tr>
</tbody>
</table>

**APPENDIX A**  CERTAIN DEFINITIONS  
**APPENDIX B**  SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE  
**APPENDIX C**  SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT  
**APPENDIX D**  FORM OF CREDIT ENHANCEMENT INSTRUMENT  
**APPENDIX E**  FORM OF BOND COUNSEL OPINION  
**APPENDIX F**  BOOK ENTRY SYSTEM  
**APPENDIX G**  SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT  
**APPENDIX H**  SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT
OFFICIAL STATEMENT

$28,800,000
City of Richmond, California
Variable Rate Demand Multifamily Housing Revenue Bonds
(Baycliff Apartments Project)
Series 2004A

and

$3,200,000
City of Richmond, California
Variable Rate Demand Multifamily Housing Revenue Bonds
(Baycliff Apartments Project)
Taxable Series 2004A-T

INTRODUCTION

This Official Statement and the Appendices hereto set forth certain information relating to the issuance by the City of Richmond (the “Issuer”), a municipal corporation duly organized and existing under the Constitution and laws of the State of California (the “State”), of the above-captioned $28,800,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A (the “Series 2004A Bonds”) and the $3,200,000 Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T (the “Series 2004A-T Bonds” and, together with the Series 2004A Bonds, the “Bonds”). Certain capitalized terms used in this Official Statement are summarized in “APPENDIX A – CERTAIN DEFINITIONS” attached hereto.

The Bonds are being issued pursuant to a Trust Indenture (the “Indenture”), dated as of July 1, 2004, between the Issuer and Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”), and pursuant to Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the “Housing Law”).

Pursuant to a commitment (the “Fannie Mae Commitment”) issued by Fannie Mae to Column Guaranteed LLC, a Delaware limited liability company (the “Loan Servicer”) with respect to the Loan (as defined below), Fannie Mae has agreed in connection with the Loan, but subject to the terms and conditions of the Fannie Mae Commitment, concurrently with the issuance of the Bonds, to deliver to the Trustee a Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the “Credit Enhancement Instrument”) dated the date of issuance of the Bonds, a form of which is attached hereto as Appendix D. Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) amounts sufficient to pay the principal of the Bonds when due by reason of acceleration, optional or mandatory redemption, tender, defeasance or stated maturity and (ii) amounts sufficient to pay up to 34 days’ interest on the Bonds (calculated at a rate not to exceed the Maximum Rate, as defined below) when due on or prior to the Maturity Date. Fannie Mae will also advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the Bonds and interest thereon (not to exceed the Maximum Rate) for up to 34 days in order to pay the purchase price of Bonds tendered for purchase, and not timely remarketed, pursuant to the Indenture. The Credit Enhancement Instrument will expire on August 20, 2037, unless terminated earlier in accordance with its terms, as provided in the Credit Enhancement Instrument.
constitutes a “Credit Facility” under the Indenture and Fannie Mae is a “Credit Provider” under the Indenture.

The Bonds are special and limited obligations of the Issuer issued in connection with the acquisition, rehabilitation and equipping by FF Hills LP, a California limited partnership (the “Borrower”), of a multifamily rental housing development known as Baycliff Apartments, located in the City of Richmond, California (the “Project”). The Bonds are being issued by the Issuer to provide funding for a loan (the “Loan”) to be made by the Issuer to the Borrower to provide financing for costs of the acquisition, rehabilitation and equipping of the Project. The Loan will be made pursuant to a Financing Agreement, dated as of July 1, 2004 (the “Financing Agreement”), among the Issuer, the Trustee and the Borrower, and in accordance with the requirements of Fannie Mae. Pursuant to the Indenture, the Issuer will assign the Financing Agreement (including all of the rights of the Issuer thereunder except for the Reserved Rights), together with other property comprising the Trust Estate, to the Trustee, for the benefit of the registered owners of the Bonds, and to Fannie Mae, as their interests may appear. See “SECURITY FOR THE BONDS” herein.

The Loan will be originated on the date of issuance and delivery of the Bonds (the “Closing Date”) and will be evidenced by a Multifamily Note (the “Note”), executed by the Borrower. The Note will be payable to the Issuer and will be secured by, among other things, a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “Security Instrument”) from the Borrower in favor of the Issuer and Fannie Mae. The Security Instrument will encumber the Project. The principal amount and payment provisions of the Note have been established and structured so that (i) the aggregate principal amount of the Note will equal the aggregate principal amount of the Outstanding Bonds and (ii) the interest payable on the Note will not be less than the interest payable on the Outstanding Bonds. The payments required to be made by the Borrower under the Note, if timely made by the Borrower, are intended to be sufficient in amount to pay, when due, the principal of and interest on the Outstanding Bonds.

On the Closing Date, the Issuer will, pursuant to an Assignment and Intercreditor Agreement dated as of the date of the Indenture (the “Assignment”), by and among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, assign the Loan, the Note, the Security Instrument and the other Loan Documents to the Trustee and Fannie Mae, as their interests may appear, without recourse. Pursuant to the Assignment, Fannie Mae will have the exclusive right, power and authority to make all decisions with respect to the Loan and to exercise all rights and remedies (other than the Issuer’s Reserved Rights) under the Note, the Security Instrument and all of the other Loan Documents and the Financing Agreement (collectively, the “Assigned Documents”). **The Credit Provider also has the right at any time, upon filing with the Trustee a certification reaffirming the Credit Provider’s obligations under the Credit Enhancement Instrument, to direct the Trustee to assign all of its right, title and interest in and to the Assigned Documents to the Credit Provider.**

The Borrower will enter into a Reimbursement Agreement (the “Reimbursement Agreement”), dated as of July 1, 2004, with Fannie Mae pursuant to which the Borrower will agree to reimburse Fannie Mae for all Advances made by Fannie Mae under the Credit Enhancement Instrument. Upon an event of default under the Reimbursement Agreement, Fannie Mae, at its option, may direct the mandatory tender of the Bonds or the mandatory redemption of all or a portion of the Bonds. See “THE BONDS - Redemption” and “- Mandatory Tender Upon Default.” The Reimbursement Agreement is summarized in “APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.”

The Bonds will initially bear interest at the Weekly Variable Rate, to be determined weekly and as otherwise described herein by Newman and Associates, A Division of GMAC Commercial Holding
Capital Markets Corp., as remarketing agent for the Bonds (in such capacity, the “Remarketing Agent”). Under certain circumstances, and with the prior written consent of Fannie Mae, the method of calculating the interest rate borne by the Bonds may be adjusted from time to time to one of the other interest rate modes (each a “Mode”) permitted by the Indenture (the other permitted Modes being the Reset Rate Mode and the Fixed Rate Mode). See “THE BONDS - Rate Mode Adjustments.” The Bonds are subject to a maximum interest rate of twelve percent (12%) per annum (the “Maximum Rate”), subject to adjustment in accordance with the Indenture.

During any period of time in which the Bonds bear interest at the Weekly Variable Rate, the Bonds are subject to purchase at a price equal to 100% of the principal amount of such Bonds plus accrued and unpaid interest thereon to the date of purchase (the “Purchase Price”). Such purchase will be made upon demand of the owner thereof on any Business Day upon seven days’ prior notice delivered to the Trustee prior to 3:30 p.m., Eastern Time. The Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption as set forth in the Indenture and described herein. Payment of the Purchase Price of tendered Bonds that are not remarketed will be paid with amounts provided pursuant to the Credit Enhancement Instrument. As more fully described herein, the loss of exclusion of interest on the Series 2004A Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the Bonds.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE PERIOD BEGINNING ON THE CLOSING DATE AND ENDING ON THE EARLIER OF (A) THE DATE ON WHICH THE INTEREST RATE ON THE BONDS IS ADJUSTED TO A RESET RATE OR TO THE FIXED RATE OR (B) THE DATE ON WHICH THE CREDIT ENHANCEMENT INSTRUMENT DESCRIBED HEREIN NO LONGER SECURES THE BONDS. PROSPECTIVE PURCHASERS OF BONDS BEARING INTEREST AT A RESET RATE OR THE FIXED RATE OR SECURED BY CREDIT ENHANCEMENT OTHER THAN THE CREDIT ENHANCEMENT INSTRUMENT DESCRIBED HEREIN CANNOT RELY ON THIS OFFICIAL STATEMENT, BUT RATHER MUST RELY UPON ANY DISCLOSURE DOCUMENTS OR OFFERING DOCUMENT SUPPLEMENTS PREPARED IN CONNECTION WITH SUCH REMARKETING.

Fannie Mae’s credit and liquidity support for the Bonds will not extend beyond the Construction Phase (as defined in the Construction Phase Financing Agreement, dated as of the date of the Indenture (the “Construction Phase Financing Agreement”), by and among Fannie Mae, Bank of America, N.A. (the “Construction Lender”) and the Loan Servicer, and acknowledged, accepted and agreed to by the Borrower), unless the “Final Conditions to Conversion” set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date set forth in the Construction Phase Financing Agreement (or, to the extent not satisfied, are waived by Fannie Mae). The Termination Date is February 15, 2007. Fannie Mae may grant one six month extension of the Termination Date. If the Final Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae), the Loan will convert from the Construction Phase to the Permanent Phase (as each such term is defined in the Construction Phase Financing Agreement) (“Conversion”) effective on the date specified by the Loan Servicer (the “Conversion Date”), Fannie Mae’s participation in the financing will continue and the Credit Enhancement Instrument will continue in effect. If, however, the Final Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae), the Loan will not convert from the Construction Phase to the Permanent Phase, and the Bonds will be subject to mandatory redemption in whole. Any such mandatory redemption will be at a redemption price equal to the principal amount of the Bonds plus accrued interest to the Redemption Date. No such redemption will be made at a premium. In the event of such a mandatory redemption in whole, the redemption price is to be paid with funds provided under the Credit Enhancement Instrument. The Credit Enhancement Instrument will then terminate in accordance with its terms. Alternatively, at
the direction of the Construction Lender, in lieu of such redemption, the Bonds may be purchased by the Trustee for the account of the Construction Lender from amounts provided under the Credit Enhancement Instrument. See “THE BONDS—Redemption.” In either case, the Bondholders will be required to deliver their Bonds for redemption or purchase, as the case may be, and the Credit Enhancement Instrument will terminate.

The Final Conditions to Conversion include, among other things, completion of rehabilitation of the Mortgaged Property and the achievement of a specified level of occupancy from the leasing of units in the Mortgaged Property. No assurance can be given that all of the Final Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur.

Even if Conversion occurs, no assurance can be given that the “Permanent Phase Loan Amount” (the principal amount of the Loan determined by the Loan Servicer in accordance with the Construction Phase Financing Agreement prior to the anticipated Conversion Date, and approved by Fannie Mae), will not be less than the then outstanding principal amount of the Loan; if the Permanent Phase Loan Amount is less than the then outstanding principal amount of the Loan, the principal amount of the Loan must, as a Final Condition to Conversion, be reduced to the Permanent Phase Loan Amount by the Borrower’s prepayment of the Loan in part (a “Pre Conversion Loan Equalization Payment”) in an amount equal to the difference between the then outstanding principal amount of the Loan and the Permanent Phase Loan Amount (the “Loan Difference”); upon such prepayment, a corresponding portion of the Bonds will be subject to mandatory redemption. Alternatively, in lieu of making a Pre-Conversion Loan Equalization Payment in the amount of the Loan Difference, the Borrower may cause a mandatory tender of Bonds in a principal amount equal to the amount of the Loan Difference and purchase such Bonds for its own account. Bonds so purchased shall constitute “Borrower Bonds.” See “THE BONDS—Special Purchase by Borrower,” “Mandatory Tender Upon Special Purchase by Borrower” and “ESTIMATED SOURCES AND USES OF FUNDS—Borrower Bonds” herein. Any such mandatory redemption or purchase will be at a redemption or purchase price equal to the principal amount of the Bonds to be redeemed or purchased plus accrued interest to the Redemption Date or purchase date, as applicable. No such redemption or purchase will be made at a premium. If such prepayment in part is required as a Final Condition to Conversion and is not made, and if Bonds in a principal amount equal to the Loan Difference are not purchased by the Borrower, Conversion will not occur. If Conversion does not occur, the Bonds will be subject to mandatory redemption in whole or mandatory tender in whole for purchase by the Trustee for the account of the Construction Lender, as described above.

Should the Borrower obtain an additional allocation of bond volume cap subsequent to the issuance of the Bonds, the Borrower may exercise an option to convert some or all of the Series 2004A-T Bonds to Series 2004A Bonds upon the satisfaction of certain conditions specified in the Indenture. If the Borrower exercises such option, some or all of the Series 2004A-T Bonds will be subject to mandatory tender for purchase.* See “THE BONDS” herein.

Prior to Conversion, Fannie Mae will, pursuant to the Construction Phase Financing Agreement, be protected against loss during the Construction Phase by a Letter of Credit issued by the Construction Lender to Fannie Mae. Certain events concerning the Construction Lender, the Construction Phase Financing Agreement and the Letter of Credit may result in the prepayment of the Loan and a corresponding mandatory redemption of the Bonds. See “THE BONDS—Redemption.” The Letter of Credit will be delivered for the sole benefit of Fannie Mae and will not secure payment of the Bonds.

* Following such a mandatory tender, the Series 2004A-T Bonds converted to Series 2004A Bonds may, at the option of the Borrower, bear interest at the Elongated Weekly Variable Rate for the Elongated Weekly Variable Rate Period.
The net proceeds of the Bonds, excluding that portion of the Costs of Issuance Borrower's Deposit, if any, to be funded with Net Bond Proceeds, will be deposited into the Loan Fund. Amounts in the Loan Fund will be used to fund a portion of the costs of the Project. Pending disbursement, the proceeds of the Bonds will be invested in Permitted Investments.

A portion of the units in the Project is required to be occupied by persons or families whose incomes satisfy certain provisions of the Housing Law and the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable income tax regulations issued under the Code as set forth in a Regulatory Agreement and Declaration of Restrictive Covenants relating to the Mortgaged Property, dated as of July 1, 2004, to be entered into between the Issuer, the Trustee and the Borrower (the "Regulatory Agreement"). See "THE PROJECT AND THE PRIVATE PARTICIPANTS" herein. The Project will also be subject to certain rent restrictions required under State law and reflected in the Regulatory Agreement.

Any failure of the Borrower to comply with certain terms of the Regulatory Agreement may cause interest on the Series 2004A Bonds to be included in the gross income of the owners thereof for federal income tax purposes, possibly retroactively as well as prospectively. See "TAX MATTERS" herein. None of the Trustee, the Issuer or the Bondholders may cause an acceleration or redemption of the Bonds solely because of a default by the Borrower under the Regulatory Agreement or because interest on the Series 2004A Bonds becomes includable in the gross income of the owners thereof for federal income tax purposes.

Fannie Mae has designated the Loan Servicer to service the Loan for Fannie Mae, beginning at Conversion, if Conversion occurs. However, Fannie Mae may subsequently designate another eligible servicing institution to service the Loan for Fannie Mae or may elect to service the Loan itself. Neither Fannie Mae nor the Loan Servicer will have any responsibility to monitor the Borrower's compliance with the requirements of the Regulatory Agreement.

The Indenture provides for the issuance in the future of Additional Bonds. Any Additional Bonds issued pursuant to the Indenture will be secured on a parity basis with the Bonds already issued and outstanding under the Indenture. See "THE BONDS—Additional Bonds" herein.

The Bonds are subject to optional and mandatory redemption prior to maturity as described under the heading "THE BONDS - Redemption" herein.


PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS NOT GUARANTEED BY FANNIE MAE. FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT
WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY OR INSTRUMENTALITY THEREOF OR OF FANNIE MAE. THE BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Brief descriptions of the Bonds, the security for the Bonds, the Issuer, Fannie Mae, the Borrower and the Project are included in this Official Statement together with summaries of the Indenture, the Financing Agreement and certain related agreements, and the form of the Credit Enhancement Instrument. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Credit Enhancement Instrument and other documents and agreements are qualified in their entirety by reference to such documents and agreements, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection in the Designated Office of the Trustee.

THE BONDS

The Official Statement, in general, describes the Bonds only during the Weekly Variable Rate period and is not intended for use with respect to the Bonds during any Reset Period or the Fixed Rate Period.

General

The Bonds are issuable only as fully registered bonds, without coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess of $100,000. The Bonds are dated as of their date of delivery and will mature as set forth on the cover of this Official Statement, subject to prior redemption as described under “Redemption” below. During the Weekly Variable Rate Period, interest on the Bonds will be paid on the 15th day of each month (or the next Business Day if the 15th is not a Business Day), commencing August 16, 2004.

So long as the Bonds bear interest at the Weekly Variable Rate, one or more Credit Facilities providing credit support for the Loan or the Bonds (other than Excluded Bonds) and liquidity support for the Bonds (other than Excluded Bonds) must be in effect.

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership interests in the Bonds will only be available in book entry form. Purchasers of beneficial ownership interests in the Bonds will not receive certificates representing their interests in the Bonds purchased. See “APPENDIX F – BOOK ENTRY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds are payable, so long as the Bonds are in book entry form, through a securities depository as described in Appendix F.

Except during a Reset Period, the Fixed Rate Period or the Elongated Weekly Variable Rate Period, the Bonds of each Series will bear interest at the applicable Weekly Variable Rate, determined, separately for each Series, from time to time pursuant to the Indenture. During the Weekly Variable Rate
Period, interest will accrue on the basis of a 365 or 366 day year, as applicable, for the actual number of days elapsed.

During each Weekly Variable Rate Period, the Remarketing Agent will determine the Weekly Variable Rate, separately for each Series, for each Week not later than 4:00 p.m. Eastern time on Wednesday of each Week, or if such day is not a Business Day, the preceding Business Day (in any such case, a “Rate Determination Date”). The Weekly Variable Rate for each Series will, as to such Series, be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds of such Series (other than Excluded Bonds) on the applicable Rate Determination Date at par plus accrued interest on the Bonds for that Week. The Weekly Variable Rates so determined will be effective for the Week for which such rates were determined. The Remarketing Agent will provide notice of the Weekly Variable Rate applicable to each Series before 5:00 p.m. Eastern time on the Rate Determination Date by telephone to any Beneficial Owner upon request. The Weekly Variable Rates so determined by the Remarketing Agent will be conclusive and binding upon the Bondholders.

For the Elongated Weekly Variable Rate Period, the Remarketing Agent shall determine the Elongated Weekly Variable Rate not later than 4:00 p.m. Eastern time on the Rate Determination Date. The Elongated Weekly Variable Rate shall be the minimum rate of interest necessary, in the professional judgment of the Remarketing Agent, taking into consideration prevailing market conditions, to enable the Remarketing Agent to remarket all of the Series 2004A-T Bonds being converted to Series 2004A Bonds on the Tax-Exempt Conversion Date at par plus accrued interest on such Bonds for the Elongated Weekly Variable Rate Period. The Elongated Weekly Variable Rate so determined shall be effective only for the Elongated Weekly Variable Rate Period. The Remarketing Agent shall provide notice of the Elongated Weekly Variable Rate before 5:00 p.m. Eastern time on the Rate Determination Date by Electronic Means to the Trustee, the Loan Servicer and the Construction Lender, and, not later than the next Business Day, by Electronic Means, to the other Remarketing Notice Parties. The Elongated Weekly Variable Rate so determined by the Remarketing Agent shall be conclusive and binding upon the Bondholders.

Failure by Remarketing Agent to Determine Weekly Variable Rate

If the Remarketing Agent fails or refuses to determine the Weekly Variable Rate applicable for any Week, the interest rate to be borne by the (i) Tax-Exempt Bonds during such Week shall be the latest BMA Index Rate published on or immediately before the Rate Determination Date, or, in the event the BMA Index Rate is no longer published, the last Weekly Variable Rate determined by the Remarketing Agent; (ii) Taxable Bonds during such Week shall be then current LIBOR or in the event LIBOR is no longer published, the last Weekly Variable Rate for the Taxable Bonds determined by the Remarketing Agent; and (iii) the Additional Bonds shall be determined pursuant to (i) above if and to the extent that the interest borne by the Additional Bonds is excludable from gross income for federal income tax purposes or (ii) above if and to the extent that the interest borne by the Additional Bonds is not excludable from gross income for federal income tax purposes. The Trustee shall be entitled to rely on a certificate of the Remarketing Agent specifying such rate or rates.

Failure by Remarketing Agent to Determine Elongated Weekly Variable Rate.

If the Remarketing Agent is unable to determine the Elongated Weekly Variable Rate for the Elongated Weekly Variable Rate Period, the Series 2004A-T Bonds that would otherwise have borne interest at the Elongated Weekly Variable Rate shall continue to bear interest at the Weekly Variable Rate from and after the proposed Adjustment Date, without any further action by any person.
Rate Mode Adjustments

At the option of the Borrower, the interest rate on all Outstanding Bonds of each Series may be adjusted on any Interest Payment Date designated by the Borrower from the Weekly Variable Rate to (i) a Reset Rate, determined separately for each Series, for a Reset Period of ten years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, or (ii) the Fixed Rate, determined separately for each Series, in each case subject to satisfaction of the conditions precedent as set forth in the Indenture. No change in Mode to take effect prior to the Conversion Date may be made unless the Construction Lender consents to such change in writing. In each case, notice must be given by the Trustee not less than 30 days before the proposed date of adjustment to a Reset Rate or to the Fixed Rate (an “Adjustment Date”) to the effect that all Bonds (other than Excluded Bonds) are subject to mandatory tender and purchase on the Adjustment Date, whether or not the conditions set forth in the Indenture for adjustment are satisfied. In such case, the Bondholders will not have the right to retain their Bonds.

In addition, at the option of the Borrower, the interest rate on the Series 2004A-T Bonds being converted to Series 2004A Bonds may, as provided in the Indenture, be adjusted on the Tax-Exempt Conversion Date designated by the Borrower from the Weekly Variable Rate to the Elongated Weekly Variable Rate solely for the Elongated Weekly Variable Rate Period. Any such adjustment shall apply solely to the Series 2004A-T Bonds being converted to Series 2004A Bonds pursuant to the Indenture. Such adjustment is subject to satisfaction of the certain conditions precedent, as described in the Indenture.

In the event that the Credit Provider gives written notice to the Issuer and the Trustee that the Borrower has defaulted in performing certain of its obligations under the Reimbursement Agreement relating to interest rate protection, the Credit Provider will be entitled to exercise all rights of the Borrower to adjust the Mode and the Borrower will not be entitled to exercise any such rights unless and until the Borrower gives written notice, acknowledged in writing by the Credit Provider, to the Issuer, the Loan Servicer and the Trustee that either (i) such default has been cured or waived or (ii) the Credit Provider has consented to the Borrower’s resumption of the exercising of such rights.

Maximum Interest Rate

The interest rate on the Bonds may not exceed 12% per annum, subject, however, to increase under the conditions set forth in the Indenture.

Weekly Variable Rate Optional Tender

During any Weekly Variable Rate Period, a Beneficial Owner may demand purchase of its Bond (or a portion of a Bond, provided that the retained portion is an Authorized Denomination) by delivery of a notice (a “Bondholder Tender Notice”) to the Tender Agent at its Designated Office on any Business Day. The Trustee will purchase any such Bond on behalf of and as agent for the Borrower. The purchase price of any Bond (or portion) tendered for purchase will be equal to 100 percent of the principal amount of such Bond (or portion) plus accrued interest, if any, to the date of purchase. Any Bondholder Tender Notice received by the Tender Agent after 3:30 p.m. Eastern time on a Business Day will be treated as received at 9:00 a.m. Eastern time on the following Business Day. The date of purchase will be the date selected by the Beneficial Owner in the Bondholder Tender Notice; provided, however, that such date is a Business Day which is at least seven days after the date of the delivery of the Bondholder Tender Notice to the Tender Agent. A Bondholder Tender Notice may be delivered during the Elongated Weekly Variable Rate Period provided that such notice designates a purchase date following the last day of the
Elongated Weekly Variable Rate Period. A Bondholder Tender Notice properly given will be irrevocable and binding on any transferee of the Beneficial Owner of such tendered Bond and must:

(1) be accompanied by a guaranty of signature acceptable to the Tender Agent; and

(2) contain the CUSIP number of the Bond, the principal amount to be purchased (or portion of a Bond, provided that the tendered portion and the retained portion is an Authorized Denomination), the name, address and tax identification number or social security number of the Beneficial Owner of the Bond demanding such payment and the purchase date.

The Tender Agent will determine in its sole discretion whether a Bondholder Tender Notice complies with the requirements of the Indenture and whether Bonds delivered conform in all respects to the description of the Bonds in the Bondholder Tender Notice; such determination will be binding on the Beneficial Owner of the tendered Bond.

If, after delivery of a Bondholder Tender Notice to the Tender Agent, the Bondholder making such election fails to deliver any of the Bonds described in the Bondholder Tender Notice as required by the Indenture, each untendered Bond or portion of such untendered Bond ("Untendered Bond") described in such Bondholder Tender Notice will be deemed to have been tendered to the Tender Agent for purchase and, to the extent that there is on deposit in the Bond Purchase Fund on the applicable purchase date an amount sufficient to pay the purchase price of such Untendered Bond, such Untendered Bond will, from and after such purchase date, cease to bear interest and no longer be considered to be Outstanding. Upon surrender of any Bond for purchase in part only, the Issuer will execute and the Tender Agent will authenticate and deliver to the holder of such Bond a new Bond or Bonds of the same maturity and interest rate, of Authorized Denominations, in an aggregate principal amount equal to the unpurchased portion of the Bond surrendered.

Notwithstanding the above, during any period that the Bonds are in book entry form, (i) any Bondholder Tender Notice also must (A) provide evidence satisfactory to the Tender Agent that the party delivering the notice is the Beneficial Owner of the Bond(s) or a custodian for the Beneficial Owner referred to in the notice, and (B) if the Beneficial Owner is other than a DTC Participant, identify the DTC Participant through whom the Beneficial Owner will direct transfer; (ii) on or before the purchase date, the Beneficial Owner must direct (or if the Beneficial Owner is not a DTC Participant, cause its DTC Participant to direct) the transfer of said Bond(s) on the records of DTC to the account of, or as directed by, the Trustee; (iii) Tendered Bond(s) will be purchased without physical delivery as if such Bond(s) had been so delivered and (iv) the purchase price of such Bond(s) will be paid to DTC. See "APPENDIX F – BOOK ENTRY SYSTEM."

Mandatory Tender (Other Than Upon Default)

On each Mandatory Tender Date, the Bondholders must tender their Bonds to the Tender Agent for purchase by the Trustee acting on behalf of and as agent for the Borrower, at a purchase price equal to 100 percent of the principal amount of the Bonds plus accrued interest to the applicable Mandatory Tender Date. The Bondholders may not elect to retain their Bonds. Mandatory Tender Dates include each:

(1) Adjustment Date other than the Adjustment Date that is the Tax-Exempt Conversion Date (even if a proposed change in Mode fails to occur);

(2) Substitution Date (even if the proposed substitution of an Alternate Credit Facility fails to occur);
(3) Extension Date (on or prior to which the Trustee has not been furnished with an extension of the Alternate Credit Facility then in effect, together with the form of Opinion of Counsel required by the Indenture); and

(4) solely as to Series 2004A-T Bonds being converted to Series 2004A Bonds, the Tax-Exempt Conversion Date.

Mandatory Tender Upon Default

The Bonds will be subject to mandatory tender for purchase at a purchase price equal to 100 percent of the principal amount of the Bonds plus accrued interest to the Mandatory Tender Date upon receipt by the Trustee of written notice from the Credit Provider stating that an Event of Default under the Reimbursement Agreement has occurred and directing that the Bonds be subject to mandatory tender for purchase. In such event, Bonds are required to be tendered on the Mandatory Tender Date specified in such notice and the Bondholders will not have the right to elect to retain their Bonds.

Mandatory Tender Upon Special Purchaser by Borrower

On or before the Conversion Date, Bonds in a principal amount not to exceed the difference between the principal amount of the Bonds then Outstanding and the Permanent Phase Loan Amount (the “Loan Difference”) will be subject to mandatory tender on any Business Day, upon written notice from the Borrower, with the prior written consent of the Credit Provider, for purchase by the Trustee solely for the account of the Borrower. Bonds purchased pursuant to such mandatory tender will constitute Borrower Bonds. The Borrower will give written notice to the Trustee, the Tender Agent, the Credit Provider, the Loan Servicer and the Remarketing Agent of its election to cause a mandatory tender of Bonds pursuant to the Indenture as described in this section not less than twenty (20) days prior to the proposed purchase date and will specify the purchase date, which purchase date must occur prior to the Conversion Date. Such purchase date will be a Mandatory Tender Date. Not less than ten (10) days prior to the purchase date, the Trustee will give notice by first class mail, postage prepaid, to the Bondholders of the Bonds selected for mandatory tender and purchase pursuant to the Indenture as described in this section stating the purchase date and that (i) the Bonds selected for mandatory tender and purchase pursuant to the Indenture as described in this section (the “Selected Bonds”) are required to be tendered on the purchase date and (ii) the Bondholders of the Selected Bonds will not have the right to elect to retain their Bonds; such notice shall also state that such tender is conditional on the consent of the Credit Provider not being revoked or canceled prior to the Mandatory Tender Date. A notice of mandatory tender by the Trustee under the Indenture as described in this section is subject to revocation and cancellation by the Credit Provider upon notice from the Credit Provider to the Trustee, the Borrower, the Tender Agent and the Remarketing Agent (which may be given in writing or by telephone or Electronic Means) at any time prior to the Mandatory Tender Date. If the Credit Provider’s consent is not revoked or canceled, the Bondholders of the Selected Bonds will not have the right to elect to retain their Bonds. The purchase price of the Selected Bonds will be (i) equal to 100 percent of the principal amount of such Bonds plus accrued interest and (ii) paid solely from the sources provided in the Indenture. Selected Bonds will be determined by the Trustee in the same manner as the Trustee would select Bonds for partial redemption pursuant to the Indenture had the Borrower made a Pre-Conversion Loan Equalization Payment under the Note in the amount of the Loan Difference. Borrower Bonds that are remarketed with the prior written consent of the Credit Provider pursuant to the Indenture will no longer constitute Borrower Bonds and on and after such date of remarketing, the Credit Facility will provide credit enhancement and liquidity support for such Bonds ratably with all other Bonds. See “THE BONDS – Special Purchase by Borrower” herein.
Mandatory Tender on Tax-Exempt Conversion Date

On the Tax-Exempt Conversion Date, the Series 2004A-T Bonds being converted to Series 2004A Bonds pursuant to the Indenture shall be subject to mandatory tender and shall be remarketed by the Remarketing Agent at the Weekly Variable Rate or the Elongated Weekly Variable Rate, as applicable (as determined by the election of the Borrower pursuant to the Indenture at an interest rate which reflects the excludability of interest on the Series 2004A-T Bonds that are converted to Series 2004A Bonds from gross income for purposes of federal income taxation).

Untendered Bonds

Any Untendered Bond will be deemed to have been tendered to the Tender Agent as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date, will cease to bear interest and no longer will be considered to be Outstanding. The holders of Untendered Bonds will no longer be entitled to any payment (including any interest to accrue from and after the Mandatory Tender Date) other than the purchase price for such Untendered Bond. The Tender Agent will authenticate and deliver to the Remarketing Agent, for redelivery to the purchaser, a new Bond in replacement of the Untendered Bond.

Notices

The Trustee will give notice of Mandatory Tender Dates not less than 10 days prior to any such date (except that in the case of mandatory tender on a proposed Adjustment Date (other than the Adjustment Date that is the Tax-Exempt Conversion Date), notice will be given not less than 30 days prior to such date) by first class mail, postage prepaid, to the Bondholders stating the information required to be set forth in the Indenture.

During any period that the Bonds are held in book entry form, (i) any notice delivered by the Tender Agent will be given only to the entity designated in the Letter of Representations, as required by the Indenture and (ii) it will not be necessary for Bond(s) to be physically delivered on the date specified for purchase of such Bond(s), but such purchase will be made as if such Bond(s) had been so delivered, and the purchase price of such Bond(s) will be paid to DTC.

Purchase Following Tender

The Tender Agent will make payment for Bonds purchased pursuant to an optional or a mandatory tender at or before 4:00 p.m. Eastern time on the applicable purchase date, first, from remarketing proceeds on deposit in the Bond Purchase Fund, second, from proceeds of an Advance under the Credit Enhancement Instrument, and third, from funds provided by the Borrower, except that in the event that the Bonds are subject to mandatory tender upon the occurrence of an Event of Default under the Reimbursement Agreement or upon a special purchase by the Borrower, payment will be made first, from proceeds of an Advance under the Credit Enhancement Instrument, and second, from funds provided by the Borrower.

Redemption

The Bonds (other than Borrower Bonds) are subject to redemption prior to maturity only as described herein. All redemptions must be in Authorized Denominations.

Optional Redemption. The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower on any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date (if the Trustee does not receive written notice from the
Borrower directing an optional redemption of all of the Bonds, the Bonds not to be redeemed on any Adjustment Date will be subject to mandatory tender (in lieu of optional redemption) on such Adjustment Date at a redemption price equal to 100% of the principal amount of Bonds redeemed plus accrued interest to the Redemption Date. The principal of and accrued interest on any Bond being so redeemed will be paid from an Advance under the Credit Enhancement Instrument. Optional redemption of the Bonds will not be permitted unless, on or before the Redemption Date, the Trustee has on-hand Available Moneys (which must be from a source other than the Credit Enhancement Instrument and from a party other than the Credit Provider) in an amount sufficient to pay the premium, if any, on the Redemption Date.

**Mandatory Redemption.** The Bonds are subject to mandatory redemption on the earliest practicable Redemption Date for which timely notice of redemption can be given (provided that redemption under paragraph (5) below must occur on or before the Conversion Date) from an Advance under the Credit Enhancement Instrument at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the Redemption Date without premium in the following events:

1. in whole or in part, in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of or any award as part of a settlement in lieu of condemnation of, the Project are applied to the prepayment of the Loan;

2. in whole or in part at the written direction of the Credit Provider (and in the amount specified by the Credit Provider if the redemption is in part) requiring that the Bonds be redeemed following any Event of Default under the Reimbursement Agreement. In no event will such redemption occur later than two Business Days prior to the date, if any, that the Credit Enhancement Instrument terminates on account of the Credit Provider’s giving of direction to the Trustee pursuant to this subsection to redeem the Bonds in whole. If the Credit Provider directs that the Bonds be redeemed in part, the Credit Provider may further direct on one or more occasions that the Bonds be redeemed in whole or in part or that the Bonds be subject to mandatory tender;

3. in whole or in part on each Adjustment Date in an amount equal to the amount that has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account pursuant to the Indenture;

4. in whole or in part, on any Interest Payment Date in an amount equal to the amount that has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account pursuant to the Indenture;

5. in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment. The principal amount of Bonds to be redeemed will be equivalent to the amount prepaid by the Borrower;

6. in whole if the Credit Provider notifies the Trustee that (i) the Final Conditions to Conversion have not been satisfied on or before the Termination Date, (ii) a Borrower Default has occurred or (iii) the Construction Lender has directed the Credit Provider to draw on the Letter of Credit due to an event of default by the Borrower under one or more Construction Phase Credit Documents; or

7. in whole or in part to the extent that amounts on deposit in the Loan Fund are not required to pay Costs of the Project.
**Notice of Redemption.** The Trustee will give notice of redemption by first class mail, postage prepaid, not less than ten days prior to the specified Redemption Date, to the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register. With respect to Bonds in book entry form, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee is not required to give the notice set forth in the immediately preceding sentence. Notice will be given immediately in the case of a redemption following an Event of Default under the Reimbursement Agreement. In the case of an optional redemption, the notice of redemption will state that it is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds including sufficient Available Moneys to pay any redemption premium in full ("Conditional Redemption"), and such notice and optional redemption will be of no effect if (i) by no later than the scheduled Redemption Date, sufficient moneys to redeem the Bonds and Available Moneys, from a source other than the Credit Provider, sufficient to pay in full any redemption premium have not been deposited with the Trustee, or if moneys deposited with the Trustee to pay any redemption premium are not Available Moneys or (ii) the Trustee, at the written direction of the Credit Provider rescinds such notice on or prior to the scheduled Redemption Date. If notice is given as stated above, failure of any Bondholder to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

The Trustee will rescind any notice of Conditional Redemption by notice of rescission if the requirements of the Indenture have not been met on or before the Redemption Date, or the Trustee has received a direction from the Credit Provider to cancel the Conditional Redemption; notice of rescission will be given by the same means as is provided above for the giving of notice of redemption or by Electronic Means confirmed in writing. Any Bonds subject to Conditional Redemption that has been canceled will remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the proposed Redemption Date will constitute an Event of Default. Notwithstanding notice of redemption having been given in the manner provided above, any optional redemption of Bonds will be canceled with the consent of or at the direction of the Credit Provider if the Credit Provider has notified the Trustee that an Event of Default under the Reimbursement Agreement has occurred.

If notice of redemption has been given and the conditions for such redemption, if applicable, have been met, the Bonds called for redemption will become due and payable on the Redemption Date, interest on those Bonds will cease to accrue on and after the redemption date and the called Bonds will no longer be Outstanding. The holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such Bonds upon surrender of such Bonds to the Trustee. All moneys held by or on behalf of the Trustee for the redemption of particular Bonds will be held in trust for the account of the holders of the Bonds to be redeemed. If less than the entire principal amount of a Bond is called for redemption, the Issuer will execute, and the Trustee will authenticate and deliver, upon the surrender of such Bond to the Trustee, without charge by the Issuer or the Trustee to the Bondholder, in exchange for the unredeemed principal amount of such Bond, a new Bond or Bonds of the same series, interest rate, maturity and term, in any Authorized Denomination, in aggregate principal amount equal to the unredeemed balance of the principal amount of the Bond so surrendered. Notwithstanding anything in the Indenture to the contrary, proceeds of the Tax-Exempt Bonds will not be used to redeem Taxable Bonds.

**Selection of Bonds to be Redeemed Upon Partial Redemption.** If less than all of the Outstanding Bonds are called for redemption, the Taxable Bonds will be selected for redemption before any Tax-Exempt Bonds are selected for redemption. Within a Series, the Trustee will select by lot, in such manner as it determines in its discretion, the Bonds of such Series, or portions of the Bonds of such Series, to be redeemed such that the Bonds of such Series remaining Outstanding are in Authorized Denominations. Notwithstanding the foregoing, in the selection process (i) any Outstanding Pledged
Bonds will be selected for redemption before any other Bonds are selected for redemption, (ii) if applicable, the Bonds with the highest interest rate will be selected for redemption before any other Bonds are selected for redemption and (iii) Outstanding Borrower Bonds will be called for redemption only after all other Outstanding Bonds have been redeemed.

**Purchase of Bonds in Lieu of Redemption.** If the Bonds are called for redemption in whole or in part, the Bonds called for redemption may be purchased in lieu of redemption. Purchase in lieu of redemption will be available for all of the Bonds called for redemption or for such lesser portion of such Bonds as constitute Authorized Denominations. The Credit Provider or the Borrower with the written consent of the Credit Provider may direct the Trustee to purchase all or such lesser portion of the Bonds so called for redemption. In no event will Fannie Mae in its capacity as Credit Provider purchase Bonds for its own account in lieu of redemption without the prior written consent of the General Counsel to Fannie Mae. Any such direction to the Trustee will:

1. be in writing;
2. state either that all of the Bonds called for redemption are to be purchased or, if less than all of the Bonds called for redemption are to be purchased, identify those Bonds to be purchased by maturity date and outstanding principal amount in Authorized Denominations; and
3. be received by the Trustee no later than 12:00 noon one Business Day prior to the Redemption Date.

If so directed, the Trustee will purchase such Bonds for the account of the Credit Provider or its designee, or the Borrower or its designee, on the date which otherwise would be the Redemption Date. Any of the Bonds called for redemption that are not purchased in lieu of redemption will be redeemed as otherwise required by the Indenture on the Redemption Date.

On or prior to the scheduled redemption date, any direction given to the Trustee or any consent given by the Credit Provider to such a direction may be withdrawn by written notice to the Trustee. Subject generally to the Indenture, should a direction to purchase or the consent of the Credit Provider be withdrawn, the scheduled redemption of such Bonds will occur.

If the purchase is directed by the Credit Provider, the purchase will be made for the account of the Credit Provider or its designee. If the purchase is directed by the Borrower with the consent of the Credit Provider, the purchase will be made for the account of the Borrower or its designee.

The purchase price of the Bonds will be equal to the outstanding principal of, accrued and unpaid interest on, and the redemption premium, if any, which would have been payable on such Bonds on the Redemption Date had Bonds been redeemed. To pay the purchase price of such Bonds, the Trustee will use such funds, if any, in:

1. the Credit Facility Account to pay the principal and interest components of the purchase price; and
2. the Redemption Account to pay the redemption premium component of the purchase price;

that the Trustee would have used to pay the outstanding principal of, accrued and unpaid interest on, and the redemption premium, if any, that would have been payable on, the redemption of such Bonds on the Redemption Date. Otherwise, the Trustee will pay the purchase price only from Available Moneys. The
Trustee will not purchase the Bonds if by no later than the Redemption Date, sufficient moneys have not been deposited with the Trustee, or even though such moneys are deposited with the Trustee, such moneys are not Available Moneys.

No notice of the purchase in lieu of redemption will be required to be given to the Bondholders (other than the notice of redemption otherwise required under the Indenture).

Special Purchase in Lieu of Redemption

If all Bonds Outstanding are called for redemption in whole following a failure of Conversion or a default under the Reimbursement Agreement or a “Borrower Default” under (and as defined in) the Construction Phase Financing Agreement at any time that the Letter of Credit is in effect, or the Credit Provider holds funds drawn under the Letter of Credit pursuant to the Construction Phase Financing Agreement, the Bonds may, in lieu of such redemption, be purchased (“Special Purchase Bonds”) by the Trustee, at the written direction of the Construction Lender to the Trustee, for the account of the Construction Lender. Any such purchase of Bonds will be in whole and not in part. Such purchase will be made on the date the Bonds are otherwise scheduled to be redeemed (“Special Purchase Date”). The purchase price of the Special Purchase Bonds (“Special Purchase Price”) will be equal to the principal amount of the Special Purchase Bonds, plus accrued interest, if any, on the Special Purchase Bonds to the Special Purchase Date. The payment source will consist solely of funds to be advanced by the Credit Provider under the Credit Enhancement Instrument. If the Construction Lender exercises its option to purchase the Bonds, as described in this paragraph, any then existing Pledged Bonds will be transferred to, and registered in the name of, the Construction Lender or its designee.

Bonds to be purchased in lieu of redemption that are not delivered to the Trustee on the Special Purchase Date will be deemed to have been so purchased and not redeemed on the Special Purchase Date and will cease to accrue interest as to the former owner on the Special Purchase Date. Special Purchase Bonds will be registered in the name of the Construction Lender or any third party designated in writing by the Construction Lender and approved by the Issuer and will be delivered to the party designated in writing by the Construction Lender. If delivery of the Bonds is not possible, the Trustee will deliver a written entitlement order to the applicable financial intermediaries on whose records ownership of the Special Purchase Bonds is reflected directing the intermediaries to credit the security entitlement to the Special Purchase Bonds to the account of the Construction Lender. Following such purchase, the Registered Owner of the Special Purchase Bonds will be the owner of such Bonds for all purposes under this Indenture and interest accruing on such Bonds from and after the Special Purchase Date will be payable solely to the Registered Owner of the Special Purchase Bonds.

In no event will the Credit Enhancement Instrument (or any funds advanced under the Credit Enhancement Instrument) directly or indirectly secure, or provide a source of payment of amounts due from time to time with respect to, the Special Purchase Bonds. In no event will Fannie Mae be deemed to be the owner of any Special Purchase Bond.

Special Purchase by Borrower

Subject to satisfaction of all applicable terms and conditions in the Indenture described in this paragraph, if the Permanent Phase Loan Amount (as defined in the Construction Phase Financing Agreement) at Conversion, as determined by the Loan Servicer pursuant to the Construction Phase Financing Agreement prior to the Conversion Date and approved by Fannie Mae, is less than the principal amount of the Bonds then Outstanding, the Borrower may (provided that no Event of Default or Potential Default has occurred under any Transaction Document), in lieu of making a Pre-Conversion Loan Equalization Payment, upon giving written notice as provided in the Indenture, but only with the prior
written consent of the Credit Provider, purchase Bonds (which, upon such purchase, shall be “Borrower Bonds”) by directing the Trustee in writing to purchase Bonds upon mandatory tender (as provided in the Indenture and as described herein under the caption “THE BONDS – Mandatory Tender Upon Special Purchase by Borrower”) for the account of the Borrower, which written direction must be accompanied by the prior written consent of the Credit Provider, and, in either case, if the applicable consent is granted, only upon execution and delivery of the Pledge Agreement (Borrower Bonds) to the Credit Provider (if not previously executed and delivered by the Borrower to the Credit Provider). Any such purchase must be effected prior to the Conversion Date and will be limited to Bonds in a principal amount not to exceed the difference between the principal amount of the Bonds then Outstanding and the Permanent Phase Loan Amount, provided, that if Bonds in a principal amount equal to the difference between the principal amount of the Bonds then Outstanding and the Permanent Phase Loan Amount are to be purchased by the Borrower as described in this section and would result in the Bonds Outstanding following such purchase not being in Authorized Denominations, Bonds may be purchased by the Borrower as described in this section only in such greater amount as will result in the Bonds Outstanding following such purchase being in Authorized Denominations. The purchase price of Bonds purchased as described in this section will (i) be equal to 100% of the principal amount of such Bonds plus accrued interest to the purchase date, and (ii) be paid for from the sources specified in the Indenture. The written consent of the Credit Provider to a mandatory tender under the Indenture, may be given or withheld, and, if given, revoked or canceled, at any time prior to the Mandatory Tender Date.

Notice of the election by the Borrower to purchase Bonds in accordance with the Indenture as described in this section and of the principal amount of such Bonds will be delivered in writing to the Trustee, the Tender Agent, the Bank, Fannie Mae, the Loan Servicer and the Remarketing Agent not less than twenty (20) days prior to the purchase date.

It is the intention of the Issuer that the purchase of Bonds as described in this section will not constitute a merger or extinguishment of the indebtedness of the Issuer evidenced by the Bonds so purchased or of the Borrower and that such Borrower Bonds shall be regarded as Outstanding under the Indenture, except as expressly provided in the Indenture.

Borrower Bonds may be remarketed only as provided in the Indenture.

Notwithstanding anything contained in the Indenture to the contrary, in no event will the Credit Facility (or any funds derived from the Credit Facility) directly or indirectly secure, or provide a source of payment of amounts (whether principal, purchase price, interest or other amounts) due from time to time with respect to, Borrower Bonds. In no event will Fannie Mae be deemed to be the owner of any Bond or any Borrower Bond whether pursuant to the Indenture as described in this section or otherwise unless such Bond is transferred to, and registered in the name of, Fannie Mae (provided, that no such transfer shall be effective unless accompanied by the written consent of the General Counsel and the Controller of Fannie Mae).

Borrower Bonds will be cancelled by the Trustee as provided in the Indenture.

SECURITY FOR THE BONDS

Pledge of Trust Estate

Pursuant to the Indenture, the Issuer has assigned and pledged the property described below (the “Trust Estate”) to the Trustee and its successors in trust, for the benefit of the Bondholders, to secure the
payment of the principal of, premium, if any, interest on and purchase price of the Bonds (provided that Borrower Bonds will be secured only by the Borrower Bond Trust Estate) when the same become due and payable and to secure, on a parity basis, all obligations owed to the Credit Provider under the Credit Facility Documents and the Loan Documents:

(a) all right, title and interest of the Issuer in and to the Loan, including the Note, the Security Instrument and the other Loan Documents, and in and to the Financing Agreement, reserving, however, the Reserved Rights;

(b) all rights to receive payments on the Note and under the other Loan Documents, including all proceeds of insurance or condemnation awards;

(c) all right, title and interest of the Issuer in and to the Net Bond Proceeds (to the extent not disbursed to the Borrower) and the accrued interest, if any, derived from the sale of the Bonds, the Revenues and all Funds, Accounts and Investments under the Indenture (including, but not limited to, moneys, documents, securities, Investment Income, instruments and general intangibles on deposit, or otherwise held by the Trustee under the Indenture), but excluding all moneys in the Fees Account (other than Investment Income earned on moneys on deposit in the Fees Account), the Rebate Fund and the Costs of Issuance Borrower’s Deposit Account (including within such exclusion Investment Income earned on amounts on deposit in the Costs of Issuance Borrower’s Deposit Account and the Rebate Fund);

(d) all other rights and interests in property, whether tangible or intangible, from time to time conveyed, mortgaged, pledged, assigned or transferred as additional security under the Indenture to the Trustee for the Bonds for the benefit of the Bondholders (other than the holders of Borrower Bonds) and the Credit Provider; and

(e) all of the proceeds of the foregoing, including, without limitation, Investments and Investment Income (except as excluded in paragraph (c) above).

Pursuant to the Indenture and the Assignment, the Issuer will assign and deliver to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Issuer, all of its right, title and interest in and to the Loan and the Loan Documents. Under the Assignment, Fannie Mae will exercise all of the “Assigned Rights,” i.e. rights in respect of the Loan and the Loan Documents, so long as there is no Wrongful Dishonor under the Credit Enhancement Instrument.

Credit Enhancement Instrument

The Credit Enhancement Instrument constitutes a “Credit Facility” under the Indenture, and Fannie Mae constitutes a “Credit Provider” under the Indenture. The form of the Credit Enhancement Instrument is attached as Appendix D.

The Trustee is required to timely present Certificates (as defined in the Credit Enhancement Instrument) to Fannie Mae as required by and in accordance with the Credit Enhancement Instrument in order to receive Advances under, and as and to the extent provided in and permitted by, the Credit Enhancement Instrument, to enable the Trustee to make timely payments to Bondholders on any date such payments are due or to purchase Bonds on any date such purchase is required under the Indenture, and for which the Credit Enhancement Instrument provides coverage, provided that in no event may the Trustee present a Certificate for payment of any amount due in respect of any Excluded Bonds. The amount available to be drawn under the Credit Enhancement Instrument consists of a Principal Portion equal to the unpaid principal balance of the Bonds Outstanding and an Interest Portion for the payment of up to 34
days of interest actually accrued on the Bonds (not to exceed a maximum rate of interest on the Bonds of 12% per annum) calculated on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed.

Alternate Credit Facility

The Credit Enhancement Instrument may be replaced with various other forms of credit enhancement (each an “Alternate Credit Facility”; the Credit Enhancement Instrument or Alternate Credit Facility being herein referred to as the “Credit Facility”). So long as the Bonds bear interest at the Weekly Variable Rate, the Elongated Weekly Variable Rate or at a Reset Rate, one or more Credit Facilities providing credit support for the Loan or the Bonds (other than Excluded Bonds) and liquidity support for the Bonds (other than Excluded Bonds) must be in effect.

The Trustee will accept any Alternate Credit Facility if, among other things, the Trustee receives certain opinions as to, among other things, the effect of such replacement on the tax status of the Bonds and the legality, validity and enforceability of the Alternate Credit Facility.

Upon replacement of the Credit Enhancement Instrument with an Alternate Credit Facility, the Bonds are subject to mandatory tender as described above under the caption “THE BONDS - Mandatory Tender (Other Than Upon Default).”

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Indenture and is to be held by the Trustee.

Pursuant to the Indenture, there is to be deposited into the Principal Reserve Fund all of the monthly payments made by the Borrower in accordance with the Reimbursement Agreement. Investment Income earned on amounts on deposit in the Principal Reserve Fund is to be retained in the Principal Reserve Fund. In addition to transfers to effect a redemption of Bonds as described above, the Trustee will pay, apply or transfer amounts on deposit in the Principal Reserve Fund as follows:

(i) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Enhancement Instrument and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

(ii) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Mortgaged Property;

(iii) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider;

(iv) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents in writing, for any use approved in writing by the General Counsel of the Credit Provider;
(v) on each Adjustment Date, to the Redemption Account;

(vi) during a Weekly Variable Rate Period, if the aggregate amount on deposit in the Principal Reserve Fund (excluding all Investment Income) on the tenth day of any month is at least $100,000 greater than the Principal Reserve Amount, then all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of $100,000) in excess of the Principal Reserve Amount will be transferred, on the next earliest Interest Payment Date for which notice of redemption can be given pursuant to the Indenture, to the Redemption Account to be applied to the redemption of Taxable Bonds until all of the Taxable Bonds are redeemed; following redemption of all of the Taxable Bonds, if the aggregate amount on deposit in the Principal Reserve Fund (excluding all Investment Income) on the tenth day of any month, is at least $100,000 greater than the Principal Reserve Amount, then all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of $100,000) in excess of the Principal Reserve Amount will be transferred, on the next earliest Interest Payment Date for which notice of redemption can be given pursuant to the Indenture, to the Redemption Account to be applied to the redemption of Tax-Exempt Bonds; and

(vii) on the Interest Payment Date following receipt by the Trustee of Investment Income on moneys in the Principal Reserve Fund, pay such Investment Income to the Borrower, provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that no default or Event of Default exists under the Credit Facility Documents, any Loan Document or any Bond Document; if a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee will transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Principal Reserve Fund."

Additional Bonds

The Issuer may, on or before the Conversion Date and only with the written consent of the Credit Provider (and, unless issued on the Conversion Date, the Construction Lender), issue additional bonds ("Additional Bonds") on a parity with the Bonds. If issued, so long as the other requirements set forth in the Indenture are met, Additional Bonds will be of the same maturity and in an interest rate Mode that is the same as the Mode then in effect with respect to the Outstanding Bonds, subject to receipt by the Trustee of the following documents:

(a) a certified copy of the Supplemental Indenture authorizing the issuance of the Additional Bonds;

(b) executed counterparts of any amendments to the Transaction Documents;

(c) an opinion of Bond Counsel to the effect that the Additional Bonds have been duly and validly authorized, issued and delivered and constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to customary qualifications on enforceability and, if the interest on such Additional Bonds is to be excluded from gross income for federal income tax purposes, that the interest payable on the Additional Bonds is excludable from gross income for federal income tax purposes;
(d) an Opinion of Counsel to the Issuer to the effect that the Issuer has the power and authority to enter into the Supplemental Indenture, and the Supplemental Indenture has been duly and validly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, and, assuming the due authorization and execution of the Supplemental Indenture by the Trustee, is enforceable against the Issuer in accordance with its terms, subject to customary qualifications on enforceability;

(e) a written request and authorization by the Issuer (acting through an Authorized Officer) to the Trustee to authenticate and deliver the Additional Bonds to or for the account of the purchaser, upon receipt of the purchase price;

(f) receipt of the purchase price of the Additional Bonds from the purchaser;

(g) receipt of the funds to pay the Costs of Issuance of the Additional Bonds, from the Borrower;

(h) written evidence (i) confirming that the rating on Bonds other than the Additional Bonds will not be adversely affected, and (ii) that the Additional Bonds have been assigned a rating in the highest rating category by the Rating Agency rating the Bonds;

(i) the prior written consent of the Credit Provider to the issuance of the Additional Bonds; and

(j) appropriate amendments to the Credit Facility, to credit enhance the Additional Bonds.

Notice of the proposed issuance of Additional Bonds will be given to the Bondholders not less than 10 days prior to the proposed date of issuance of the Additional Bonds in the manner described in the Indenture.
ESTIMATED SOURCES AND USES OF FUNDS

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

### Sources of Funds

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Proceeds</td>
<td>$32,000,000</td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>10,924,203</td>
</tr>
<tr>
<td>Income During Construction</td>
<td>4,255,877</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$47,180,080</strong></td>
</tr>
</tbody>
</table>

### Uses of Funds

<table>
<thead>
<tr>
<th>Use</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Acquisition</td>
<td>$31,785,686</td>
</tr>
<tr>
<td>Rehabilitation Costs</td>
<td>4,275,000</td>
</tr>
<tr>
<td>Bond Debt Service During Construction</td>
<td>3,733,333</td>
</tr>
<tr>
<td>Construction Loan Costs</td>
<td>416,000</td>
</tr>
<tr>
<td>Permanent Loan Costs</td>
<td>800,000</td>
</tr>
<tr>
<td>Tax Credit Equity Costs</td>
<td>161,336</td>
</tr>
<tr>
<td>Bond Costs of Issuance</td>
<td>392,900</td>
</tr>
<tr>
<td>Developer Fee</td>
<td>2,423,146</td>
</tr>
<tr>
<td>Closing Costs/Impounds/Contingency</td>
<td>1,742,564</td>
</tr>
<tr>
<td>Contingency/Relocation:</td>
<td>713,000</td>
</tr>
<tr>
<td>Construction Period Insurance &amp; Property Taxes:</td>
<td>454,669</td>
</tr>
<tr>
<td>Excess Funds</td>
<td>282,446</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$47,180,080</strong></td>
</tr>
</tbody>
</table>

**Tax Credit Equity**

Simultaneously with the issuance of the Bonds, the Borrower expects to sell to an affiliate of Paramount Financial Group, Inc. (the “Investor Limited Partner”), a 99.90% interest in the Borrower. In connection with this sale, the tax credit equity is expected to be approximately $10,924,203 (the “Capital Contribution”), which amount is expected to be funded in installments over time. These funding levels and the timing of the funding are subject to numerous adjustments and conditions that could result in the amounts funded or the timing or even occurrence of the funding varying significantly from the current projections, and neither the Borrower, the Issuer, Fannie Mae nor the Underwriter makes any representation as to the availability of such funds. The staged funding arrangements are not expected to adversely affect the completion of the rehabilitation of the Project. The Borrower’s expectations are that it will have sufficient funds to complete construction.

**Borrower Bonds**

If, in lieu of making a Pre-Conversion Loan Equalization Payment, the Borrower elects to cause a mandatory tender and to purchase Bonds in a like amount, such purchased Bonds will be Borrower Bonds under the Indenture and will no longer be secured by the Credit Enhancement Instrument or the Trust Estate. The amount of the Borrower Bonds would be equal to the difference between the Permanent Phase Loan Amount determined according to Fannie Mae’s underwriting requirements and the principal amount of the Bonds then Outstanding. The Borrower Bonds would be payable only from Excess Cash
Flow, which is generally equal to the gross revenues of the Project less debt service on the Bonds, operating expenses of the Project, obligations under the Credit Facility Documents and certain other expenses described in the Indenture. The Borrower Bonds would be cancelled by the Trustee as provided in the Indenture. The Borrower Bonds bear interest at the rate equal to the rate borne by the applicable Series of Bonds. A default on the Borrower's obligations with respect to the Borrower Bonds does not constitute a default on the Bonds. See "THE BONDS – Special Purchase by Borrower" and "—Mandatory Tender Upon Special Purchase by Borrower" herein.

LIMITED LIABILITY


FANNIE MAE

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. It is the largest investor in home mortgage loans in the United States with a net portfolio of $891.2 billion of mortgage loans as of June 30, 2004. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD. Approval of the Secretary of Treasury is required for Fannie Mae’s issuance of its debt obligations and MBS. Five of the eighteen members of Fannie Mae’s Board of Directors are appointed by the President of the United States, and the other thirteen are elected by the holders of Fannie Mae’s common stock.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.
As of June 30, 2004, Fannie Mae's core capital was $36.1 billion. Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at http://www.fanniemae.com/ir/sec.

Fannie Mae makes no representation 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. Fannie Mae's role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

THE LOAN SERVICER

The information under this heading has been provided by the Loan Servicer and has not been independently verified by the Issuer, the Trustee, the Borrower, the Underwriter, Fannie Mae or the Construction Lender or any of their respective counsel. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer, the Trustee, the Borrower, the Underwriter, Fannie Mae or the Construction Lender or any of their respective counsel.

Commencing on the Conversion Date, the Loan Servicer will provide certain servicing functions on behalf of Fannie Mae with respect to the Loan pursuant to applicable Fannie Mae requirements and will be paid a fee for its services.

The selection of the Loan Servicer is in the sole and absolute discretion of Fannie Mae. The servicing arrangements between the Loan Servicer and Fannie Mae can be amended or terminated without the consent of the Issuer, the Trustee or the Borrower, and none of the Issuer, the Trustee or the Borrower has any rights under, and none is a third party beneficiary of, the servicing arrangements between the Loan Servicer and Fannie Mae.

Column Guaranteed LLC, a Delaware limited liability company, the initial Loan Servicer, is an approved DUS Lender under Fannie Mae's Delegated Underwriting and Servicing product line.

The Loan Servicer makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of the Project or compliance with any securities, tax or other laws or regulations. The Loan Servicer's role is limited to underwriting and servicing the Loan.

THE ISSUER

The City of Richmond (the "Issuer") is a municipal corporation duly organized and existing under the Constitution and laws of the State of California. The Issuer is a charter city that was incorporated on August 7, 1905 and has the authority to issue bonds and expend the proceeds.

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1 Core Capital is the sum of (a) the stated value of outstanding common stock, (b) the stated value of outstanding noncumulative perpetual preferred stock, (c) paid-in capital, and (d) retained earnings.
The Issuer is administered by a city council of nine members (the “Council”), who are the elected Mayor and members of the City Council. The members of the Issuer, their respective positions on the Council and the ending date of their respective terms follow.

<table>
<thead>
<tr>
<th>Member</th>
<th>Board Position</th>
<th>Term Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irma L. Anderson</td>
<td>Mayor</td>
<td>November 21, 2006</td>
</tr>
<tr>
<td>Mindell Lewis Penn</td>
<td>Vice Mayor</td>
<td>November 17, 2004</td>
</tr>
<tr>
<td>Nathaniel Bates</td>
<td>Member</td>
<td>November 17, 2004</td>
</tr>
<tr>
<td>Charles H. Belcher</td>
<td>Member</td>
<td>November 17, 2004</td>
</tr>
<tr>
<td>Gary Bell</td>
<td>Member</td>
<td>November 17, 2004</td>
</tr>
<tr>
<td>Richard L. Griffin</td>
<td>Member</td>
<td>November 21, 2006</td>
</tr>
<tr>
<td>Thomas K. Butt</td>
<td>Member</td>
<td>November 17, 2004</td>
</tr>
<tr>
<td>Jim Rogers</td>
<td>Member</td>
<td>November 21, 2006</td>
</tr>
<tr>
<td>Maria Viramontes</td>
<td>Member</td>
<td>November 21, 2006</td>
</tr>
</tbody>
</table>

THE LOAN

The Loan is to be evidenced by the Note, which will be (i) in an aggregate principal amount equal to the outstanding principal amount of the Bonds, (ii) executed by the Borrower in favor of the Issuer and (iii) secured by the Security Instrument. Pursuant to the terms of the Indenture and the Assignment, the Issuer will assign and deliver to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of the Reserved Rights, all of its right, title and interest in and to the Loan and the Loan Documents, including the Note and the Security Instrument. Under the Assignment, Fannie Mae has the right to direct the Trustee to assign the Trustee’s interest in the Note and Security Instrument to Fannie Mae, to hold for the benefit of Bondholders.

Failure of the Borrower to make payments when due under the Loan will result in an event of default under the Loan and the Reimbursement Agreement and may, at the option of the Credit Provider, result in a mandatory tender or redemption of all or a portion of the Bonds. See “THE BONDS - Mandatory Tender Upon Default” and “- Redemption” herein.

The Loan is a non-recourse obligation of the Borrower.

THE PROJECT AND THE PRIVATE PARTICIPANTS

The following has been provided solely by the Borrower. Neither the Issuer, Fannie Mae, the Loan Servicer nor the Underwriter, nor any of their counsel, officers or employees, makes any representations as to the accuracy or sufficiency of the following information.

The Project was built in 1975 by the previous owner of the Project. Upon completion of rehabilitation, the Project will be a 342-unit (includes 3 manager units) multifamily residential development comprised of twenty-three (23) two (2) story apartment buildings on a concrete slab foundation, with stucco and wood frame exterior finish. The Project is located on approximately 15.62 acres located at 2300 Lancaster Drive in Richmond, California. Construction began in February, 2004 and is expected to be completed by February, 2006.
Each unit in the Project will include the following: an electric range, oven, garbage disposal, dishwasher, heating system, and refrigerators. The Project will also contain a community pool, fitness center, tennis court and barbeque area. Parking for approximately 453 cars will also be provided.

The units in the Project will consist of the following:

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Approx. Square Footage</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 BD - 1 BA</td>
<td>664</td>
<td>242</td>
</tr>
<tr>
<td>2 BD - 1 BA</td>
<td>802</td>
<td>28</td>
</tr>
<tr>
<td>2 BD - 1 BA</td>
<td>840</td>
<td>32</td>
</tr>
<tr>
<td>2 BD - 1 BA</td>
<td>851</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>342</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Borrower

The Borrower is FF Hills, LP, a California limited partnership (the “Borrower”). The co-general partner of the Borrower is FF Hills, LLC (the “Co-General Partner”), a California limited liability company, with a 0.079% interest in the Borrower. Fairfield Properties LP (“Fairfield Properties LP”), a Delaware limited partnership, is the manager of the Co-General Partner. Wakeland Housing and Development Corporation (the “Managing General Partner”), a California nonprofit public benefit corporation, is the managing general partner of the Borrower with a 0.02% interest in the Borrower. An affiliate of Paramount Financial Group, Inc. will be the tax credit limited partner in the Borrower with a 99.90% ownership interest in the Borrower. PROTECH 2004-C, LLC, an Ohio limited liability company, is the special limited partner of the Borrower with a 0.001% interest in the Borrower. See “ESTIMATED SOURCES AND USES OF FUNDS – Tax Credit Equity” herein. The mailing address of the Borrower is FF Hills LP, c/o Fairfield Affordable Housing LLC, 5510 Morehouse Drive, Suite 200, San Diego, CA 92121.

The principals of the Co-General Partner and its affiliates, including Fairfield Properties LP, specialize in the development, acquisition and construction of multifamily housing. They have extensive experience with tax-credit, bond-financed apartment projects and have participated in over $400,000,000 of bond-financed and/or tax-credit projects as a principal. The principals of the Co-General Partner have been in the multifamily real estate business since 1983 and have owned and managed in excess of 40,000 units.

The Managing General Partner was formed in 1998 and has a portfolio of over 4,300 affordable housing units. The Chairman of the Board and staff of the Managing General Partner specialize in the development, acquisition and construction of multifamily housing and combined have over 60 years of experience in the multifamily real estate industry.

The Contractor

Fairfield Development, L.P., a Delaware limited partnership (the “Contractor”), an affiliate of the Co-General Partner, will be the contractor for the Project. The Contractor has rehabilitated over 20,000 apartment units since 1995 and constructed over 30,000 units since 1985. The Contractor maintains a headquarters office in San Diego, California and a sister headquarters office in Dallas, Texas. The Contractor has commenced rehabilitation on over 16,000 units in the past three years. The Contractor is currently constructing the Muirlands Apartments (consisting of 350 units) in San Ramon, California, and has recently completed the Tides Apartments (consisting of 200 units) in Richmond, California.
Managing Agent

The Project will be managed by Fairfield Properties LP (the “Managing Agent”), the manager of the Co-General Partner. Principals of the Managing Agent and its affiliates have over 25 years experience in the management of residential rental projects. The Managing Agent currently manages in excess of 55,000 units, including over 2,500 units in Northern California (exclusive of the Project). The Managing Agent has over 700 employees.

Restrictive Covenants

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

The Regulatory Agreement imposes certain requirements on the Borrower with respect to the tax-exempt status of the Series 2004A Bonds under the Internal Revenue Code, which include, among other requirements, a set-aside during the Qualified Project Period of at least 40% of the units for rental to persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code. In addition, the Regulatory Agreement requires rents which may be charged for occupancy of such units during the Qualified Project Period to be limited to not more than 30% of 60% of area median income, adjusted for family size. The Qualified Project Period for the Regulatory Agreement is the period beginning on the date on which 10% of the units in the Project are first occupied and ending on the later of (a) the date which is 55 years after the date on which 50% of the units in the Project are first occupied, (b) the first day on which no Tax-Exempt Bonds with respect to the Project are Outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates. See “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” herein for a description of the requirements affecting the operation of the Project in order to assure compliance with the Code and state law.

In connection with low-income housing tax credits (the “LIHTCs”) anticipated to be granted for the Project, the Borrower will execute a tax credit regulatory agreement in compliance with the requirements of Section 42 of the Internal Revenue Code (the “Tax Credit Regulatory Agreement”). The Tax Credit Regulatory Agreement will require LIHTC income targeting and rent restrictions for the Project under Section 42 of the Code for a 55-year period, subject to certain exceptions. The Tax Credit Regulatory Agreement must be executed before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the land records as a covenant running with the land. The Tax Credit Regulatory Agreement will, among other things, require that 10% of the completed and occupied dwelling units in the Project be occupied by persons or families having incomes at or below 50% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code and, pursuant to Section 42(g)(2) of the Code, the rents which may be charged for occupancy of such units will be limited to not more than 30% of 50% of area median income, adjusted for family size, throughout the extended use period (as defined in the Code). In addition, the Tax Credit Regulatory Agreement will require that the remaining 90% of the completed and occupied dwelling units in the Project be occupied by persons or families having incomes at or below 60% of area median gross income, adjusted for family size and determined in accordance with Section 142(d) of the Code and, pursuant to Section 42(g)(2) of the Code, the rents which may be charged for occupancy of such units will be limited to not more than 30% of 60% of area median income, adjusted for family size, throughout the extended use period (as defined in the Code).

In addition to the restrictions described in this section, the Project will also be subject to the terms and conditions of a resolution of the California Debt Limit Allocation Committee (the “CDLAC Resolution”) with respect to the ownership, operation and management of the Project. Included in the
CDLAC Resolution is a provision requiring that at least 34 of the units be rented or held vacant for rental for persons or families whose income is at 50% or below of the area median income and that the remaining units be rented or held vacant for rental for persons or families whose income is 60% or below of the area median income.

**Limited Recourse to Borrower**

The Borrower and its partners will not (subject to certain exceptions to nonrecourse liability set forth in the Reimbursement Agreement) be personally liable for payments on the 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 Reimbursement Agreement) be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Loan. Furthermore, no representation is made that the Borrower will have substantial funds available for the Project. Accordingly, neither the Borrower’s financial statements nor those of its partners are included in this Official Statement.

**ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee, the Issuer and the owners of the Bonds upon an Event of Default under the Indenture 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 for under the Financing Agreement, the Regulatory Agreement and the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds, the Financing Agreement, the Regulatory Agreement and the Indenture may be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by equitable remedies and proceedings generally, by common law and statutes affecting enforceability of contractual obligations generally and by principles of public policy concerning, affecting or limiting the enforcement of remedies against governmental entities such as the Issuer.

**TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2004A Bond for any period that such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel observes, however, that interest on the Series 2004A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel also observes that interest on the Series 2004A-T Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E.
The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2004A Bonds. The Issuer and the Borrower have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2004A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2004A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Series 2004A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Financing Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2004A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2004A Bonds may otherwise affect a Bondholder’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2004A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2004A Bonds. Prospective purchasers of the Series 2004A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer and the Borrower have covenanted, however, to comply with the requirements of the Code.

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 Bondholders regarding the tax-exempt status of the Series 2004A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the Borrower and their appointed counsel, including the Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer or the Borrower legitimately disagrees, may not be practicable. 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 bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer, the Borrower or the Bondholders to incur significant expense.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of any of the Bonds or in any way contesting or affecting the validity of any of the Bonds, the Indenture or other proceedings of the Issuer taken with respect to the authorization, issuance or sale of the Bonds, or the pledge or application of any moneys under the Indenture, or the existence or powers of the Issuer.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Certain legal matters will be passed upon for the Borrower by Cox Castle & Nicholson, LLP; for Fannie Mae by its Legal Department and by Arent Fox PLLC; and for the Underwriter by its counsel, Eichner & Norris PLLC. Fees and expenses of certain of the above mentioned counsel are contingent upon issuance of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations on legal remedies against cities in the State of California and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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 a legal opinion, the opinion giver does not become an insurer or guarantor of that 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.

The remedies available to the Bondholders upon a default under the Indenture or Financing Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Indenture and the Financing Agreement may not be readily available or may be limited.

29
RATINGS

The Bonds have been assigned the ratings set forth on the cover page hereof by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. Such ratings reflect only the views of the Rating Agency at the time they are given, and the Issuer makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings may be obtained only from the Rating Agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by the Rating Agency, if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Issuer, the Underwriter, Fannie Mae, the Loan Servicer nor the Borrower has undertaken any responsibility to bring the attention of the holders of the Bonds any proposed downward revision or withdrawal of a rating of the Bonds, or to oppose any such proposed downward revision or withdrawal.

UNDERWRITING

The Underwriter identified on the cover page hereof has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of par and will be paid an underwriter's fee equal to 0.75% of the aggregate principal amount of the Bonds, from which the Underwriter will pay certain expenses.

The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement entered into among the Underwriter, the Borrower and the Issuer. The Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed, from time to time, by the Underwriter.

MULTIPLE ROLES OF PARTIES

Affiliated subsidiaries of GMAC Commercial Holding Corp. are acting as the Underwriter, the Remarketing Agent and an affiliate of the Investor Limited Partner in connection with the issuance of the Bonds. By purchasing a Bond, the purchaser thereof consents to any conflict of interest that could arise by reason of the different capacities in which GMAC Commercial Holding Corp. and its affiliated subsidiaries will act in connection with the Bonds.

MISCELLANEOUS

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds. The use of this Official Statement has been duly approved by the Issuer and the Borrower.
This Official Statement is not to be construed as a contract or agreement between the Issuer and the owners of any of the Bonds.

CITY OF RICHMOND

By: /s/ Irma L. Anderson
Irma L. Anderson, Mayor
[Signature Page to the Official Statement]

**FF HILLS LP**, a California limited partnership

By: **FF Hills LLC**, a California limited liability company, its Co-General Partner

By: **FF Properties, Inc.**, a Delaware corporation, its Manager

By: **/s/ Stanley P. Herskovitz**
Stanley P. Herskovitz,
Senior Vice President

By: **/s/ Kenneth L. Sauder**
Kenneth L. Sauder,
Executive Director
APPENDIX A

DEFINITIONS

“Account” means an account established within a Fund.

“Act of Bankruptcy” means any proceeding instituted under the Bankruptcy Code or other applicable insolvency law by or against the Issuer.

“Additional Bonds” mean those Bonds that are authorized to be issued pursuant to the Indenture.

“Adjustment Date” means any date on which the interest rate on the Bonds is adjusted to a different Mode or to a different Reset Rate. An Adjustment Date may only occur on an Interest Payment Date or, if such date is not a Business Day, the following Business Day. Any Reset Date and the Fixed Rate Adjustment Date are Adjustment Dates. The Tax-Exempt Conversion Date is an Adjustment Date if on the Tax-Exempt Conversion Date, the interest rate on all or a portion of the Series 2004A-T Bonds is adjusted to the Elongated Weekly Variable Rate, provided that the Tax-Exempt Conversion Date is an Adjustment Date solely with respect to the Series 2004A-T Bonds that are adjusted to the Elongated Weekly Variable Rate.

“Advance” means an advance made under the Credit Facility.

“Affiliate” as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

“Alternate Credit Facility” means, as to the Bonds other than Borrower Bonds, a letter of credit (whether or not so named), surety bond, insurance policy, standby bond purchase agreement, credit enhancement instrument, collateral purchase agreement, mortgage backed security or similar agreement, instrument or facility (other than the initial Credit Facility) provided in accordance with the Financing Agreement and which satisfies the requirements of the Indenture.

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

“as their interests may appear” or “as its interest may appear” means, with reference to any of the Assigned Rights, the respective interests, exclusive of the Reserved Rights of the Issuer, of Fannie Mae and of the Trustee to such documents and rights as set forth in the Assignment.

“Assigned Rights” has the meaning given to that term in the Assignment.

“Assignment” means the Assignment and Intercreditor Agreement, dated as of July 1, 2004, among the Issuer, the Trustee and Fannie Mae, and acknowledged, accepted and agreed to by the Borrower, as amended, supplemented or restated from time to time.

“Authorized Borrower Representative” means any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the Issuer, the Loan Servicer, the Construction Lender, the Credit Provider and the Trustee. Such certificate must contain the specimen signature of the person authorized to act on behalf of the Borrower and be signed on
behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates. The Trustee may conclusively presume that a person designated as an Authorized Borrower Representative in a written certificate filed with the Trustee is an Authorized Borrower Representative until such time as the Borrower files with the Trustee (with a copy to the Issuer, the Loan Servicer, the Construction Lender and the Credit Provider) a written certificate revoking such person’s authority to act in such capacity and identifying a different person or persons to act in such capacity.

“Authorized Construction Lender Representative” means any person from time to time designated to act on behalf of the Construction Lender by written certificate furnished to the Trustee, the Issuer, the Credit Provider and the Loan Servicer. Such certificate must contain the specimen signature of the person authorized to act on behalf of the Construction Lender by resolution or other appropriate action of the Board of Directors of the Construction Lender or by its bylaws. Such resolution or other appropriate action may designate an alternate or alternates who shall have the same authority, duties and powers as the Authorized Construction Lender Representative. The Trustee may conclusively presume that a person designated as an Authorized Construction Lender Representative in a written certificate filed with the Trustee by the Construction Lender is an Authorized Construction Lender Representative until such time as the Construction Lender files with the Trustee and with the Issuer, the Loan Servicer and the Credit Provider a written certificate identifying a different person or persons to act in such capacity.

“Authorized Denomination” means, during any Weekly Variable Rate Period and during the Elongated Weekly Variable Rate Period, $100,000 or any integral multiple of $5,000 in excess of $100,000.

“Authorized Officer” means the City Manager, the Public Housing Director, the Director Community and Economic Development, or any other person duly authorized by the Resolution to perform a specified act, sign a specified document or otherwise take action with respect to the Bonds.

“Available Moneys” means, as of any date of determination, any of (i) the proceeds of the Bonds, (ii) remarketing proceeds received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Borrower, the Issuer, any Affiliate of either the Borrower or the Issuer, or any guarantor of the Loan), (iii) moneys received by the Trustee pursuant to an Advance under the Credit Facility, (iv) any other amounts, including the proceeds of refunding bonds, for which the Trustee has received an opinion of counsel acceptable to the Rating Agency to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 544, 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code; (v) moneys paid by the Credit Provider for the purchase of Bonds in lieu of redemption; and (vi) Investment Income derived from the investment of moneys described in clause (i), (ii), (iii), (iv) or (v).

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

“Beneficial Owner” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.
“BMA Index Rate” means the rate published in The Bond Market Association Municipal Swap Index, produced by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“Bond” or “Bonds” means, collectively, the Issuer’s Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A in the original aggregate principal amount of $28,800,000 and its Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T in the original aggregate principal amount of $3,200,000, and any Additional Bonds, if issued.

“Bond Counsel” means (i) on the Closing Date, the law firm or law firms delivering the approving opinion(s) with respect to the Bonds or (ii) after the Closing Date, any law firm selected by the Issuer and acceptable to the Credit Provider of nationally recognized standing in matters pertaining to the excludability from gross income, for federal income tax purposes, of the interest payable on bonds issued by states and political subdivisions.

“Bond Documents” means the Assignment, the Bonds, the Bond Purchase Agreement, the Credit Facility, the Disclosure Agreement, if any, the Financing Agreement, the Indenture, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Project), the Remarketing Agreement, the Tax Certificate, any Tender Agent Agreement, and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the Bonds, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Any Forward Commitment Deposit Fee Instrument (as defined in the Reimbursement Agreement) is not a Bond Document.

“Bondholder,” “holder,” “Owner,” “owner,” “Registered Owner” or “registered owner” means, with respect to any Bond, the registered owner of the Bond as shown on the Bond Register.

“Bondholder Tender Notice” means a written notice meeting the requirements of the Indenture.

“Bond Purchase Agreement” means the Bond Purchase Agreement among the Underwriter, the Issuer and the Borrower.

“Bond Purchase Fund” means the Bond Purchase Fund created under the Indenture.

“Bond Register” means the Bond Register maintained by the Trustee pursuant to the Indenture.

“Book Entry Bonds” means that part of the Bonds for which a Securities Depository or its nominee is the Bondholder.

“Book Entry System” means an electronic system in which the clearance and settlement of securities transactions is made through electronic book entry changes.

“Borrower” means FF Hills LP, a California limited partnership.

“Borrower Bond” means any Obligor Bond during the period from and including the date of its purchase by the Borrower pursuant to the Indenture to, but excluding, the date on which such Bond is (a) remarkeoted to any Person as permitted by the Indenture or (b) cancelled as provided in the Indenture.

“Borrower Bond Account” means the Borrower Bond Account within the Revenue Fund created pursuant to the Indenture.
“Borrower Bond Trust Estate” means the aggregate of the right, title and interest of the Issuer pledged, assigned and granted under the Indenture on a subordinate basis as provided in the Indenture, for the benefit of the owners of Borrower Bonds.

“Borrower Documents” means (i) the Bond Documents to which the Borrower is a party, (ii) the Credit Facility Documents to which the Borrower is a party, (iii) the Construction Phase Credit Documents to which the Borrower is a party, (iv) the Loan Documents and (v) all other documents to which the Borrower is a party and which are being executed and delivered by the Borrower in connection with the transactions provided for in the Transaction Documents. Any Forward Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Borrower Document.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close, (iii) any day on which banking institutions located in the city or cities in which the Designated Office of the Trustee is located are required or authorized by law or executive order to close, (iv) prior to the Fixed Rate Adjustment Date, a day on which the New York Stock Exchange is closed or any day on which banking institutions located in the city in which the Designated Office of the Remarketing Agent is located are required or authorized by law or executive order to close, (v) on or after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close, (vi) so long as a Credit Facility is in effect, any day on which the Credit Provider is closed.

“Certificate of Borrower” means the Certificate of Borrower, dated as of the Closing Date, as amended, supplemented or restated from time to time.

“Closing Date” means the date on which the Bonds are issued and delivered to or upon the order of the Underwriter.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include (i) any successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations whether final, temporary or proposed under such provision or successor provision.

“Conditional Redemption” means a redemption with respect to which a notice of redemption has been given to Bondholders and in which notice the Trustee has stated that the redemption is conditioned upon a deposit of funds as further described in the Indenture.

“Construction Lender” means Bank of America, N.A., a national banking association.

“Construction Phase” means the period beginning on the date of closing of the Bonds and continuing until the Conversion Date.

“Construction Phase Credit Documents” means, individually and collectively, the Construction Phase Financing Agreement, the Letter of Credit, the Construction Reimbursement Agreement and all other documents evidencing, securing or otherwise relating to the Letter of Credit, including all amendments, modifications, supplements and restatements of such documents.

“Construction Phase Financing Agreement” means the Construction Phase Financing Agreement, dated as of July 1, 2004, by and among the Credit Provider, the Loan Servicer and the Construction
Lender, and acknowledged, accepted and agreed to by the Borrower, as amended, supplemented or restated from time to time.

"Construction Reimbursement Agreement" means the Reimbursement Agreement dated as of July 1, 2004, between the Borrower and the Construction Lender, as amended, modified, supplemented or restated from time to time.

"Conversion" means the conversion of the Loan from the Construction Phase to the Permanent Phase.

"Conversion Date" means the effective date of Conversion pursuant to the terms and conditions of the Construction Phase Financing Agreement.

"Costs of Issuance" includes (a) the fees, costs and expenses (excluding ongoing fees, costs and expenses) of the Issuer, the Issuer’s counsel, the Issuer’s financial advisor, if any, to the extent not otherwise provided for, the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds), the Underwriter’s counsel, Bond Counsel, the Trustee, the Trustee’s counsel, the Loan Servicer, the Loan Servicer’s counsel, the Credit Provider, the Credit Provider’s counsel, the Borrower’s counsel and the Borrower’s financial advisor, if any, the Rating Agency, the Construction Lender and the Construction Lender’s Counsel, (b) costs of printing the offering documents relating to the initial sale of the Bonds, and (c) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Loan Servicer in connection with the origination of the Loan.

"Costs of Issuance Borrower’s Deposit Account” means the Costs of Issuance Borrower’s Deposit Account of the Costs of Issuance Fund.

"Costs of Issuance Borrower’s Deposit” means the deposit to be made by the Borrower with the Trustee on the Closing Date as required by the Financing Agreement, to be deposited into the Costs of Issuance Borrower’s Deposit Account and applied to pay Costs of Issuance.

"Costs of Issuance Borrower’s Deposit Account” means the Costs of Issuance Borrower’s Deposit Account of the Costs of Issuance Fund.

"Costs of Issuance Fund” means the Costs of Issuance Fund created under the Indenture.

"Credit Facility” means the Direct Pay Irrevocable Transferable Credit Enhancement Instrument, dated the Closing Date issued by Fannie Mae to the Trustee, or any Alternate Credit Facility in effect at the time, as any such facility may be amended, supplemented or restated from time to time.

"Credit Facility Account” means the Credit Facility Account of the Revenue Fund.

"Credit Facility Documents” means the Reimbursement Agreement, the Certificate of Borrower, all Collateral Agreements (as that term is defined in the Security Instrument), the Construction Phase Financing Agreement, the Hedge Documents, the Hedge Security Agreement, the Hedge Reserve Escrow Account and Security Agreement, the Pledge Agreement, the Pledge Agreement (Borrower Bonds), if applicable, the Operating Reserve and Security Agreement, if applicable, and all other agreements and documents securing the Credit Provider or otherwise relating to the provision of the Credit Facility, as any such agreement may be amended, supplemented or restated from time to time. Any Forward
Commitment Deposit Fee Instrument (as that term is defined in the Reimbursement Agreement) is not a Credit Facility Document.

“Credit Provider” means, so long as the initial Credit Facility is in effect, Fannie Mae, or so long as any Alternate Credit Facility is in effect, the Alternate Credit Provider then obligated under the Alternate Credit Facility.

“Designated Office” of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer means, respectively, the office of the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer at the respective address set forth in the Indenture or at such other address as may be specified in writing by the Trustee, the Tender Agent, the Remarketing Agent or the Loan Servicer, as applicable, as provided in the Indenture.

“DTC” means The Depository Trust Company and any successor to it or any nominee of it.

“DTC Participant” has the meaning as provided in the Indenture.

“Electronic Means” means a facsimile transmission or any other electronic means of communication approved in writing by the Credit Provider.

“Elongated Weekly Variable Rate” means the rate of interest per annum borne by those Series 2004A-T Bonds that are converted to Series 2004A Bonds on the Tax-Exempt Conversion Date, as determined in accordance with the Indenture. The Elongated Weekly Variable Rate shall be in effect only during the Elongated Weekly Variable Rate Period.

“Elongated Weekly Variable Rate Period” means the period beginning on the Tax-Exempt Conversion Date and ending on and including the Wednesday preceding the Interest Payment Date next following the Tax-Exempt Conversion Date.

“Equity Account” means the Equity Account of the Loan Fund.

“Event of Default” means, as used in any Transaction Document, any event described in that document as an Event of Default. Any “Event of Default” as described in any Transaction Document is not an “Event of Default” in any other Transaction Document unless that other Transaction Document specifically so provides.

“Excluded Bonds” means, collectively, any Bonds which are not Outstanding and any Bonds which at any time constitute Pledged Bonds or Obligor Bonds (including Borrower Bonds).

“Extension Date” means, with respect to an Alternate Credit Facility, the date which is five Business Days prior to the expiration date of the Alternate Credit Facility.

“Extraordinary Items” means, with respect to the Trustee, reasonable compensation for extraordinary services and/or reimbursement for reasonable extraordinary costs and expenses, including reasonable fees and expenses of counsel to the Trustee.

“Facility Fee” means the monthly fee owed to the Credit Provider by the Borrower pursuant to the Reimbursement Agreement.

“Fees Account” means the Fees Account of the Revenue Fund.

“Final Conditions to Conversion” means the conditions required to be met in order for the Loan to convert to the Permanent Phase as set forth in the Construction Phase Financing Agreement.

“Financing Agreement” means the Financing Agreement, dated as of July 1, 2004, among the Issuer, the Trustee and the Borrower, as amended, supplemented or restated from time to time.

“Fixed Rate” means the rate of interest borne by the Bonds as determined in accordance with the Indenture at a rate fixed to the maturity of the Bonds.

“Fixed Rate Adjustment Date” means the date on which the interest rate on the Bonds adjusts from the Weekly Variable Rate or a Reset Rate to the Fixed Rate pursuant to the Indenture.

“Fixed Rate Period” means the period beginning on the Fixed Rate Adjustment Date and ending on the Maturity Date.

“Fund” means any fund created under the Indenture.

“Government Obligations” means direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America.

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

“Hedge Reserve Escrow Account and Security Agreement” means the Hedge Reserve Escrow Account and Security Agreement, to be executed on or before, and dated and effective as of, the Conversion Date, among the Borrower, the Loan Servicer and Fannie Mae, as amended, supplemented or restated from time to time.

“Hedge Security Agreement” means the Hedge Security Agreement, to be executed on or before, and dated and effective as of, the Conversion Date, among the Borrower, the Loan Servicer and Fannie Mae, as amended, supplemented or restated from time to time.

“Highest Rating Category” has, with respect to an Investment, the following meanings: If the Bonds are rated by a Rating Agency, the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P and Moody’s (or S&P, if only S&P rates such Investment) in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A-1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG-1” (for fixed rate) or “VMIG-1” (for variable rate) for one year or less and “Aaa” for greater than one year. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Highest Rating Category, then such Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment will be deemed to be rated below the Highest Rating Category. For
example, an Investment rated "AAA" by S&P and "A1" by Moody's is not rated in the Highest Rating Category.

"Housing Law" means Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code.

"Indenture" means the Trust Indenture between the Issuer and the Trustee, dated as of July 1, 2004, as amended, supplemented or restated from time to time.

"Interest Account" means the Interest Account of the Revenue Fund.

"Interest Payment Date" means (i) during any Weekly Variable Rate Period and with respect to the Elongated Weekly Variable Rate Period, the 15th day of each calendar month commencing August 16, 2004; (ii) during any Reset Period and during the Fixed Rate Period each February 15 and August 15 following the Adjustment Date, provided that the first Interest Payment Date during any such period may only occur on a date which is at least 30 days after the Adjustment Date; (iii) each Adjustment Date; (iv) for Bonds subject to redemption in whole or in part, the applicable Redemption Date, (v) the Maturity Date and (vi) for all Bonds any date determined pursuant to the Indenture.

"Interest Requirement" means (i) during the Weekly Variable Rate Period and the Elongated Weekly Rate Period, 34 days interest on the Bonds (other than Borrower Bonds) at the Maximum Rate on the basis of a 365-or 366-day year, as applicable, for the actual number of days elapsed, and (ii) during a Reset Period or the Fixed Rate Period, 210 days interest on the Bonds (other than Borrower Bonds) at, respectively, the Reset Rate or the Fixed Rate, as the case may be, on the basis of a year of 360 days of twelve 30-day months; or, in the case of either clause (i) or (ii), such other number of days as may be required by the Rating Agency in writing.

"Investment" means any Permitted Investment and any other investment held under the Indenture that does not constitute a Permitted Investment.

"Investment Agreement" means a Permitted Investment described in paragraph (g) of the definition of the term "Permitted Investments."

"Investment Income" means the earnings, profits and accreted value derived from the investment of moneys.

"Investor Limited Partner" means AMTAX Holdings 294, LLC, together with its successors and assigns.

"Issuer" means the City of Richmond, California, a municipal corporation duly organized and existing under the Constitution and laws of the State of California.

"Issuer’s Fee" means the Issuer's annual fee which shall be equal to 0.125% per annum of the outstanding principal amount of the Loan payable by the Borrower monthly, in arrears, in accordance with the Financing Agreement. In addition, the Issuer is due an issuance fee in the amount of $80,000 payable upon the issuance of the Bonds.

"Letter of Credit" means, individually or collectively, as the context may require, the letter of credit to be issued and delivered by or on behalf of the Construction Lender pursuant to, and which satisfies all requirements of, the Construction Phase Financing Agreement, and any amendment to the
letter of credit, any replacement Letter of Credit, and any confirmation of the letter of credit, in each case issued and delivered in accordance with the Construction Phase Financing Agreement.

 "Letter of Representations" means when all the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

 "LIBOR" has the meaning given to the term "USD LIBOR-BBA" in the 1992 ISDA U.S. Municipal Counterparty Definitions, as published by the International Swap and Derivatives Associations, Inc.

 "Loan" means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance Costs of the acquisition, construction or rehabilitation and equipping of the Project.

 "Loan Documents" means, collectively, the Note, the Security Instrument and all other documents, agreements and instruments evidencing, securing or otherwise relating to the Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreement is a Loan Document and neither document is secured by the Security Instrument.

 "Loan Fund" means the Loan Fund created by the Indenture.

 "Loan Servicer" means the multifamily mortgage loan servicer designated from time to time by the Credit Provider. The initial Loan Servicer is Column Guaranteed LLC, a Delaware limited liability company.

 "Low Income Tenant" means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income under the Regulatory Agreement shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size; and (ii) who otherwise fits within the definition of lower income households under Section 50079.5 of the California Health and Safety Code (as in effect on the Closing Date). If all the occupants of a unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low Income Tenants. The determination of a tenant’s status as a Low Income Tenant shall be made by the Owner upon initial occupancy of a unit in the Project by such Low Income Tenant, on the basis of an Income Certification executed by the Low Income Tenant.

 "Low Income Units" mean the units in the Project required to be rented, or held available for occupancy by, Low Income Tenants pursuant to the Regulatory Agreement.

 "Mandatory Tender Date" means any date on which Bonds are required to be tendered pursuant to the Indenture, including (i) any Adjustment Date (further including any proposed Adjustment Date), (ii) any Substitution Date (further including any proposed Substitution Date), (iii) any Extension Date (on or prior to which the Trustee has not been furnished with an extension of the Credit Facility then in effect, together with the form of Opinion of Counsel required by the Indenture), (iv) the date specified by the Trustee as provided in the Indenture, and (v) the Tax-Exempt Conversion Date, but solely as to those Series 2004A-T Bonds being converted to Series 2004A Bonds on the Tax-Exempt Conversion Date pursuant to the Indenture.
“Maturity Date” means August 15, 2037, or in the event the Bonds are adjusted to the Fixed Rate Mode and a Sinking Fund Schedule is established, the maturity date of all serial Bonds, if any.

“Maximum Rate” means twelve percent per annum; provided, however, that the Maximum Rate may be increased if the Trustee receives (i) the written consent of the Credit Provider and the Borrower to a specified higher Maximum Rate not to exceed the lesser of the maximum rate permitted by law to be paid on the Bonds and the maximum rate chargeable on the Loan, (ii) an opinion of Bond Counsel to the effect that such higher Maximum Rate is permitted by law and will not adversely affect either the validity of the Bonds or the exclusion of the interest payable on the Tax-Exempt Bonds (including, if the Tax-Exempt Conversion Date has occurred, all Series 2004A-T Bonds that have been converted to Series 2004A Bonds) from gross income for federal income tax purposes, and (iii) a new or amended Credit Facility in an amount equal to the sum of (A) the then outstanding principal amount of the Bonds and (B) the new Interest Requirement calculated using the new Maximum Rate.

“Mode” means any of the Weekly Variable Rate, the Elongated Weekly Variable Rate, the Reset Rate and the Fixed Rate.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.

“Mortgaged Property” means the real property described in the Security Instrument, together with all improvements, fixtures and personal property (to the extent of the Borrower’s interest in all such property) and located on such real property.

“Net Bond Proceeds” means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser(s) of the Bonds.

“Note” means the Multifamily Note (together with all addenda), dated as of July 1, 2004, executed by the Borrower in favor of the Issuer, evidencing the Loan, as it may be amended, supplemented or restated from time to time or any note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“Note Interest” means the interest payable on the Loan as defined in the Note.

“Obligor Bond” means any Bond registered in the name, or held for the account, of the Issuer, any Affiliate of the Issuer, the Borrower, any Affiliate of the Borrower, or any guarantor or any Affiliate of any guarantor.

“Operating Reserve and Security Agreement” means, if applicable, the Operating Reserve and Security Agreement, dated as of July 1, 2004, among the Borrower, the Loan Servicer and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Opinion of Counsel” means a written opinion of legal counsel, acceptable to the recipient(s) of such opinion. If the opinion is with respect to an interpretation of federal tax laws or regulations, or bankruptcy matters, such legal counsel must be an attorney or firm of attorneys experienced in such matters.
“Outstanding” means, when used with reference to the Bonds at any date as of which the amount of Outstanding Bonds is to be determined, all Bonds which have been authenticated and delivered under the Indenture except:

(a) Bonds canceled or delivered for cancellation at or prior to such date;
(b) Bonds deemed to be paid in accordance with the Indenture; and
(c) Bonds in lieu of which others have been authenticated under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Excluded Bonds shall be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination unless all Bonds are Excluded Bonds. In determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which are known by the Trustee to be Excluded Bonds shall be disregarded.

“Permanent Phase” means the period beginning on the Conversion Date through the maturity of the Loan.

“Permitted Investments” means, to the extent authorized by law for investment of moneys of the Issuer:

(a) Government Obligations.
(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.
(c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory, (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision or (iv) any state or territory of the United States of America or any agency, instrumentality, authority, or political subdivision of a state or territory, which have been advance refunded and which are secured by Government Obligations.
(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short term obligations are rated in the Highest Rating Category.
(e) Commercial paper rated in the Highest Rating Category.
(f) Interest bearing negotiable certificates of deposit, interest bearing time deposits, interest bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution’s unsecured short term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation.
An agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or the Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or the Second Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Provider; and provided further that such agreement includes the following restrictions:

1. The invested funds are available for withdrawal without penalty or premium, at any time that (i) the Trustee is required to pay moneys from the Fund(s) established under the Indenture to which the agreement is applicable, or (ii) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, the agreement; provided that such agreement includes the following restrictions:

2. The agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks pari passu with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

3. The Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

4. The agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn or suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within 10 days, either: (i) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (ii) at the request of the Trustee or the Credit Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (iii) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the downgraded provider may elect which of the remedies to the downgrade (other than the remedy set out in clause (ii)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the "Second Highest Rating Category" shall be deemed deleted so that the only
acceptable rating category for such an agreement, guarantee or insurance for such period will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those maintained by the Trustee or any of its affiliates for which the Trustee or an affiliate thereof serves as an investment adviser or provides other services and receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, that have been rated AAAM-G or AAAM by S&P or Aaa by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraph (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAM-G or AAAM by S&P, if S&P is a Rating Agency, or Aaa by Moody's, if Moody's is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAM-G or AAAM by S&P or Aaa by Moody's. If at any time the Bonds are not rated (i) the Bonds are not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Construction Lender, the Credit Provider and each Rating Agency. Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Indenture, and Permitted Investments listed in paragraphs (g) and (i).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset-backed security, including mortgage backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities.

(4) Any interest-only or principal-only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.
Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

Any investment to which S&P has added an “r” or “t” highlighter.

“Pledge Agreement” means the Pledged Bonds Custody and Security Agreement, dated as of July 1, 2004, among the Borrower, the Trustee, as collateral agent and custodian for the Credit Provider, and the Credit Provider, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Pledge Agreement (Borrower Bonds)” means the Pledged Bonds Custody and Security Agreement (Borrower Bonds), dated as of the Conversion Date, by and among the Borrower, Wells Fargo Bank, National Association, as collateral agent and custodian for the Credit Provider, and the Credit Provider, as such agreement may be amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor; the Pledge Agreement (Borrower Bonds) shall be substantially in the form of Exhibit C to the Reimbursement Agreement with such changes as shall be approved or required by Fannie Mae.

“Pledged 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 the proceeds of an Advance under the Credit Facility, to, but excluding, the date on which the amount of the Pledged Bonds Advance made by the Credit Provider on account of such Pledged Bond is reinstated under the Credit Facility.

“Pre-Conversion Loan Equalization Payment” means a partial prepayment of the Loan made by the Borrower to reduce the Loan amount on or before the Conversion Date.

“Preference Claim” has the meaning given that term in the Indenture.

“Principal Amount” means $28,800,000 for the Series 2004A Bonds and $3,200,000 for the Series 2004A-T Bonds, in the aggregate, $32,000,000 representing the original principal amount of the Bonds on the Closing Date plus, if issued, the principal amount of any Additional Bonds.

“Principal Reserve Amount” means an amount equal to 20% of the aggregate principal amount of the Bonds Outstanding on the Conversion Date including, if Additional Bonds are issued pursuant to the Indenture, 20 percent of the aggregate principal amount of such Additional Bonds.

“Principal Reserve Fund” means the Principal Reserve Fund created under the Indenture.

“Principal Reserve Schedule” means the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement as of the Conversion Date, as such schedule may be amended, supplemented or restated from time to time.

“Project Account” means the Project Account of the Loan Fund.

“Qualified Financial Institution” means any: (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking
Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) any other entity which is acceptable to the Credit Provider and, prior to the Conversion Date, the Construction Lender. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term “Permitted Investments” or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

“Qualified Project Period” means the period beginning on the later of the Closing Date or the first day on which at least ten percent (10%) of the units in the Project are first occupied (as certified pursuant to the Regulatory Agreement), and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (as certified pursuant to the Regulatory Agreement);

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

provided that, unless otherwise amended or modified in accordance with the terms of the Regulatory Agreement, the Qualified Project Period for purposes of the Regulatory Agreement shall be 55 years from the Closing Date, as required by the CDLAC Conditions.

“Rate Determination Date” means (i) with respect to the Weekly Variable Rate, Wednesday of each week, or if such Wednesday is not a Business Day the first Business Day preceding such Wednesday; provided, however, that upon any adjustment to the Weekly Variable Rate Mode from a Reset Rate, the first Rate Determination Date shall be the Business Day prior to the Adjustment Date, (ii) with respect to any Reset Rate and the Fixed Rate, the date selected by the Remarketing Agent which date must be a Business Day not less than five Business Days prior to the Adjustment Date, and (iii) with respect to the Elongated Weekly Variable Rate, the first business day preceding the Tax-Exempt Conversion Date.

“Rating Agency” means any nationally recognized statistical rating agency then maintaining a rating on the Bonds.

“Rebate Analyst” means a Person that is (i) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate regulations promulgated under the Code, (ii) chosen by the Borrower and (iii) engaged for the purpose of determining the amount of required deposits, if any, to the Rebate Fund.

“Rebate Fund” means the Rebate Fund created by the Indenture.

“Record Date” means, with respect to any Interest Payment Date, if the Bonds bear interest at the Weekly Variable Rate, the Business Day before the Interest Payment Date.
“Redemption Account” means the Redemption Account of the Revenue Fund.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to the Indenture.

“Registered Owner” means, with respect to any Bond, the registered owner of the Bond as shown on the Bond Register.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants relating to the Mortgaged Property, dated as of July 1, 2004, among the Issuer, the Borrower and the Trustee, as amended, supplemented or restated from time to time.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of July 1, 2004, between the Credit Provider and the Borrower, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Agent” means Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp., or any successor as Remarketing Agent designated in accordance with the Indenture.

“Remarketing Agreement” means the Remarketing Agreement by and between the Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Reserved Rights” means (i) those certain rights of the Issuer under the Financing Agreement to indemnification to payment of the Issuer’s Fee and to payment or reimbursement of other fees and expenses of the Issuer, and (ii) its right to give and receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Mortgaged Property, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Housing Law and the rules and regulations of the Issuer, if any), and its right to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreement relating to the Reserved Rights.

“Reset Date” means any date upon which the Bonds begin to bear interest at a Reset Rate for the Reset Period then beginning.

“Reset Period” means each period of ten years or more selected by the Borrower, or such shorter period as may be selected by the Borrower with the prior written consent of the Credit Provider, during which the Bonds bear interest at a Reset Rate.

“Reset Rate” means the rate of interest borne by the Bonds during a Reset Period.

“Revenue Fund” means the Revenue Fund created by the Indenture.

“Revenues” means all (i) payments made under the Credit Facility, (ii) Investment Income (excluding Investment Income earned from moneys on deposit in the Principal Reserve Fund, the Rebate Fund and the Costs of Issuance Borrower’s Deposit Account, but including Investment Income earned on moneys on deposit in the Costs of Issuance Bond Proceeds Account and Investment Income on such Investment Income) and (iii) payments made under the Note.
“Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by each Rating Agency in the second highest rating category given by that Rating Agency for that general category of security. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Second Highest Rating Category” means, with respect to an Investment, that the Investment is rated by S&P or Moody’s in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax-exempt municipal debt established by S&P is “AA” for a term greater than one year, with corresponding ratings by Moody’s of “Aa.” If at any time (i) the Bonds are not rated, (ii) both S&P and Moody’s rate an Investment and (iii) one of those ratings is below the Second Highest Rating Category, then such Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated “AA” by S&P and “A” by Moody’s is not rated in the Second Highest Rating Category.


“Security” means the Trust Estate and the Credit Facility.

“Security Instrument” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of July 1, 2004, together with all riders and exhibits, securing the Note and the obligations of the Borrower to the Credit Provider under the Credit Facility Documents, executed by the Borrower with respect to the Mortgaged Property, as it may be amended, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, supplemented or restated from time to time.

“Series” means, individually or collectively, as the context shall require, the Series 2004A Bonds and/or the Series 2004A-T Bonds, and any Additional Bonds issued as a separate series.

“Series 2004A Bonds” means the City of Richmond Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A in the original aggregate principal amount of $28,800,000.

“Series 2004A-T Bonds” means the City of Richmond Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T in the original aggregate principal amount of $3,200,000.

“Sinking Fund Payment” means, as of any particular date of calculation, the amount required to be paid by the Issuer on a single future date for the retirement of Outstanding Bonds which mature after such future date, but excluding any amount payable by the Issuer by reason of the maturity of a Bond or by optional redemption of a Bond at the election of the Issuer.

“Sinking Fund Payment Date” means any date on which any Bond matures or is subject to redemption through the application of Sinking Fund Payments as set out in a Sinking Fund Schedule.

“Sinking Fund Schedule” means a schedule of principal amounts of Bonds to mature or be subject to redemption through the application of Sinking Fund Payments on the specified dates and/or a schedule of principal amounts of Bonds maturing as serial Bonds.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Credit Provider, as assigns credit ratings.
“Special Purchase Bonds” has the meaning given that term the Indenture.

“Special Purchase Date” has the meaning given that term in the Indenture.

“Special Purchase Price” has the meaning given that term in the Indenture.

“State” means the State of California.

“Substitution Date” means the date upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect, which date must be (i) an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period and (ii) a date on which the Credit Facility for which substitution is being made is available to be accessed or drawn upon.

“Tax Certificate” means the Federal Tax Certificate, dated the Closing Date executed and delivered by the Issuer and the Borrower, as amended, supplemented or restated from time to time.

“Tax Event” has the meaning given to that term in the Indenture.

“Tax-Exempt Bonds” means the Series 2004A Bonds and, if the Tax-Exempt Conversion Date has occurred, those Series 2004A-T bonds that have been converted to Series 2004A Bonds.

“Tax-Exempt Conversion Date” means the date upon which interest on all or a portion of the Series 2004A-T Bonds becomes excludable from gross income for purposes of federal income taxation as provided in the Indenture.

“Taxable Bonds” mean the Series 2004A-T Bonds excluding any Series 2004A-T Bonds that are converted to Series 2004A Bonds on the Tax-Exempt Conversion Date pursuant to the Indenture.

“Tender Agent” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor as Tender Agent under the Indenture.

“Tender Agent Agreement” means any Tender Agent Agreement entered into by the Issuer, the Trustee and the Tender Agent in the event that the Trustee does not serve as Tender Agent under the Indenture, as such agreement may be amended, supplemented or restated from time to time.

“Tender Agent’s Annual Fee” means during such time as the Trustee does not serve as the Tender Agent under the Indenture, the annual continuing fee of the Tender Agent as specified in the Tender Agent Agreement.

“Tender Date” means any (i) Mandatory Tender Date or (ii) other date on which Bondholders are permitted under the Indenture to tender their Bonds for purchase.

“Tendered Bond” means any Bond which has been tendered for purchase pursuant to the Indenture.

“Termination Date” means February 15, 2007, as the same may be extended with the consent of the Credit Provider.

“Third Party Fees” means the Issuer’s Fee, the Rebate Analyst’s Fee, the Remarketing Agent’s Fee, the Trustee’s Annual Fee and the Tender Agent’s Annual Fee. Neither the Fees and Expenses nor the Facility Fee is a Third Party Fee.
“Transaction Documents” means the Bond Documents, the Loan Documents and the Credit Facility Documents.

“Trust Estate” means the property, interests, rights, money, securities and other amounts pledged and assigned pursuant to the Indenture and the property, rights, money, securities and other amounts pledged and assigned by the Issuer to the Trustee and the Credit Provider, as those interests may appear, pursuant to the Assignment.

“Trustee” means Wells Fargo Bank, National Association, or its successors or assigns, or 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.

“Trustee’s Annual Fee” means the continuing trust administration fee of the Trustee payable annually, in advance by the Borrower as provided in the Financing Agreement.

“Underwriter” means the underwriter listed on the cover of this Official Statement.

“Untendered Bond” has the meaning given that term in the Indenture.

“Very Low Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined and amended from time to time pursuant to Section 50105 of the California Health and Safety Code. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Very Low Income Tenants. The determination of a tenant’s status as a Very Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

“Week” means any seven-day period during a Weekly Variable Rate Period beginning on Thursday and ending on and including the following Wednesday; except that:

(a) the first Week will begin on the Closing Date and end on and include the following Wednesday;

(b) the first Week of a Weekly Variable Rate Period immediately following an Adjustment Date will begin on such Adjustment Date and end on and include the following Wednesday;

(c) any Week ending immediately before an Adjustment Date will begin on a Thursday and end on the day before such Adjustment Date;

(d) the final Week will begin on a Thursday and end on the earlier of an Adjustment Date or the Maturity Date; and

(e) the first and last Weeks of a Weekly Variable Rate Period may consist of more (but not more than 13) or less than 7 days.
“Weekly Variable Rate” means the variable rate of interest per annum for the Bonds determined from time to time during the Weekly Variable Rate Period.

“Weekly Variable Rate Period” means the period commencing on the Closing Date or an Adjustment Date on which the interest rate on the Bonds is adjusted from the Reset Rate to the Weekly Variable Rate and ending on the day preceding the following Adjustment Date (other than the Adjustment Date on which the interest rate on all or a portion of the Series 2004A-T Bonds is adjusted to the Elongated Weekly Variable Rate) or the Maturity Date.

“Wrongful Dishonor” means an uncured failure by the Credit Provider to make an Advance to the Trustee upon proper presentation of a Certificate under the Credit Facility which conforms to the terms and conditions of the Credit Facility.
APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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

Additional Provisions concerning the Bonds and the Credit Facility

Each Credit Facility shall satisfy the following requirements:

(a) the Credit Facility shall be in an amount equal to the aggregate principal amount of the Bonds Outstanding from time to time plus the Interest Requirement and the Issuer’s Fee;

(b) the Credit Facility shall provide for payment in immediately available funds to the Trustee upon receipt of the Trustee’s request for such payment with respect to any Interest Payment Date, purchase date (if applicable) or Redemption Date pursuant to the Indenture;

(c) if the Credit Facility is provided to secure Bonds during a Reset Period, the Credit Facility shall provide an expiration date no earlier than the earliest of (i) the day following the Adjustment Date immediately succeeding the Reset Period; (ii) ten days after the Trustee receives notice from the Credit Provider of an Event of Default under the Reimbursement Agreement and a direction to redeem all Outstanding Bonds; (iii) the date on which all Bonds are paid in full and the Indenture is discharged in accordance with its terms; and (iv) the date on which the Bonds become secured by an Alternate Credit Facility in accordance with the terms of the Indenture and the Credit Facility;

(d) unless waived by the Issuer in its sole discretion, the Credit Facility will result in the Bonds receiving a short-term rating in the highest rating category of each Rating Agency or a long-term rating in one of the three highest rating categories of each Rating Agency, or both, as applicable for the Mode then in effect;

(e) the Credit Provider issuing the Credit Facility will deliver to the Trustee on or before the effective date of the Credit Facility (i) an Opinion of Counsel to the Credit Provider issuing the Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Credit Facility and its enforceability and (ii) with respect to an Alternate Credit Facility, an opinion of Bond Counsel to the effect that the Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income purposes, of the interest payable on the Tax-Exempt Bonds; and

(f) if the Credit Facility in effect is an Alternate Credit Facility, the Credit Facility satisfies the following additional requirements:

(i) the Alternate Credit Facility meets the requirements described in paragraphs (a) through (d) above;

(ii) the Substitution Date for the Alternate Credit Facility is an Interest Payment Date during a Weekly Variable Rate Period or an Adjustment Date which immediately follows a Reset Period;
(iii) the Alternate Credit Facility is effective on and from the Substitution Date for such Alternate Credit Facility; and

(iv) the Trustee receives on or prior to the effective date of the Alternate Credit Facility (A) an Opinion of Counsel to the Credit Provider issuing the Alternate Credit Facility, in form and substance satisfactory to the Issuer and the Trustee, relating to the due authorization and issuance of the Alternate Credit Facility and its enforceability and (B) an opinion of Bond Counsel to the effect that the substitution of such Alternate Credit Facility will not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds.

On the Substitution Date, the Trustee shall, if necessary, request an Advance under the Credit Facility being replaced and shall not surrender such Credit Facility until all requests thereon have been honored.

Creation of Funds and Accounts

The Indenture creates the following Funds and Accounts:

(a) the Loan Fund, and within the Loan Fund, the Project Account and the Equity Account and, within the Project Account, a Tax Exempt Proceeds Subaccount and a Taxable Proceeds Subaccount, and a Capitalized Funds Account;

(b) the Revenue Fund and within the Revenue Fund, the Interest Account, the Credit Facility Account, the Redemption Account, the Fees Account and the Borrower Bond Account;

(c) the Costs of Issuance Fund and within the Costs of Issuance Fund, the Costs of Issuance Borrower’s Deposit Account and the Costs of Issuance Bond Proceeds Account;

(d) the Rebate Fund;

(e) so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate, the Bond Purchase Fund; and

(f) the Principal Reserve Fund.

Loan Fund

(a) **Disbursements From the Capitalized Funds Account.** Until the earlier of (i) the depletion of the Capitalized Funds Account and (ii) the Conversion Date (the Conversion Date being included as a date on which or for which, as the case may be, the Trustee is directed to perform this function), the Trustee shall automatically transfer amounts on deposit in the Capitalized Funds Account as follows:

(1) Not later than three (3) Business Days prior to each Interest Payment Date, the Trustee shall determine whether there are sufficient amounts on deposit in the Capitalized Funds Account to make the interest payment in full due and payable on such Interest Payment Date and shall transfer to the Interest Account (A) to the extent such amounts are sufficient on the Business Day prior to each Interest Payment Date or (B) to the extent such amounts are insufficient on the date such determination is made an
amount equal to the interest which shall be payable on such Interest Payment Date by the
Borrower under the Note.

(2) Not later than three (3) Business Days prior to each Interest Payment
Date, the Trustee shall determine whether there are sufficient amounts on deposit in the
Capitalized Funds Account to make the interest payment in full due and payable on such
Interest Payment Date and shall transfer to the Interest Account (A) to the extent such
amounts are sufficient on the Business Day prior to each Interest Payment Date or (B) to
the extent such amounts are insufficient on the date such determination is made an
amount equal to the amount of the Facility Fee payable to the Credit Provider under the
Reimbursement Agreement; and

(3) Not later than three (3) Business Days prior to the date on which any
Third-Party Fee is due, the Trustee shall determine whether there are sufficient amounts
on deposit in the Capitalized Funds Account to make the interest payment in full due and
payable on such Interest Payment Date and shall transfer to the Fees Account, (A) to the
extent such amounts are sufficient on the Business Day prior to each Interest Payment
Date or (B) to the extent such amounts are insufficient on the date such determination is
made the amount of such Third-Party Fee.

Transfers from the Capitalized Funds Account shall, so long as the Letter of Credit is
outstanding, be made no later than the Business Day prior to the respective dates on which such
payments are due. The Trustee shall immediately notify the Construction Lender and the Credit
Provider if sufficient funds are not available to make the transfers as and when required by the
Indenture provisions described in this paragraph. Upon final disbursement of all amounts on
deposit in the Capitalized Funds Account, the Trustee shall close the Capitalized Funds Account.

(a) Disbursements from the Project Account. The Trustee shall disburse amounts
on deposit in the Project Account as provided in this subsection for the sole purpose of paying
Costs. Upon the final disbursement of all amounts on deposit in the Project Account, the Trustee
shall close the Project Account.

(1) The Trustee shall make disbursements from the Tax-Exempt Proceeds
Subaccount, the Taxable Proceeds Subaccount and the Equity Account of the Loan Fund
from time to time for the sole purpose of paying Costs only upon the receipt of
Requisitions, each in the form attached to the Indenture, signed by an Authorized
Borrower Representative and countersigned by an Authorized Construction Lender
Representative. Each Requisition shall state whether such Requisition is to be funded
with funds on deposit in the Tax-Exempt Proceeds Subaccount, the Taxable Proceeds
Subaccount or the Equity Account. The Trustee shall have no duty to determine whether
any requested disbursement from the Loan Fund complies with the Construction Phase
Credit Documents. The countersignature of the Authorized Construction Lender
Representative on a Requisition shall be deemed a certification and, solely insofar as the
Trustee and the Issuer are concerned (and not insofar as the Borrower is concerned),
constitute conclusive evidence, that all of the terms, conditions and requirements of the
Construction Phase Credit Documents applicable to the disbursement have been fully
satisfied or waived. The Trustee shall, immediately upon each receipt of a completed
Requisition signed by the Authorized Borrower Representative and countersigned by an
Authorized Construction Lender Representative, initiate procedures with the provider of
the Investment Agreement applicable to the Loan Fund, if any, to make withdrawals
under that Investment Agreement as necessary to fund the Requisition.
(2) If a Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative is received by the Trustee by noon, prevailing California time, on any given Business Day, the Trustee shall pay the requested disbursement within two Business Days (for this purpose, including in the definition of “Business Day” only clauses (i) and (iii) of such definition), or, if an Investment Agreement is in effect with respect to such funds, within two Business Days after funds are received by the Trustee from the provider of the relevant Investment Agreement. If a Requisition signed by the Authorized Borrower Representative and countersigned by an Authorized Construction Lender Representative is received by the Trustee after noon, prevailing California time, on any given Business Day, the Trustee shall pay the requested disbursement within three of the above counted Business Days.

(b) Transfers to Effect Certain Mandatory Redemptions of Bonds. On or before the Conversion Date (and, if applicable, from time to time after the Conversion Date) the Trustee shall transfer to the Redemption Account the amount remaining on deposit in the Loan Fund, excluding from such transfer such amounts as the Loan Servicer, and prior to the Conversion Date, the Construction Lender, determine are not required to pay Costs that are not yet due and payable or which are being contested in good faith. The Trustee shall apply any amounts so transferred to the redemption of Bonds from amounts in the Loan Fund not required to pay Costs of the Mortgaged Property.

(1) If the Credit Provider notifies the Trustee that either (i) the Final Conditions to Conversion have not been satisfied on or before the Termination Date or (ii) a Borrower Default has occurred or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under any Construction Phase Credit Document, then:

(A) the Trustee shall not make any further disbursement from the Loan Fund in accordance with subsection (b)(1) above; and

(B) the Trustee shall transfer any amounts remaining on deposit in the Loan Fund to the Redemption Account three Business Days prior to the Redemption Date determined for the redemption of the Bonds upon a failure of Conversion to occur.

(2) The Trustee shall apply any amounts so transferred to the Redemption Account to the redemption of Bonds upon a failure of Conversion to occur. If, however, the Trustee purchases the Bonds for the account of the Construction Lender pursuant to the Indenture, the Trustee shall make the transfer described in clause (B) above on such later date as the Construction Lender shall specify, but in any event not later than three years after the Closing Date. Immediately prior to any mandatory redemption of the Bonds in whole upon the use of insurance proceeds to prepay the Loan or upon a transfer from the Principal Reserve Fund pursuant to the Indenture, any amounts then remaining in the Loan Fund shall, at the written direction of the Credit Provider, be transferred to the Redemption Account to be applied to the redemption of Bonds pursuant to the applicable provision.

Revenue Fund – Interest Account

Deposits into the Interest Account. The Trustee shall deposit each of the following amounts into the Interest Account:
(i) moneys provided by or on behalf of the Borrower relating to an interest payment, including any prepayment, under the Note whether paid pursuant to the Assignment or otherwise;

(ii) moneys provided by or on behalf of the Borrower for the payment of the Facility Fee to the Credit Provider under the Reimbursement Agreement whether paid pursuant to the Assignment or otherwise;

(iii) moneys transferred from the Capitalized Funds Account pursuant to the Indenture whether to pay accrued interest on the Bonds, the Facility Fee to the Credit Provider under the Reimbursement Agreement or otherwise;

(iv) all Investment Income on the Funds and Accounts (except that (1) Investment Income earned on amounts on deposit in the Accounts of the Loan Fund, the Rebate Fund, the Costs of Issuance Borrower’s Deposit Account and the Principal Reserve Fund shall be credited to and retained in those respective Funds or Accounts and (2) Investment Income earned on amounts on deposit in the Capitalized Funds Account will be credited to and transferred to the Project Account); and

(v) any other moneys made available for deposit into the Interest Account from any other source.

Disbursements from the Interest Account. The Trustee shall disburse or transfer, as applicable, moneys on deposit in the Interest Account at the following times and apply such moneys in the following manner and in the following order of priority:

(i) On each (A) Interest Payment Date on or prior to the Conversion Date, (B) Interest Payment Date after the Conversion Date during any Reset Period or Fixed Rate Period, (C) Redemption Date and (D) date of acceleration of the Bonds, the Trustee shall disburse to the Credit Provider the amount of any Advance under the Credit Facility relating to the payment of interest on the Bonds unless the Credit Provider is Fannie Mae and Fannie Mae has been or is being reimbursed by the Loan Servicer for the amount of such Advance;

(ii) In the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, the Trustee shall disburse to the Bondholders on each Interest Payment Date, an amount equal to the interest due on the Bonds on such date;

(iii) On each Interest Payment Date on or before the Conversion Date, the Trustee will disburse to the Credit Provider the amount of its Facility Fee;

(iv) If the Credit Provider or the Loan Servicer gives a written notice to the Trustee at any time to the effect that there is any unreimbursed Advance under the Credit Facility or any other amount required to be paid by the Borrower to the Credit Provider under the Loan Documents, the Bond Documents or the Credit Facility Documents remains unpaid, then the Trustee shall transfer any Investment Income earned on or transferred to the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable, to the Credit Provider but not in an amount which exceeds the amount stated as unpaid by the Credit Provider in its notice to the Trustee; and

(v) Unless there is (A) a deficiency in the Principal Reserve Fund, the Fees Account or the Rebate Fund or (B) other than as described in paragraph (iii) above, an Event of Default under the Reimbursement Agreement or any Bond Document or a default under any Loan
Document has occurred and is continuing, on each Interest Payment Date the Trustee shall disburse to the Borrower the Investment Income earned on the Interest Account from and after the preceding Interest Payment Date or the Closing Date, as applicable; if a deficiency exists in the Principal Reserve Fund, the Fees Account or the Rebate Fund, such Investment Income shall be transferred to the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

**Borrower Bond Account**

There will be deposited into the Borrower Bond Account the payments, if any, made by the Borrower under the Note in respect of Borrower Bonds. No other moneys will be deposited into the Borrower Bond Account. Moneys in the Borrower Bond Account will be used solely to make payments due in respect of Borrower Bonds, subject to the Indenture. Failure to make such deposits will not constitute an Event of Default under the Indenture or any of the Transaction Documents.

**Revenue Fund – Redemption Account**

**Deposits into the Redemption Account.** The Trustee shall deposit each of the following amounts into the Redemption Account:

(i) Available Moneys provided by or on behalf of the Borrower to fund the premium payable on Bonds, if any, in connection with a redemption of such Bonds, which amounts shall be held in a segregated subaccount in the Redemption Account;

(ii) moneys transferred from the Loan Fund to effect certain mandatory redemptions of Bonds;

(iii) moneys provided by or on behalf of the Borrower relating to a principal payment, including any prepayment under the Note;

(iv) moneys transferred from the Principal Reserve Fund; and

(v) any other amount received by the Trustee and required by the terms of the Indenture or the Financing Agreement to be deposited into the Redemption Account.

**Disbursements from the Redemption Account.** On each Redemption Date, date of acceleration of the Bonds and Maturity Date, the Trustee shall disburse from the Redemption Account (i) to the Credit Provider, the amount of any Advance under the Credit Facility relating to the payment of principal on the Bonds unless the Credit Provider is Fannie Mae and Fannie Mae has been or is being reimbursed by the Loan Servicer for the amount of such Advance, or (ii) in the event of a Wrongful Dishonor, to the Bondholders, an amount equal to the principal due on the Bonds on such date. In addition, on any date on which premium payable on Bonds in connection with a redemption of such Bonds is due, the Trustee shall disburse to the Bondholders, from the segregated subaccount in the Redemption Account, Available Moneys in an amount sufficient to pay such premium.

**Disbursements from the Redemption Account for Sinking Fund Payments.**

(i) Application of Moneys. Provided that no notice of optional redemption has been sent to Bondholders on or before the 30th day preceding a Sinking Fund Payment Date, at the written instruction of the Issuer (acting through an Authorized Officer), at the written direction of the Borrower and with the prior written consent of the Credit Provider, the Trustee shall apply
any Available Moneys accumulated in the Redemption Account on or before the 30th day preceding such Sinking Fund Payment Date to the purchase of Bonds of the same series and maturity for which such Sinking Fund Payment was established at prices (including any brokerage and other charges) not exceeding the redemption price for such Bonds plus accrued and unpaid interest to the date of purchase, such purchase to be made in such manner as the Trustee (after consultation with the Issuer, the Borrower and the Credit Provider) determines. The Borrower shall provide a copy of such direction to the Loan Servicer concurrently with delivery to the Trustee.

(ii) **Credit Toward Sinking Fund Payment.** Upon the purchase of any Bond on a Sinking Fund Payment Date, such Bond shall be cancelled by the Trustee and an amount equal to the principal amount of the Bond so purchased will be credited toward the Sinking Fund Payment next due with respect to the Bonds of such maturity. In the event the Trustee is able to purchase Bonds at a price less than the redemption price at which such Bonds were to be redeemed, then, presuming no notice of redemption has been sent to Bondholders, after payment by the Trustee of the purchase price of such Bonds and after payment of any other amounts due on the due date of such Sinking Fund Payment, the Trustee shall pay an amount not greater than the difference between the amount of such purchase price and the amount of such redemption price to, or at the written direction of, the Borrower.

(iii) **Redemption.** As soon as practicable after the 30th day preceding the due date of any such Sinking Fund Payment, and otherwise as provided in the Indenture, the Trustee shall give notice of redemption of Bonds in such amount as is necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall call such Bonds for redemption whether or not it then has moneys in the Redemption Account sufficient to pay the applicable redemption price of the Bonds to be redeemed on the Redemption Date. The Trustee shall pay the amount required for the redemption of the Bonds so called for redemption from the Funds specified in the Article of the Indenture summarized in this paragraph, in the order of priority indicated, and such amount will be applied by the Trustee to such redemption.

**Revenue Fund – Credit Facility Account**

*Deposits into the Credit Facility Account.* The Trustee shall deposit into the Credit Facility Account all Advances under the Credit Facility, except for Advances on account of the Issuer’s Fee and Pledged Bond Advances. No other moneys will be deposited into the Credit Facility Account and the Credit Facility Account shall be maintained as a segregated account and moneys in it shall not be co-mingled with any other moneys held under the Indenture. The Credit Facility Account shall be closed at such time as the Credit Provider has no continuing liability under the Credit Facility.

*Transfers from the Credit Facility Account.* Amounts deposited into the Credit Facility Account will be applied on the date payment is due to the payments for which the Advance was made pursuant to the Credit Facility.

**Revenue Fund – Fees Account**

The Trustee shall deposit into the Fees Account the (i) moneys transferred from the Capitalized Funds Account pursuant to the Indenture; (ii) payments made by the Borrower under the Financing Agreement attributable to the Third Party Fees, (iii) payments made by the Borrower under the Financing Agreement attributable to the Fees and Expenses and (iv) amounts, if any, derived from the Credit Facility for the payment of the Issuer’s Fee. On any date on which any amounts are required to pay any
Third Party Fees, such amounts shall be withdrawn by the Trustee from the Fees Account for payment of such Third Party Fees to the appropriate party, provided, however, that amounts derived from the Credit Facility and deposited into the Fees Account will be used only to pay the Issuer’s Fee when due.

**Costs of Issuance Fund**

On or before the Closing Date the Borrower shall deliver the Costs of Issuance Borrower’s Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Costs of Issuance Borrower’s Deposit into the Costs of Issuance Borrower’s Deposit Account. On the Closing Date, the Trustees shall deposit any Bond Proceeds received to pay Costs of Issuance into the Costs of Issuance Bond Proceeds Account.

The Trustee shall disburse moneys on deposit in the Costs of Issuance Fund, pursuant to requisitions signed by an Authorized Borrower Representative, to pay Costs of Issuance. Moneys on deposit in the Costs of Issuance Borrower’s Deposit Account shall not be part of the Trust Estate and shall be used solely to pay Costs of Issuance. Any moneys remaining in the Costs of Issuance Borrower’s Deposit Account six months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower.

**Rebate Fund**

The Trustee shall hold and apply the Rebate Fund as provided in the Tax Certificate.

**Bond Purchase Fund**

*Deposits into Bond Purchase Fund.* The Trustee shall deposit each of the following into the Bond Purchase Fund:

(i) remarketing proceeds received upon the remarketing of Tendered Bonds to any person;

(ii) Pledged Bond Advances under the Credit Facility to enable the Trustee to pay the purchase price of Tendered Bonds to the extent that moneys obtained pursuant to paragraph (i) are insufficient on any date to pay the purchase price of Tendered Bonds, which amounts the Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date, and

(iii) moneys received from the Borrower to the extent that moneys obtained pursuant to paragraphs (i) and (ii) are insufficient on any date to pay the purchase price of Tendered Bonds.

Subject to the provisions of the Indenture permitting reimbursement of amounts owed to the Credit Provider, moneys in the Bond Purchase Fund shall be held uninvested and exclusively for the payment of the purchase price of Tendered Bonds. Amounts held to pay the purchase price for more than two years shall be applied in the same manner as provided in the Indenture with respect to unclaimed payments of principal and interest.

*Disbursements from the Bond Purchase Fund.* The Trustee shall transfer to the Tender Agent on or before 3:00 p.m. Eastern time on each Tender Date amounts on deposit in the Bond Purchase Fund to pay the purchase price of Tendered Bonds. The Tender Agent shall apply such amounts to pay the
purchase price of Bonds purchased under the Indenture to the former owners of such Bonds upon presentation of the Bonds to the Tender Agent pursuant to the Indenture.

**Principal Reserve Fund**

*Deposits into the Principal Reserve Fund.* The Trustee shall deposit into the Principal Reserve Fund all of the monthly payments made by the Borrower in accordance with the Principal Reserve Schedule, as such schedule may be amended in writing in accordance with the Reimbursement Agreement. Investment Income earned on amounts on deposit in the Principal Reserve Fund shall be retained in the Principal Reserve Fund. The Trustee may rely upon the Schedule of Deposits to Principal Reserve Fund attached to the Reimbursement Agreement provided to it as of the Conversion Date until it is furnished an amended schedule by the Credit Provider or the Loan Servicer.

*Disbursements from the Principal Reserve Fund.* The Trustee shall pay, apply or transfer amounts on deposit in the Principal Reserve Fund as follows:

(i) at the written direction of the Credit Provider, to the Credit Provider to reimburse the Credit Provider for any unreimbursed Advance under the Credit Facility and to pay any other amounts required to be paid by the Borrower under the Loan Documents, the Bond Documents or the Credit Facility Documents (including any amounts required to be paid to the Credit Provider);

(ii) at the written direction of the Credit Provider, with the written consent of the Borrower (so long as an Event of Default has not occurred and is not continuing under any of the Credit Facility Documents), to the Credit Provider or the Borrower, as the Credit Provider elects, to make improvements or repairs to the Mortgaged Property;

(iii) at the written direction of the Credit Provider, if a default has occurred under the Credit Facility Documents, any Loan Document or any Bond Document, to the Credit Provider for any use approved in writing by the General Counsel of the Credit Provider;

(iv) at the written direction of the Credit Provider, if a new mortgage and mortgage note have been substituted for the Security Instrument and the Note in accordance with the Loan Documents, or if the Borrower otherwise consents in writing, for any use approved in writing by the General Counsel of the Credit Provider;

(v) on each Adjustment Date, to the Redemption Account;

(vi) during a Weekly Variable Rate Period, if the aggregate amount on deposit in the Principal Reserve Fund (excluding all Investment Income) on the tenth day of any month is at least $100,000 greater than the Principal Reserve Amount, then all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of $100,000) in excess of the Principal Reserve Amount shall be transferred, on the next earliest Interest Payment Date for which notice of redemption can be given under the Indenture, to the Redemption Account to be applied to the redemption of Taxable Bonds until all of the Taxable Bonds are redeemed; following redemption of all of the Taxable Bonds, if the aggregate amount on deposit in the Principal Reserve Fund (excluding all Investment Income) on the tenth day of any month is at least $100,000 greater than the Principal Reserve Amount, then all amounts on deposit in the Principal Reserve Fund (rounded downward to the nearest multiple of $100,000) in excess of the Principal Reserve Amount shall be transferred, on the next earliest Interest Payment Date for which notice of redemption under the Indenture can be given, to the Redemption Account to be applied to the redemption of Tax-Exempt Bonds; and
(vii) on the Interest Payment Date following receipt by the Trustee of Investment Income on moneys in the Principal Reserve Fund, pay such Investment Income to the Borrower, provided that there is no deficiency in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, and that no default exists under the Credit Facility Documents, any Loan Document or any Bond Document; if a deficiency exists in the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account or the Rebate Fund, the Trustee shall transfer such Investment Income to the Interest Account, the Redemption Account, the Principal Reserve Fund, the Fees Account and/or the Rebate Fund, in that order of priority, prior to any payment to the Borrower.

Nonpresentment of Bonds

In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for two years after such principal has become due and payable, such amounts, to the extent amounts are owed to the Credit Provider as set forth in a written statement of the Credit Provider addressed to the Trustee, shall be paid to the Credit Provider, with any excess to be paid to the Borrower. Upon such payment, all liability of the Issuer and the Trustee to the holder of any Bond for the payment of such Bond will cease and be completely discharged, provided, however, that the Trustee, before being required to make any such payment to the Credit Provider or the Borrower, shall cause to be published once in a financial newspaper or journal of general circulation in New York, New York, notice that such moneys remain unclaimed and that, after a date specified in such notice, which will not be less than 30 days from the date of such publication, any unclaimed balance of such moneys then remaining will be paid to the Credit Provider or the Borrower.

Investment Limitations

Moneys held as part of any Fund or Account shall be invested and reinvested in Permitted Investments. Permitted Investments shall have maturities corresponding to, or shall be available for withdrawal without penalty no later than, the dates upon which such moneys shall be needed for the purpose for which such moneys are held. Moneys on deposit in the (i) Interest Account shall be invested only in investments described in paragraphs (a), (b), (c), and (h) of the definition of Permitted Investments, (ii) Redemption Account shall be invested only in investments described in paragraph (a) of the definition of Permitted Investments, with a term not exceeding the earlier of 30 days from the date of investment of such moneys or the date or dates that such moneys are anticipated to be required for redemption, (iii) Credit Facility Account and Bond Purchase Fund shall be held uninvested and (iv) Costs of Issuance Fund, until transferred, disbursed or returned to the Borrower shall be invested only in investments described in paragraph (h) of the definition of Permitted Investments. Subject to the foregoing, the Borrower may select all Permitted Investments by written direction to the Trustee; if the Borrower fails to provide direction to the Trustee, the Trustee shall invest such moneys in investments described in paragraph (h) of the definition of Permitted Investments or in the case of the Redemption Account, in investments described in paragraph (a) of the definition of Permitted Investments, or, in the case of the Credit Facility Account and the Bond Purchase Fund, shall hold the moneys invested. All Investment Income from moneys held in all Funds and Accounts other than the Project Account, the Rebate Fund, the Costs of Issuance Deposit Borrower's Deposit Account, the Borrower Bond Account and the Principal Reserve Fund, upon receipt, shall be deposited into the Interest Account. Investment Income from moneys held in the Project Account, the Rebate Fund, the Costs of Issuance Borrower's Deposit Account, the Borrower Bond Account and the Principal Reserve Fund shall remain in the respective Fund where earned. Investment income from moneys held in the Capitalized Funds Account shall be transferred to and deposited into the Project Account.
Limitations on Rights of Credit Provider

All provisions in the Indenture regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned in such provisions (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) after the Credit Facility ceases to be valid and binding on the Credit Provider for any reason, or is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the Credit Provider’s right to notices and the payment of amounts due to the Credit Provider shall continue in full force and effect.

References to Credit Provider When No Credit Facility is in Effect

All provisions of the Indenture relating to the rights of the Credit Provider shall be of no force or effect if there is no Credit Facility in effect and there are no Pledged Bonds and all amounts owing to the Credit Provider under the Credit Facility Documents have been paid. In such event, all references to the Credit Provider shall have no force or effect.

Credit Provider to Control Insolvency Proceedings

Each Bondholder, by its purchase of Bonds, the Trustee and the Issuer agree that the Credit Provider may at any time during the continuation of an insolvency proceeding of the Issuer or the Borrower direct all matters relating to the Bonds in any such proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal.

Rights of Construction Lender

The Issuer and the Trustee acknowledge that, prior to the Conversion Date, but subject to the applicable terms and conditions of the Construction Phase Financing Agreement, the Construction Lender may, by assignment from the Credit Provider, succeed to the interests of the Credit Provider under the Bond Documents and the Loan Documents with the authority to exercise the rights otherwise granted to the Credit Provider under the Bond Documents and the Loan Documents.

Discharge of Lien and Security Interest

Upon satisfaction of the conditions set out in the paragraph below, the Trustee shall (i) cancel and discharge the Indenture and the pledge and assignment of the Security, (ii) execute and deliver to the Issuer such instruments in writing prepared by the Issuer or its counsel and provided to the Trustee and the Credit Provider as may be required to cancel and discharge the Indenture and the pledge and assignment of the Trust Estate and the Borrower Bond Trust Estate, (iii) reconvey, assign and deliver to the Issuer so much of the Trust Estate and the Borrower Bond Trust Estate as may be in its possession or subject to its control (except for (A) moneys and Government Obligations held for the purpose of paying Bonds (other than Borrower Bonds) and (B) moneys and Investments held in the Rebate Fund for payment to the United States Government) who shall, in turn, convey, assign and deliver the remaining Trust Estate to the Borrower and (iv) return the Credit Facility to the Credit Provider.

The conditions precedent to the cancellation and discharge of the Indenture and the other actions described above are (i) payment in full of the Bonds (other than Borrower Bonds), (ii) payment of the Trustee’s Annual Fee and the Trustee’s ordinary costs and expenses under the Indenture, (iii) receipt by
the Trustee of a written statement from the Credit Provider stating that all obligations owed to the Credit Provider under the Credit Facility Documents have been fully paid, (iv) payment of all Extraordinary Items, (v) receipt by the Trustee of a written statement from the Issuer stating that all amounts owed to the Issuer in respect of Reserved Rights have been fully paid, (vi) if discharge is to occur prior to the Conversion Date, receipt by the Trustee of a written statement from the Construction Lender stating that all amounts owing to Construction Lender have been paid in full, (vii) receipt by the Trustee of an Opinion of Counsel, at the expense of the Borrower, stating that all conditions precedent to the satisfaction and discharge of the Indenture have been satisfied, and (viii) cancellation or payment in full of the Borrower Bonds, if any, but such payment to be made solely out of the Borrower Bond Trust Estate.

Events of Default

Each of the following constitutes an Event of Default under the Indenture:

(i) default in the payment when due and payable of any interest due on any Bond (other than an Excluded Bond) or, unless the Construction Lender specifies otherwise by written notice to the Trustee, on any Special Purchase Bond;

(ii) default in the payment when due and payable of (i) the principal of or any redemption premium on any Bond (other than an Excluded Bond) or, unless the Construction Lender specifies otherwise by written notice to the Trustee, Special Purchase Bond at maturity or upon any redemption, or (ii) the purchase price of any Tendered Bond (other than an Excluded Bond);

(iii) written notice to the Trustee from the Credit Provider (with a copy to the Loan Servicer and the Construction Lender (prior to the Conversion Date)) of a default by the Issuer in the observance or performance of any covenant, agreement, warranty or representation on the part of the Issuer included in the Indenture or in the Bonds (other than an Event of Default set forth in paragraph (i) or (ii) above) and the continuance of such default for a period of 30 days after the Trustee receives such notice;

(iv) written notice to the Trustee from the Credit Provider of an Event of Default under the Reimbursement Agreement;

(v) written notice to the Trustee from the Credit Provider of an Act of Bankruptcy; or

(vi) a Wrongful Dishonor.

Non Default and Prohibition of Mandatory Redemption Upon Tax Event

The occurrence of any event ("Tax Event") which results in the interest payable on the Tax-Exempt Bonds being includable, for federal income tax purposes, in the gross income of the Owners of the Tax-Exempt Bonds, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, shall not (i) directly or indirectly constitute an Event of Default under the Indenture or permit any party (other than the Credit Provider) to accelerate, or require acceleration of, the Loan or any of the Bonds, unless the Credit Provider provides written notice to the Trustee that such Tax Event constitutes a default under the Reimbursement Agreement, or (ii) give rise to a mandatory redemption of any of the Bonds, or (iii) give rise to the payment to the Owners of the Tax-Exempt Bonds of any amount, denoted as "supplemental interest," "additional interest," "penalty interest," "liquidated damages," "damages" or otherwise, in addition to the amounts payable to the Owners of the Tax-Exempt Bonds.
Bonds prior to the occurrence of the Tax Event. Nothing contained in the provisions of the Indenture summarized in this paragraph will be deemed to amend or supplement the terms of the Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee, by notice in writing to the Construction Lender, the Credit Provider, the Loan Servicer, the Owners of the Tax-Exempt Bonds and the Remarketing Agent, shall state that a Tax Event has occurred and whether the Tax Event has been cured, is curable within a reasonable period or is incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Loan, to enforce the Note or to foreclose the Security Instrument, to accept a deed to the Mortgaged Property in lieu of foreclosure, or to effect any other comparable conversion of the Loan.

Remedies

**Acceleration.** The Bonds shall be subject to acceleration upon:

(i) the occurrence and during the continuance of a Wrongful Dishonor, the Trustee may, and, upon the written request of Bondholders (of Bonds other than Excluded Bonds) owning not less than 51 percent in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding, shall, by written notice to the Issuer, the Borrower, the Construction Lender, the Credit Provider and the Loan Servicer, declare the principal of all Bonds (other than Excluded Bonds) and the interest accrued, and to accrue, on the Bonds (other than Excluded Bonds) to the date of payment immediately due and payable; or

(ii) the occurrence of any other Event of Default under the Indenture, the Trustee may, upon receiving the prior written consent of the Credit Provider, and shall, upon the written direction of the Credit Provider requiring that the Bonds (other than Excluded Bonds) be accelerated pursuant to this subsection, by written notice to the Issuer, the Borrower, the Credit Provider, the Construction Lender and the Loan Servicer, declare the principal of all Bonds (other than Excluded Bonds) and the interest accrued, and to accrue, on the Bonds (other than Excluded Bonds) to the date of declaration immediately due and payable.

Upon acceleration, all Excluded Bonds shall be canceled.

Upon any decision to accelerate payment of the Bonds (other than Excluded Bonds), the Trustee shall notify the Construction Lender and the Bondholders (other than the holders of Excluded Bonds) of the declaration of acceleration, that, in the event of acceleration, interest on the Bonds will cease to accrue upon such declaration, and payment of the Bonds will be made upon presentment of the Bonds at the Designated Office of the Trustee. Such notice shall be sent by registered mail or overnight delivery service, postage or charges prepaid, or, at the Trustee’s option, may be given by Electronic Means to each Registered Owner of Bonds (other than Excluded Bonds) at such Registered Owner’s last address appearing in the Bond Register. Any defect in or failure to give notice of such declaration will not affect the validity of such declaration.

**Other Remedies.** Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, with or without acceleration, but only with the prior written consent of the Credit Provider, pursue any of the following remedies:

(i) an action in mandamus or other suit, action or proceeding at law or in equity (A) to enforce the payment of the principal of and interest and any premium on the Bonds (other than Excluded Bonds), (B) for the specific performance of any covenant or agreement contained in the
Indenture, the Financing Agreement or the Regulatory Agreement or (C) to require the Issuer to carry out any other covenant or agreement with Bondholders (other than the holders of Excluded Bonds) and to perform its duties under the Housing Law;

(ii) the liquidation of the Trust Estate and the Borrower Bond Trust Estate; or

(iii) an action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders (other than the holders of Excluded Bonds) and to 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 (other than the holders of Excluded Bonds) against the Issuer allowed in any bankruptcy or other proceeding.

Waiver. Subject to the conditions precedent set out below, (i) the Trustee may waive, (ii) the Trustee shall waive if directed to do so by the Credit Provider and the Construction Lender in writing, and (iii) Bondholders owning not less than 51 percent in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding may waive, by written notice to the Trustee, any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of maturity of principal. The conditions precedent to any waiver are:

(i) unless the waiver is directed by the Credit Provider and the Construction Lender, the Credit Provider and the Construction Lender must consent to such waiver in writing;

(ii) the principal and interest on the Bonds (other than Excluded Bonds) in arrears, together with interest thereon (to the extent permitted by law) at the applicable rate or rates of interest borne by the Bonds must be paid or provided for by the Borrower in Available Moneys or by the Credit Provider and all fees and expenses of the Trustee must be paid or provided for by the Borrower or the Credit Provider; and

(iii) after the waiver, the Credit Facility must remain in effect in an amount equal to the aggregate principal amount of the Bonds Outstanding (other than Excluded Bonds) plus the Interest Requirement, provided, that if the Credit Facility will not remain in effect after the waiver, such waiver will be permitted only if (i) the Issuer consents to the waiver, (ii) the Rating Agency then rating the Bonds is notified of the waiver and that the Credit Facility will not remain in effect after the waiver, (iii) the Trustee gives written notice to the Bondholders that after the waiver no Credit Facility will be in effect and that the ratings on the Bonds may be reduced or withdrawn upon the occurrence of such waiver and (iv) 100% of the Bondholders (other than the holders of Excluded Bonds) give their written consent to the waiver.

Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes and the Issuer, the Borrower, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture. No waiver of any default or Event of Default shall extend to or affect any subsequent default or Event of Default or shall impair any right or remedy arising as a result of such default or Event of Default.

Rights of the Credit Provider and the Bondholders to Direct Proceedings

Rights to Direct Proceedings. Notwithstanding anything contained in the Indenture to the contrary, the Credit Provider itself or Bondholders owning not less than 51 percent in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding, but only with the prior written consent of the Credit Provider, and, prior to the Conversion Date, the Construction Lender, shall have the right, at
any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and provided that the Trustee will be indemnified to its reasonable satisfaction (except for actions required under the Indenture).

Limitations on Bondholders’ Rights. No Bondholder has or shall have the right to enforce the provisions of the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document or to institute any proceeding in equity or at law for the enforcement of the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document or to take any action with respect to an Event of Default under, and as respectively defined in, the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document, or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, the Financing Agreement, the Regulatory Agreement or any other Transaction Document upon any default or Event of Default provided that any holder of Bonds (other than Excluded Bonds) may take one or more of the foregoing actions if (i) such default or Event of Default is a Wrongful Dishonor, (ii) such Bondholder has given the Trustee, the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer and the Borrower written notice of the Event of Default, (iii) the holders of not less than 51% in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding have requested the Trustee in writing to institute such proceeding, (iv) the Trustee has been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, (v) the Trustee has been offered reasonable indemnity, where required, and (vi) the Trustee has thereafter failed or refused to exercise such powers or to institute such proceeding within a reasonable period of time. No Bondholder has or shall have any right in any manner whatever to affect, disturb or prejudice the pledge of revenues or of any other moneys, Funds, Accounts or securities under the Indenture. Except as provided in this subsection, no Bondholder has or shall have the right, directly or indirectly, individually or as a group, to seek to enforce, collect amounts available under, or otherwise realize on, the Credit Facility.

The Trustee

Qualification of Trustee. The Trustee and any successor Trustee shall at all times be a bank or trust company organized under the laws of the United States of America or any state, authorized under such laws to exercise corporate trust powers, having a combined capital stock, surplus and undivided profits of at least $50,000,000 (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the Trustee) and subject to supervision or examination by federal or state banking authority.

Resignation or Removal of Trustee. The Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Credit Provider, the Construction Lender, the Loan Servicer, the Borrower and to each Registered Owner of Bonds then Outstanding as shown on the Bond Register. The Trustee may be removed at any time upon 30 days prior written notice to the Trustee, (i) by the Issuer, with the prior written consent of the Construction Lender (prior to the Conversion Date) and the Credit Provider, (ii) by the owners of not less than 51 percent in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding, which written instrument shall designate a successor Trustee approved by the Construction Lender (prior to the Conversion Date) and the Credit Provider, or (iii) by the Credit Provider, with the prior written consent of the Issuer, which consent shall not be unreasonably withheld. Such resignation or removal shall not be effective until a successor Trustee satisfying the requirements the Indenture is appointed and has accepted its appointment.
Tender Agent

The Tender Agent will designate to the Trustee, the Issuer, the Remarketing Agent and the Credit Provider its Designated Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Trustee under which such Tender Agent will agree particularly to:

(i) act as agent for the Trustee for the purpose of authenticating, accepting delivery of and delivering Bonds in accordance with the Indenture relating to authentication and delivery of Bonds;

(ii) forward to the Trustee immediately after completion of such authentication the names, addresses, taxpayer identification numbers or social security numbers of all persons in whose names the Bonds are to be registered;

(iii) deliver authenticated and registered Bonds to or to the order of the persons in whose names such Bonds are registered;

(iv) as agent for the Trustee, hold all moneys delivered to it for the purchase of Bonds in trust in the Bond Purchase Fund for the account of the person who delivered such moneys until the Bonds purchased with such moneys have been registered, authenticated and delivered to or to the order of such person; and

(v) hold all Bonds delivered to it for purchase in trust for the owner of such Bonds until such owner has received the purchase price for such Bonds.

The Tender Agent shall be entitled to the same protections, immunities and limitations from liability afforded the Trustee under the Indenture. The Issuer shall cooperate with the Trustee, the Borrower and the Credit Provider to cause the necessary arrangements to be made and to be continued by which amounts from the sources specified in the Indenture and in the Financing Agreement shall be made available for the purchase of Bonds presented at the Designated Office of the Tender Agent, and by which Bonds, executed by the Issuer and to be authenticated by the Tender Agent, shall be made available to the Tender Agent to the extent necessary for delivery pursuant to the Indenture.

Resignation or Removal of Tender Agent. The Tender Agent may resign by giving no less than 30 days prior written notice to the Borrower, the Trustee, the Credit Provider, the Loan Servicer and the Issuer. The Tender Agent may be removed by the Issuer with the prior written consent of the Credit Provider, by an instrument signed by the Issuer stating the reason for such removal filed with the Tender Agent, the Trustee, and the Credit Provider. The Trustee or the Credit Provider is authorized, with the prior written consent of the Issuer and the Credit Provider or the Trustee, as applicable, to remove the Tender Agent. No removal of the Tender Agent shall be effective until a successor Tender Agent has been appointed by the Issuer with the prior written consent of the Credit Provider and has accepted such appointment. Failing such appointment by the Issuer, the Credit Provider shall have the right to appoint a successor Tender Agent acceptable to the Issuer. Any successor Tender Agent shall be a trust company or bank having trust powers and in good standing, within or without the State, having trust powers. The provisions of the Indenture summarized in this paragraph shall apply if the resignation of the Tender Agent is due to the fact that the Tender Agent no longer exists. In no event shall the resignation or removal of the Tender Agent take effect prior to the date a successor Tender Agent has been appointed and is serving under the Indenture and the Tender Agent Agreement. The Trustee, when acting as Tender Agent, may transfer the Tender Agent’s duties to any related affiliate without further act or approval.
Supplemental Indentures Not Requiring Bondholder Consent

The Issuer and the Trustee, without the consent of or notice to any Bondholder, may enter into an indenture or indentures supplemental to the Indenture for one or more of the following purposes:

(i) to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture;

(ii) to amend, modify or supplement the Indenture in any respect if, in the judgment of the Trustee, such amendment, modification or supplement is not materially adverse to the interests of the Bondholders;

(iii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture;

(iv) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit qualification of the Indenture or any supplemental indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect, or to permit the qualification of the Bonds for sale under the securities laws of any of the States of the United States of America;

(v) to appoint a successor trustee, separate trustee or co trustee, or a separate Tender Agent or Bond Registrar;

(vi) to make any change requested by the Credit Provider which, in the judgment of the Trustee, is not materially adverse to the interests of the Bondholders, including, but not limited to, provision of a Credit Facility other than or in substitution for the initial Credit Facility, provided that the provision of such other Credit Facility does not adversely affect the rating then in effect for the Bonds;

(vii) to make any changes in the Indenture or in the terms of the Bonds necessary or desirable in order to maintain the then current rating awarded to the Bonds by the Rating Agency or otherwise to comply with requirements of any Rating Agency then rating the Bonds;

(viii) to comply with the Code and the regulations and rulings issued with respect to the Code, to the extent determined as necessary in the opinion of Bond Counsel;

(ix) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise be described in "Supplemental Indentures Requiring Bondholder Consent" below, (A) if such amendments will take effect on a Mandatory Tender Date following the purchase of Tendered Bonds or (B) if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture;
(x) to change any of the time periods for provision of notice relating to the remarketing of Bonds or the determination of the interest rate on the Bonds; or

(xi) to authorize the issuance of Additional Bonds.

If the Trustee has received written confirmation from the Rating Agency to the effect that such supplemental indenture will not result in the suspension, withdrawal or reduction of the then current rating on the Bonds and all conditions precedent in the Indenture have been satisfied, the Trustee shall join the Issuer in the execution of any such supplemental indenture. The Trustee promptly shall furnish a copy of any such supplemental indenture to the Credit Provider, the Construction Lender, the Remarketing Agent, the Tender Agent, the Loan Servicer and the Borrower.

Supplemental Indentures Requiring Bondholder Consent

Exclusive of supplemental indentures described in “Supplemental Indentures Not Requiring Bondholder Consent” above, the Issuer and the Trustee may, with the consent of Bondholders owning not less than 51% in aggregate principal amount of Bonds (other than Excluded Bonds) then Outstanding, from time to time, execute indentures supplemental to the Indenture for the purpose of modifying or amending any of the provisions of the Indenture provided, however, that nothing in the Section of the Indenture summarized in this paragraph shall be construed as permitting:

(i) an extension of the maturity of the principal of or interest on, or the mandatory redemption date of, any Bond, without the consent of the owner of such Bond (other than the owners of any Excluded Bonds);

(ii) a reduction in the principal amount of, or the rate of interest on, any Bond, without the consent of the owner of such Bond (other than the owner of Excluded Bonds);

(iii) a preference or priority of any Bond or Bonds (other than Excluded Bonds) over any other Bond or Bonds, without the consent of the owners of all such Bonds (other than the owner of any Excluded Bonds);

(iv) the creation of a lien prior to or on parity with the lien of the Indenture (other than the parity lien in connection with issuance of Additional Bonds), without the consent of the owners of all of the Bonds (other than Excluded Bonds) then Outstanding;

(v) a change in the percentage of Bondholders necessary to waive an Event of Default under the Indenture or otherwise approve matters requiring Bondholder approval under the Indenture, including consent to any supplemental indenture, without the consent of the owners of all the Bonds (other than Excluded Bonds) then Outstanding;

(vi) a transfer, assignment or release of the Credit Facility (or modification of the provisions of the Indenture governing such transfer, assignment or release), other than as permitted by the Indenture or the Credit Facility, without the consent of the owners of all of the Bonds (other than Excluded Bonds) then Outstanding;

(vii) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, without the consent of the holders of all of the Bonds (other than Excluded Bonds) then Outstanding;
(viii) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture, without the consent of the holders of all of the Bonds (other than Excluded Bonds) then Outstanding; or

(ix) the amendment of the provisions of the Indenture summarized in this paragraph, without the consent of the holders of all of the Bonds (other than Excluded Bonds) then Outstanding.

The Trustee shall promptly furnish a copy of any such supplemental indenture to the Credit Provider, the Construction Lender, the Remarketing Agent, the Tender Agent, the Loan Servicer and the Borrower. Notice of any amendment pursuant to provisions of the Indenture summarized in this paragraph shall be given to the Bondholders promptly following the execution of such amendment.

**No Bondholder Consent Required for Amendment to Loan Documents**

Unless a Wrongful Dishonor has occurred and is continuing, the Credit Provider alone (with the concurrence of the Construction Lender, unless the change is required by law or will only take effect from or after the Conversion Date, in which case no concurrence of the Construction Lender shall be required) may consent to any amendment to the Loan Documents and no consent of the Bondholders is required; provided, however, that any amendment or substitution of the Note shall occur only following written confirmation of the Rating Agency that such amendment or substitution will not result in a reduction or withdrawal of the rating on the Bonds.

**Amendments to the Credit Facility**

The Credit Facility may only be amended, supplemented or otherwise changed in accordance with the following:

(a) *Replacement Credit Facility.* At the request of the Credit Provider, the Trustee shall exchange the Credit Facility with the Credit Provider for a new Credit Facility (a “Replacement Credit Facility”) issued by the Credit Provider, provided that there is delivered to the Trustee (i) a written confirmation from the Rating Agency to the effect that such exchange shall not adversely affect the rating then in effect for the Bonds and (ii) a written opinion of Bond Counsel to the effect that such exchange will not adversely affect the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. No such exchange shall require the approval of the Issuer, the Trustee or any of the Bondholders or constitute or require a modification or supplement to the Indenture.

(b) *Amendment of the Credit Facility.* The Trustee may consent, without the consent of the owners of the Bonds, to any amendment of the Credit Facility not addressed in paragraph (a) above which does not prejudice in any material respect the interests of the Bondholders.

(c) *Other Amendments of the Credit Facility.* Except as provided in paragraphs (a) and (b) above, the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority of the owners of all Outstanding Bonds (other than Excluded Bonds). No amendment may be made to the Credit Facility which would reduce the amounts required to be paid under the Credit Facility or change the time for payment of such amounts; provided, however, that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.
APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a 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, a copy of which is on file with the Trustee.

General

The Borrower agrees under the Financing Agreement to cause credit enhancement for the Loan or the Bonds (other than Borrower Bonds) and liquidity support for the Bonds (other than Borrower Bonds) to be in effect in the amounts and during the periods as required by the Indenture.

If any Tendered Bond is not remarketed on any Tender Date and a sufficient amount is not available in the Bond Purchase Fund for the purpose of paying the purchase price of such Bond, the Borrower agrees to cause to be paid to the Trustee pursuant to the Credit Facility or otherwise pay, by the applicable times provided in the Indenture, an amount equal to the principal amount of all Bonds tendered and not remarketed, together with interest accrued on such Bonds to the Tender Date.

Personal Liability of the Borrower

The obligations of the Borrower under the Note are secured by the Security Instrument and are non-recourse obligations, with certain exceptions. The obligations of the Borrower to make payments required by the Financing Agreement and under the Regulatory Agreements shall be (i) general obligations of the Borrower with recourse to the Borrower personally and (ii) subordinate and junior in priority, right of payment and all other respects to any and all obligations of the Borrower under the Loan Documents and to the Credit Provider under or in respect of the Credit Facility Documents.

Covenants of the Borrower

The Borrower will comply with all laws, ordinances, regulations and requirements of all duly constituted public authorities which may be applicable to the Mortgaged Property and all recorded lawful covenants and agreements relating to or affecting the Mortgaged Property, including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of improvements on the Mortgaged Property, fair housing, zoning and land use, and Leases (as such term is defined in the Security Instrument). The Borrower also will comply with all applicable laws that pertain to the maintenance and disposition of tenant security deposits. The Borrower will at all times maintain records sufficient to demonstrate compliance with these covenants. The Borrower will take appropriate measures to prevent, and will not engage in or knowingly permit, any illegal activities at the Mortgaged Property that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or otherwise materially impair the lien created by the Security Instrument. The Borrower represents and warrants that no portion of the Mortgaged Property has been or will be purchased with the proceeds of any illegal activity.

The Borrower will maintain its existence, continue to be duly qualified to do business in the State and will not terminate or dissolve. Subject to compliance with the Regulatory Agreement, the Borrower may, with the prior written consent of the Issuer, consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, but subject to the satisfaction of the following conditions: (i) the entity resulting from or surviving such merger or consolidation (if other than the Borrower) (“Surviving Entity”) is duly organized and existing in good standing and qualified to do
business in the State, (ii) if the Borrower does not survive the consolidation or merger, the Surviving Entity expressly assumes in writing all of the Borrower's obligations under the Financing Agreement and the other Borrower Documents and (iii) the Borrower delivers an opinion of Bond Counsel to the effect that such consolidation or merger will not cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

Subject to reasonable notice, the Issuer and the Trustee and the respective duly authorized agents of each have the right, during normal business hours, to enter the Mortgaged Property and any location containing records relating to any of the Borrower, the Mortgaged Property, the Loan and the Transaction Documents, to inspect, audit and make copies of the Borrower's records or accounts pertaining to the Borrower, the Mortgaged Property, the Loan, the Transaction Documents, and the Borrower's compliance with the Transaction Documents, and to require the Borrower, at the Borrower's sole expense, to furnish such documents to the Issuer and the Trustee, as the Issuer or the Trustee from time to time deem necessary in order to determine that the Borrower is in compliance with the Transaction Documents. The Borrower will make available to the Issuer and the Trustee such other information concerning the Borrower, the Mortgaged Property, the Loan and the Transaction Documents as any of them may reasonably request.

The Borrower will file such certificates and other reports with the Issuer and the Trustee as are required by the Transaction Documents. The Borrower will provide to the Issuer all information necessary to enable the Issuer to complete and file all forms and reports required by the laws of the State and the Code in connection with the Mortgaged Property and the Bonds.

The Borrower covenants that it will comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in the Financing Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including the following:

(i) the Borrower will use the proceeds of the Bonds, or any other funds which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code, in any manner which will cause the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of such Section, and will comply with the requirements of such Section throughout the term of the Bonds;

(ii) the Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion; and

(iii) the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

The Borrower irrevocably authorizes and directs the Issuer, the Trustee and any other agent designated by the Issuer to make payment of such amounts from funds of the Borrower, if any, held by the Issuer, the Trustee, or any agent of the Issuer or the Trustee. The Borrower further covenants and agrees that, pursuant to the requirements of Treasury Regulation Section 1.148-1(b), it (or any related person contemplated by such regulations) will not purchase Bonds in an amount related to the amount of the Loan, other than Pledged Bonds.
The Borrower will advise the Issuer and the Trustee promptly in writing of the occurrence of any default by the Borrower in the performance or observance of any covenant, agreement, representation, warranty or obligation of the Borrower set forth in the Financing Agreement or in any of the other Borrower Documents, or of any Event of Default or Potential Default under the Financing Agreement or any of the other Borrower Documents known to it or of which it has received notice, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect to such default. Such notice shall be given promptly, and in no event more than ten Business Days after the Borrower receives notice or has knowledge of the occurrence of any such event. The Borrower further agrees, that it will give prompt written notice to the Trustee if insurance proceeds or condemnation awards are received with respect to the Mortgaged Property.

The Borrower shall proceed with reasonable dispatch to complete the rehabilitation and equipping of the Mortgaged Property. If amounts on deposit in the Loan Fund are not sufficient to pay the costs of completion, the Borrower shall pay such costs or cause the same to be paid from other sources. By reason of any such payment of costs relating to the Mortgaged Property from sources other than the Loan Fund, the Borrower shall not be entitled to any reimbursement from the Issuer, the Trustee, the Credit Provider, the Loan Servicer or the holders of the Bonds in respect of such payment or to any diminution or abatement in the repayment of the Loan. Neither the Issuer nor the Credit Provider shall be liable to the Borrower, the holders of the Bonds or any other person if for any reason the rehabilitation of the Mortgaged Property is not completed or if the proceeds of the Loan are insufficient to pay all costs of the Mortgaged Property.

The Borrower agrees that the indebtedness evidenced by the Borrower Bonds, if any, is and shall be fully subject and subordinate in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment in full of (A) the indebtedness evidenced by the Bonds (other than Borrower Bonds) and the Loan (i.e., payments under the Note in respect of Bonds other than Borrower Bonds), including all advances heretofore made or which may hereafter be made pursuant to the Security Instrument (further including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the Security Instrument, curing defaults by the Borrower under the Loan or for any other purpose expressly permitted by the Security Instrument or (2) constructing, repairing, furnishing, providing fixtures or equipping the Mortgaged Property) and (B) all amounts due to the Credit Provider under the Credit Facility Documents. As long as any Borrower Bonds are Outstanding, the Borrower shall certify in writing to the Trustee in connection with each payment under the Note the amount of such payment constituting “Excess Cash Flow” (as defined in the Indenture), which is to be applied to Borrower Bonds in accordance with the Indenture. The Borrower agrees to abide by all terms and conditions of the Indenture relating to Borrower Bonds. The Borrower further agrees that it will not elect to seek a mandatory tender of Bonds pursuant to the Indenture or to purchase any of the Bonds in the secondary market pursuant to the Indenture (A) without the prior written consent of the Credit Provider, which consent may be given or withheld and, if given, revoked, in the Credit Provider’s sole and absolute discretion, (B) without executing and delivering to the Credit Provider the Pledge Agreement (Borrower Bonds), if not previously executed and delivered to the Credit Provider and (C) in the case of a mandatory tender of Bonds pursuant to the Indenture, unless, prior to seeking the consent of the Credit Provider, the Borrower establishes, to the satisfaction of the Credit Provider, in the sole and absolute discretion of the Credit Provider, that the Borrower will reimburse the Credit Provider for the principal amount of any Advance under the Credit Facility, plus accrued interest, if any, on account of a mandatory tender pursuant to the Indenture, in advance, not less than two (2) Business Days prior to the date of such Advance, i.e., the purchase date of any Bonds tendered for purchase pursuant to the Indenture. The Trustee acknowledges and agrees that it will not cause, participate in or otherwise take any action to effect (i) a mandatory tender of Bonds pursuant to the Indenture without the prior written consent of the Credit Provider or, if such consent has been given, is thereafter revoked by the Credit Provider or (ii) a remarketing of Borrower Bonds, pursuant to the Indenture without the prior written consent of the Credit Provider.
Provider. The Borrower (i) agrees not to sell, assign, transfer or otherwise dispose of any Borrower Bonds other than in connection with a remarketing of Borrower Bonds pursuant to the Indenture. The Borrower acknowledges that the Borrower Bonds will be cancelled by the Trustee and deemed satisfied as provided in the Indenture. The Borrower agrees that upon notice of a default by the Borrower under any Transaction Document, the Borrower will, if it receives payments in respect of the Borrower Bonds on or after the date of such notice, hold such payments in trust for the Credit Provider and, unless the Credit Provider otherwise notifies the Borrower in writing, will promptly remit such payments to the Credit Provider to be applied to the Borrower’s defaulted obligations. The Borrower specifically waives any and all rights to have such payments returned to the Borrower or credited against the Borrower Bonds. The Borrower acknowledges and agrees that payments received by the Borrower and remitted to the Credit Provider shall not be applied or otherwise credited against the Borrower Bonds.

Events of Default and Remedies

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

(i) The Borrower fails to pay when due any amount payable by the Borrower under the Financing Agreement.

(ii) The Borrower fails to observe or perform any covenant or obligation in the Financing Agreement on its part to be observed or performed for a period of 30 days after receipt of written notice from the Issuer specifying such failure and requesting that it be remedied, provided, however, that if the failure cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the validity or enforceability of the Bonds or on the exclusion from gross income, for federal income tax purposes, of the interest on the Tax-Exempt Bonds, and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within 90 days of receipt of notice of such failure.

(iii) The Credit Provider provides written notice to the Trustee of an Event of Default under the Financing Agreement by reason of the occurrence of an Event of Default under the Reimbursement Agreement. No Event of Default under the Reimbursement Agreement shall constitute a default under the Financing Agreement unless specifically declared to be so by the Credit Provider. The Credit Provider shall make such declaration by written notice to the Trustee.

Subject to the Assignment, whenever any Event of Default occurs and is continuing under the Financing Agreement, the Issuer may take one or any combination of the following remedial steps:

(i) by written notice to the Borrower, declare all amounts then due and payable on the Note to be immediately due and payable;

(ii) exercise any of the rights and remedies provided in the Loan Documents; and

(iii) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and afterward to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.
References to the Credit Provider

All provisions in the Financing Agreement regarding consents, approvals, directions, waivers, appointments, requests or other actions by the Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if the Credit Provider were not mentioned (i) if a Wrongful Dishonor has occurred and is continuing, or (ii) from and after the date on which the Credit Facility is declared to be null and void by final judgment of a court of competent jurisdiction; provided, however, that the payment of any amounts due to the Credit Provider pursuant to the Financing Agreement shall continue in full force and effect. The foregoing shall not affect any other rights of the Credit Provider. All provisions in the Financing Agreement relating to the rights of the Credit Provider shall be of no force and effect if the Credit Facility has terminated or expired in accordance with its terms and there are no Pledged Bonds or Bonds in which the Credit Provider has a security interest and all amounts owing to the Credit Provider under the Reimbursement Financing Agreement have been paid.
APPENDIX D
FORM OF CREDIT ENHANCEMENT INSTRUMENT

DIRECT PAY
IRREVOCABLE TRANSFERABLE
CREDIT ENHANCEMENT INSTRUMENT
(Baycliff Apartments)

July 29, 2004
U.S. $32,377,699
Relating to Loan No. ____________

Wells Fargo Bank, National Association
Corporate Trust Services
555 Montgomery Street, 10th Floor
San Francisco, CA 94111

At the request of FF Hills LP (the “Borrower”), Fannie Mae (“Fannie Mae”) issues this Direct Pay Irrevocable Transferable Credit Enhancement Instrument (the “Credit Enhancement Instrument”) to Wells Fargo Bank, National Association, as trustee (the “Trustee”), not in its individual or corporate capacity, but solely as Trustee for the owners of the $28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and the $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T (collectively, the “Bonds”), issued pursuant to the Trust Indenture (the “Indenture”), dated as of July 1, 2004, between the City of Richmond, California (the “Issuer”), a municipal corporation duly organized and existing under the Constitution and laws of the State of California, and the Trustee.

1. Definitions. Capitalized terms used in this Credit Enhancement Instrument have the meanings given to those terms in this Section 1 or elsewhere in this Credit Enhancement Instrument or in the Indenture.

“Advance” means a Credit Enhancement Advance or a Liquidity Advance.

“Affiliate” as applied to any person, means any other person directly or indirectly controlling, controlled by, or under common control with, that person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that person, whether through the ownership of voting securities, partnership interests or by contract or otherwise.

“Amount Available” has the meaning given that term in Section 2.

“Borrower Bond” has the meaning given that term in the Indenture.
“Business Day” means any day other than:

(a) a Saturday or a Sunday;

(b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close;

(c) any day on which banking institutions located in the city or cities in which the Designated Office (as that term is defined in the Indenture) of the Trustee is located are required or authorized by law or executive order to close;

(d) prior to the Fixed Rate Adjustment Date, any day on which the New York Stock Exchange is closed or any day on which banking institutions located in the city in which the Designated Office of the Remarketing Agent is located are required or authorized by law or executive order to close;

(e) on and after the Conversion Date, a day on which banking institutions located in the city in which the Designated Office of the Loan Servicer is located are required or authorized by law or executive order to close; or

(f) so long as this Credit Enhancement Instrument is in effect, any day on which Fannie Mae is closed.

“Certificate” means any written certificate in the form attached to this Credit Enhancement Instrument as an Exhibit or in such other form as is provided for in Section 3. If the certificate is submitted to Fannie Mae by personal delivery or by telecopy, the certificate must be signed by one who purports to be an authorized officer of the Trustee. If the certificate is submitted to Fannie Mae in any other medium (such as e-mail or a web-based medium), the certificate must be authenticated as provided in the related Presentation Protocol.

“Credit Enhancement Advance” means an Issuer’s Fee Advance, an Interest Advance or a Principal Advance, as such terms are defined in Section 3.

“Credit Enhancement Expiration Date” means, subject to Section 7(c), the date set forth in Section 7(a) on which the obligation of Fannie Mae to make Credit Enhancement Advances and Liquidity Advances expires, if not earlier terminated.

“Credit Enhancement Instrument” means this Direct Pay Irrevocable Transferable Credit Enhancement Instrument as the same may be amended, supplemented or restated from time to time.

“Credit Enhancement Termination Date” means, subject to Section 7(c), the date on which the obligation of Fannie Mae to make Credit Enhancement Advances and Liquidity Advances terminates as provided in Section 7(b).

“Excluded Bond” means any Bond which is not Outstanding (as that term is defined in the Indenture), any Obligor Bond or any Pledged Bond.

“Expiration Date” means the Expiration Date stated in Section 7.

“Financing Agreement” means the Financing Agreement, dated as of July 1, 2004, among the Borrower, the Trustee and the Issuer, as such agreement may be amended, supplemented or restated from time to time.
"Interest Portion" has the meaning given that term in Section 2.

"Issuer's Fee" means 0.125% per annum of the outstanding principal balance of the Loan payable by the Borrower monthly, in arrears, as provided in the Financing Agreement.

"Issuer's Fee Advance" has the meaning given that term in Section 3.

"Issuer's Fee Portion" has the meaning given that term in Section 2.

"Liquidity Advance" has the meaning given that term in Section 3.

"Loan" means the loan made by the Issuer to the Borrower pursuant to the Financing Agreement for the purpose of providing funds to the Borrower to finance costs of the acquisition, rehabilitation and equipping of the Mortgaged Property (as defined in the Indenture).

"Loan Servicer" means, initially, Column Guaranteed LLC, a Delaware limited liability company, and thereafter, any other entity approved by Fannie Mae in its discretion as the servicer of the Loan, and any permitted successors or assigns.

"Note" means the Multifamily Note (together with all addenda), dated July 1, 2004, executed by the Borrower in favor of the Issuer, as the same may be amended, supplemented or restated from time to time or any note executed in substitution therefor, as such substitute note may be amended, supplemented or restated from time to time.

"Obligor Bond" means any Bond registered in the name, or held for the account, of the Issuer, any Affiliate of the Issuer, the Borrower, any Affiliate of the Borrower, any guarantor or any Affiliate of any guarantor.

"Pledged 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 the proceeds of a Liquidity Advance under this Credit Enhancement Instrument, to, but excluding, the date on which the Liquidity Advance made by the Credit Provider on account of such Pledged Bond is reinstated under this Credit Enhancement Instrument or the Pledged Bond is cancelled.

"Presentation Protocol" means an agreement between Fannie Mae and the Trustee regarding one or more media through which the Trustee may present Certificates to Fannie Mae under this Credit Enhancement Instrument, as such agreement may be amended, supplemented or restated from time to time.

"Principal Advance" has the meaning given that term in Section 3.

"Principal Portion" has the meaning given that term in Section 2.

"Reimbursement Agreement" means the Reimbursement Agreement, dated as of July 1, 2004, between Fannie Mae and the Borrower, as such agreement may be amended, supplemented or restated from time to time.

"Remarketing Agent" means the remarketing agent under the Indenture.

"Reset Rate" means the rate of interest borne by the Bonds as determined in accordance with the Indenture.
"Tender Agent" means the tender agent under the Indenture.

"Trustee" means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, not in its individual or corporate capacity, but solely as trustee under the Indenture, or any permitted successor trustee under the Indenture.

2. **Amount Available.** Subject to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae irrevocably authorizes the Trustee to draw on Fannie Mae, from time to time, a maximum aggregate amount not exceeding $32,377,699 (as such amount may be reduced or reinstated from time to time in accordance with Section 8, “the **Amount Available**”), of which:

   (a) up to $32,000,000 (the **Principal Portion**) may be drawn with respect to the unpaid principal of the Bonds or, as the case may be, the principal portion of the purchase price of the Bonds;

   (b) up to $357,699 (the **Interest Portion**), or 34 days of interest on the Bonds (calculated at an assumed rate on the Bonds of 12% per annum on the basis of a year of 365 days), may be drawn with respect to interest actually accrued on the Bonds or, as the case may be, the interest portion of the purchase price of the Bonds; and

   (c) up to $20,000 ("**Issuer’s Fee Portion**"), representing one-half of the Issuer’s Fee, may be drawn with respect to the Issuer’s Fee.

3. **Advances.** Each demand for an Advance shall be made by the Trustee’s presentation to Fannie Mae of a Certificate, as follows:

   (a) **Credit Enhancement Advances.** Credit Enhancement Advances shall be:

      (1) in the form of Exhibit A to pay principal of the Bonds (other than Excluded Bonds) due as a result of the acceleration, defeasance, redemption or special purchase in lieu of redemption of the Bonds, at the stated maturity of the Bonds or upon the mandatory tender of the Bonds at the expiration of a Reset Period (a **Principal Advance**);

      (2) in the form of Exhibit B to pay interest on the Bonds (other than Excluded Bonds) on or prior to their stated maturity date (an **Interest Advance**); and

      (3) in the form of Exhibit C to pay the Issuer’s Fee if not paid when due (an **Issuer’s Fee Advance**).

   (b) **Liquidity Advances.** Liquidity Advances shall be in the form of Exhibit D to pay principal of, plus accrued interest on, Bonds tendered for purchase pursuant to the Indenture ("**Liquidity Advance**").

Any Certificate submitted to Fannie Mae by the Trustee shall have all blanks appropriately completed and shall be signed by one who states in the Certificate that he or she is an authorized officer of the Trustee. Fannie Mae’s obligation to honor any demand for an Issuer’s Fee Advance is a standby obligation, payable if the Issuer’s Fee is not otherwise paid, and Fannie Mae’s obligation to honor any demand for all other Advances is a direct pay obligation, without regard to whether the Borrower has made any such payment.

Neither demands for, nor Advances, may be made under this Credit Enhancement Instrument to pay (i) principal of, interest on or the purchase price of, any Excluded Bond, (ii) premium that may be
payable upon the redemption of any of the Bonds or (iii) interest that may accrue on any Bond on or after the maturity of such Bond.

Fannie Mae may amend the form of any Certificate or delete any of the information, statements and certifications set out in the form of any Certificate to accommodate the sending of such Certificate by a medium pursuant to a Presentation Protocol. No such amendment may (i) require any additional information, statement or certification than that required by such form of certificate attached to this Credit Enhancement Instrument on the date of issuance, (ii) modify the timing for the presentation of such Certificate or the timing for the payment of the requested Advance or (iii) require personal delivery with respect to the presentation of any Certificate with respect to which payment is to be made on the same Business Day.

4. **Presentation of Certificates.** Each Certificate must be given to Fannie Mae by:

(a) personal delivery at 3900 Wisconsin Avenue, Washington, D.C. 20016, Attention: Vice President, Multifamily Operations; or

(b) telecopy to phone number 301-280-2042, immediately followed by telephonic notice to the Director, Multifamily Operations - Direct Pay Bonds at telephone number 301-204-8422; or

(c) such other medium as Fannie Mae and the Trustee may agree in a Presentation Protocol from time to time.

A Presentation Protocol may provide that the Trustee may not submit a Certificate by telecopy after a stated date or may only submit Certificates by telecopy after a certain date with the prior written permission of Fannie Mae, in which case subsection (b) shall be automatically deemed amended to that effect.

Fannie Mae will notify the Trustee in writing of any change in address or telecopy number to which all Certificates must be delivered or of any change relating to the person to be called for telephonic notices confirming telecopy communications. Any such written notice shall be effective upon receipt by the Trustee.

5. **Fannie Mae's Engagement.** Upon due receipt by Fannie Mae of a Certificate conforming to the terms and conditions of this Credit Enhancement Instrument, Fannie Mae will honor payment of the amount specified in such Certificate if presented as specified below on or before the earlier of the Expiration Date or the Credit Enhancement Termination Date:

(a) If a presentation in respect of a Principal Advance or an Interest Advance is made on or before the earlier of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

1. at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the next following Business Day; or

2. after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the second following Business Day.
(b) If a presentation in respect of a Liquidity Advance relating to a mandatory tender of
Bonds pursuant to Section 4.2(b) of the Indenture is made on or before the earlier of the Credit
Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made
to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the next following
Business Day; or

(2) after 12:00 noon Eastern time on a Business Day, payment shall be made to the
Trustee of the amount specified no later than 1:00 p.m. Eastern time on the second following
Business Day.

(c) If a presentation in respect of a Liquidity Advance (other than a Liquidity Advance
relating to a mandatory tender pursuant to Section 4.2(b) of the Indenture) is made on or before the earlier
of the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made
to the Trustee of the amount specified no later than 1:30 p.m. Eastern time on the same Business
Day; or

(2) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the
Trustee of the amount specified no later than 1:30 p.m. Eastern time on the next following
Business Day.

(d) If a presentation in respect of an Issuer’s Fee Advance is made on or before the earlier of
the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date:

(1) at or prior to 5:00 p.m. Eastern time on a Business Day, payment shall be made
to the Trustee of the amount specified no later than 1:00 p.m. Eastern time on the fifth Business
Day following such presentation; or

(2) after 5:00 p.m. Eastern time on a Business Day, payment shall be made to the
Trustee of the amount specified no later than 1:00 p.m. Eastern time on the sixth Business Day
following such presentation.

All Advances made under this Credit Enhancement Instrument will be made with Fannie Mae’s own
funds and in immediately available funds.

6. **Nonconforming Tender.** If a demand for payment under this Credit Enhancement
Instrument made by the Trustee does not conform to the terms and conditions of this Credit Enhancement
Instrument, Fannie Mae will notify the Trustee of such lack of conformity within a reasonable time after
delivery of such demand for payment, such notice to be promptly confirmed in writing to the Trustee, and
Fannie Mae shall hold all documents at the Trustee’s disposal or, at the Trustee’s option, return the same
to the Trustee.

7. **Expiration and Termination.**

(a) **Expiration.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit
Enhancement Advances and Liquidity Advances under this Credit Enhancement Instrument shall expire
at 4:00 p.m. Eastern time on August 20, 2037 (the “Credit Enhancement Expiration Date”).
(b) **Termination Before Credit Enhancement Expiration Date.** Subject to subparagraph (c), the obligation of Fannie Mae to make Credit Enhancement Advances and Liquidity Advances under this Credit Enhancement Instrument shall automatically terminate prior to the Credit Enhancement Expiration Date on the first to occur of: (i) the honoring by Fannie Mae of an Advance which automatically and permanently reduces the Principal Portion to zero, (ii) 4:00 p.m. Eastern time on the day following the last day of any period during which the Bonds bear interest at a Reset Rate unless Fannie Mae has notified the Trustee prior to such date that it elects to waive such termination, and (iii) Fannie Mae’s receipt of a Certificate in the form of Exhibit E (which shall be conclusive evidence of the matters set forth therein). The date determined in the preceding sentence is the “Credit Enhancement Termination Date.”

(c) **Business Day Convention.** In the event that any date on which this Credit Enhancement Instrument would otherwise expire or terminate is not a Business Day, this Credit Enhancement Instrument shall continue in effect and shall not expire or terminate until 4:00 p.m. Eastern time on the next Business Day.

(d) **Delivery.** Upon the Credit Enhancement Expiration Date or the Credit Enhancement Termination Date, whichever first occurs, the Trustee shall deliver this Credit Enhancement Instrument to Fannie Mae for cancellation.

8. **Reduction and Reinstatement of Amount Available.** The Amount Available shall be reduced or reinstated from time to time in accordance with this Section.

(a) **Automatic Reduction on Making any Advance.** The Amount Available shall be reduced automatically by the amount of (i) each Advance paid by Fannie Mae, notwithstanding any act or omission, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance or the proceeds of such Advance or otherwise in connection with this Credit Enhancement Instrument and (ii) Bonds purchased by the Borrower in the secondary market pursuant to Section 3.9(a) of the Indenture. Each reduction shall be permanent or subject to reinstatement as provided in this Section. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer’s Fee Portion as appropriate for the Advance to which the reduction relates.

(b) **Permanent Reduction for each Principal Advance.** The Principal Portion, the Interest Portion and the Issuer’s Fee Portion shall be reduced automatically and permanently upon the making of any Principal Advance as follows:

1. The Principal Portion will be reduced by the amount of the Principal Advance;
2. The Interest Portion will be reduced by an amount equal to 34 days of interest (calculated at the rate of 12% per annum on the basis of a year of 365 days) on the amount of the related permanent reduction of the Principal Portion; and
3. The Issuer’s Fee Portion will be reduced in an amount equal to one-half of 0.125% multiplied by the amount of the related permanent reduction of the Principal Portion.

(c) **Permanent Reduction on Notice from the Trustee.** The Amount Available shall be reduced automatically and permanently by the amounts specified in any Certificate in the form of Exhibit F which is delivered to Fannie Mae. Such reduction shall be applied to the Principal Portion, the Interest Portion and the Issuer’s Fee Portion as set out in the Certificate.
(d) **Reinstatement of Interest Portion for Interest Advance.** Except for a permanent reduction of the Interest Portion under subsection (b)(2), the amount of the Interest Portion reduced by an Interest Advance shall be reinstated immediately and automatically.

(e) **Reinstatement of Liquidity Advance.** The Principal Portion and the Interest Portion shall be reinstated (i) as to Bonds other than Borrower Bonds, after each Liquidity Advance (not including a Liquidity Advance in connection with a mandatory tender of Bonds pursuant to Section 4.2(c) of the Indenture) upon receipt by Fannie Mae of money equal to the amount by which the Trustee requests Fannie Mae to increase the Principal Portion and the Interest Portion in a Certificate of Reinstatement in the form of Exhibit G, or (ii) as to Borrower Bonds purchased pursuant to Section 3.9(a) of the Indenture, either in the secondary market or by the Trustee for the account of the Borrower pursuant to a mandatory tender under Section 4.2(c) of the Indenture, upon a remarketing of such Borrower Bonds pursuant to Section 4.3(k) of the Indenture.

(f) **Reinstatement of Issuer’s Fee Advance.** Except for a permanent reduction of the Issuer’s Fee Portion under subsection (b)(3), the amount of the Issuer’s Fee Portion reduced by an Issuer’s Fee Advance shall be reinstated immediately and automatically.

Upon any permanent reduction of the Amount Available, Fannie Mae may deliver to the Trustee a substitute Credit Enhancement Instrument in exchange for this Credit Enhancement Instrument, in an amount available equal to the then current Amount Available, but otherwise having terms identical to this Credit Enhancement Instrument.

9. **Discharge of Obligations.** Only the Trustee may demand an Advance under this Credit Enhancement Instrument. Upon payment to the Trustee of the amount specified in any Certificate presented under this Credit Enhancement Instrument, Fannie Mae shall be fully discharged of its obligation under this Credit Enhancement Instrument with respect to such Certificate and Fannie Mae shall not thereafter be obligated to make any further payment to the Trustee or any other person (including the Issuer, with respect to payment of the Issuer’s Fee) in respect of such Certificate for payment of principal of, purchase price of, or interest on any Bond, or for payment of the Issuer’s Fee.

10. **Nature of Fannie Mae’s Obligations.** Fannie Mae’s obligation to make Advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of this Credit Enhancement Instrument is absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with this Credit Enhancement Instrument, and shall not be affected by any right of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Issuer, the Trustee, the Tender Agent, the Remarketing Agent, the Borrower, the Loan Servicer or any other person. Fannie Mae’s obligations under this Credit Enhancement Instrument are primary obligations and shall not be affected by the performance or non-performance by the Issuer under the Indenture or the Bonds or by the Borrower under the Note or the Reimbursement Agreement or by the performance or non-performance of any party under any other agreement between or among any of the Issuer, the Trustee, the Borrower or Fannie Mae.

11. **Transfer.** This Credit Enhancement Instrument may be successively transferred in whole only, to each successor Trustee under the Indenture. Any such transfer shall be effective upon receipt by Fannie Mae of a signed copy of the instrument effecting such transfer signed by the transferor and by the transferee in the form attached as Exhibit H (which shall be conclusive evidence of such transfer). In each such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Credit Enhancement Instrument in the transferor’s place.

12. **Notices and Deliveries.** All documents, directions, approvals, consents, notices and other communications, other than Certificates, shall be in writing and personally delivered to Fannie Mae
at the address (and to the attention of the party) set out in Section 4(a) or may be sent to Fannie Mae by telecopy immediately followed by telephonic notice as set out in Section 4(b), as such address, telephone and telecopy numbers and parties to whom such notices are sent are changed by Fannie Mae pursuant to Section 4.

13. **Governing Law.** This Credit Enhancement Instrument shall be governed by the laws of the District of Columbia, including the Uniform Commercial Code as in effect in the District of Columbia.

14. **Entire Credit Enhancement Instrument.** This Credit Enhancement Instrument sets forth in full the terms of Fannie Mae’s undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to in this Credit Enhancement Instrument (including, without limitation, the Bonds) or in which this Credit Enhancement Instrument is referred to or to which this Credit Enhancement Instrument relates, except for (i) the Exhibits referred to in this Credit Enhancement Instrument and (ii) any Presentation Protocol, all of which shall be deemed fully incorporated into this Credit Enhancement Instrument as if fully set forth in this Credit Enhancement Instrument.

*The remainder of this page is intentionally left blank.*
FANNIE MAE

By: _______________________________________
Name: _______________________________________
Title: _______________________________________

Signed July __, 2004; effective as of the Closing Date.
Exhibit A

CERTIFICATE FOR “PRINCIPAL ADVANCE”

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. __________ (“Credit Enhancement Instrument”)

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

1) **Demand for Advance.** The Trustee demands an Advance in the amount of $_________ under the Principal Portion of the Amount Available to be used to pay principal of the Bonds due as a result of the acceleration, defeasance, redemption, special purchase in lieu of redemption of the Bonds, at the stated maturity of the Bonds or upon the mandatory tender of the Bonds at the expiration of a Reset Period pursuant to the Indenture.

2) **When the Advance Must be Made.** If this demand for Advance is made:

   (a) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

   (b) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at ______________ [specify account].

4) **Amount Available.** Upon the payment of the Advance:

   (a) **Reduction of Amount Available.** The Amount Available shall be reduced automatically and permanently by $[insert amount of reduction], of which:

      (1) $_________ is attributable to the Principal Portion;

      (2) $_________ is attributable to the Interest Portion; and
is attributable to the Issuer's Fee Portion (computed at a rate of 0.125% multiplied by the outstanding principal amount of the Note).

(b) **New Amount Available.** The Amount Available will be $\_\_\_\_\_\_\_, of which:

1. $\_\_\_\_\_\_\_\_\_\_ will be the Principal Portion;
2. $\_\_\_\_\_\_\_\_\_\_ will be the Interest Portion; and
3. $\_\_\_\_\_\_\_\_\_\_ will be the Issuer's Fee Portion (computed at a rate of 0.125% multiplied by the outstanding principal amount of the Note).

(5) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The principal of the Bonds (other than Excluded Bonds) that is due on [Trustee: complete this blank using the first Business Day after the date of this Certificate] is $\_\_\_\_\_\_. The amount of the Advance demanded in Paragraph 1 does not exceed such amount of principal.

(c) The amount of the Advance (i) does not exceed the Principal Portion of the Amount Available on the date of this Certificate and (ii) was computed in accordance with the Bonds and the Indenture.

(d) Upon the payment referred to in Paragraph 1, the aggregate principal amount of all Bonds outstanding (other than Excluded Bonds) will be $\_\_\_\_\_\_\_\_\_\_.

(e) Upon receipt by the Trustee of the Advance, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1, and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(f) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.

(g) The aggregate principal amount of all Excluded Bonds outstanding is $\_\_\_\_\_\_\_\_\_\_.

(h) The amount of interest (computed at the Maximum Interest Rate (as that term is defined in the Indenture), which currently is ___\* percent per annum) on the basis of the actual number of days elapsed over a year of 365 or 366 days, as applicable), accruing on the Bonds referred to in subparagraph (d) above in any period of ___** days is $\_\_\_\_\_\_\_\_\_\_\_\_\_.

Any capitalized, but undefined, term used in this Certificate has the meaning given that term in the Credit Enhancement Instrument.

The Trustee has executed and delivered this Certificate as of the ___ day of ___.__.

\* Trustee: Fill in current Maximum Interest Rate.
\** Trustee: Fill in number of days of interest coverage required to be supplied by the Interest Portion.
as Trustee

By: ________________________________

Authorized Officer
Exhibit B

CERTIFICATE FOR “INTEREST ADVANCE”

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. ________ (“Credit Enhancement Instrument”)

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of $________ under the Interest Portion of the Amount Available to be used to pay interest on the Bonds (other than Excluded Bonds) on or prior to the stated maturity of the Bonds.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

   (a) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

   (b) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at ___________________________ [specify account].

(4) **Other Matters.**

   (a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

   (b) The amount of the Advance referred to in Paragraph 1 was computed in accordance with the Bonds and the Indenture and does not exceed the amount of interest that is (i) due on the Business Day following the date of this Certificate on the Bonds and (ii) the Interest Portion of the Amount Available on the date of this Certificate.
(c) Upon receipt by the Trustee of the amount demanded by this Certificate, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of such amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(d) The proceeds of the Advance demanded by this Certificate will not be applied to any payment on any Excluded Bonds.

Any capitalized, but undefined, term used in this Certificate has the meaning given that term in the Credit Enhancement Instrument.

The Trustee has executed and delivered this Certificate as of the ___ day of ________, ___.

______________________________,
as Trustee

By: ________________________________
   Authorized Officer
Exhibit C
CERTIFICATE FOR "ISSUER'S FEE ADVANCE"

STAND-BY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. ________ ("Credit Enhancement Instrument")

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the Trustee named below ("Trustee"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of $________ under the Issuer’s Fee Portion of the Amount Available to be used to pay the Issuer’s Fee.

(2) **When the Advance Must be Made.** If this demand for Advance is made:

   (a) at or prior to 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the fifth Business Day following such presentation.

   (b) after 5:00 p.m. Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the sixth Business Day following such presentation.

(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at ______________________ [specify account].

(4) **Other Matters.**

   (a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

   (b) The Borrower has failed to pay the Issuer’s Fee by [date of annual, semi-annual, quarterly or monthly payment].

   (c) The amount of the Advance demanded (i) does not exceed the Issuer’s Fee Portion of the Amount Available and (ii) was computed in accordance with the terms and conditions of the Financing Agreement, dated as of July 1, 2004, among the Issuer, the Trustee and the Borrower.
(d) Upon receipt by the Trustee of the Advance (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

Any capitalized, but undefined, term used in this Certificate has the meaning given that term in the Credit Enhancement Instrument.

The Trustee has executed and delivered this Certificate as of the ___ day of __________, ___.

__________________________
as Trustee

By: _________________________
 Authorized Officer
Exhibit D

CERTIFICATE FOR "LIQUIDITY ADVANCE"

DIRECT PAY

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. __________ (“Credit Enhancement Instrument”)

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, that:

(1) **Demand for Advance.** The Trustee demands an Advance in the amount of $_________, consisting of (i) $_________ under the Principal Portion of the Amount Available to be used to pay the principal portion of the purchase price of Bonds and (ii) $_________ under the Interest Portion of the Amount Available to be used to pay the interest portion of the purchase price of Bonds purchased pursuant to Section 4.1(a), 4.2(a) or 4.2(b) of the Indenture ("Tendered Bonds").

(2) **When the Advance Must be Made.** (Trustee: check applicable box)

- □ The Advance relates to a mandatory tender of Bonds pursuant to Section 4.2(b) of the Indenture. Accordingly, if this demand for Advance is made:

  (i) at or prior to 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the next following Business Day.

  (ii) after 12:00 noon Eastern time on a Business Day, you must pay the Advance no later than 1:00 p.m. Eastern time on the second following Business Day.

- □ The Advance does not relate to a mandatory tender of Bonds pursuant to Section 4.2(b) of the Indenture. Accordingly, if this demand for Advance is made:

  (i) at or prior to 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the same Business Day.

  (ii) after 10:30 a.m. Eastern time on a Business Day, you must pay the Advance no later than 1:30 p.m. Eastern time on the next following Business Day.
(3) **Where the Advance Must be Made.** Please pay the Advance demanded by this Certificate to the Trustee at ______________________ [specify account].

(4) **Other Matters.**

(a) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(b) The amount demanded pursuant to Paragraph 1 does not exceed the amount necessary, at the time of the presentation of this Certificate to Fannie Mae, to pay the purchase price of the Tendered Bonds which the Remarketing Agent has not remarketed or for which the Remarketing Agent has not received sufficient remarketing proceeds to pay the purchase price of the Tendered Bonds.

(c) The principal component of the aggregate purchase price of the Tendered Bonds that is due on the date of this Certificate is $______, and the amount of the Advance relating to the Principal Portion referred to in Paragraph 1 does not exceed such amount of principal. The aggregate accrued interest component of the purchase price of the Tendered Bonds that is due on the date of this Certificate is $______ and the amount of the Advance relating to the Interest Portion referred to in Paragraph 1 does not exceed such amount.

(d) On the date of this Certificate, (i) the principal portion of the Advance does not exceed the Principal Portion of the Amount Available and (ii) the interest portion of the Advance does not exceed the Interest Portion of the Amount Available. The amount of the Advance was computed in accordance with the Bonds and the Indenture.

(e) Upon receipt by the Trustee of the Advance demanded by this Certificate, (i) the Trustee will apply the same directly for the purpose specified in Paragraph 1 and (ii) no portion of said amount shall be applied by the Trustee for any purpose other than as set forth in Paragraph 1.

(f) The proceeds of the Advance demanded by this Certificate will not be applied to defease, redeem or pay (whether at stated maturity or by acceleration) any Excluded Bond.

(g) Bonds in a principal amount equal to the Principal Portion of the Advance made under this Certificate will be delivered to [Custodian]* or if, and only if, delivery of the Bonds is not possible, a written entitlement order will be delivered to the applicable financial intermediaries on whose records ownership of the Pledged Bonds is reflected directing the intermediaries to credit the security entitlement to the Pledged Bonds to the account of [Custodian]* for the benefit of Fannie Mae and a written confirmation of such credit will be delivered to the [Custodian]*.

Any capitalized, but undefined, term used in this Certificate has the meaning given that term in the Credit Enhancement Instrument.

---

* Fill in name of Custodian under the Pledge Agreement.
The Trustee has executed and delivered this Certificate as of the ___ day of ________, ___.

____________________________________
as Trustee

By: __________________________________
    Authorized Officer

D-20
Exhibit E

NOTICE OF TERMINATION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. __________ ("Credit Enhancement Instrument")

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the undersigned Trustee ("Trustee"), certifies to Fannie Mae, with respect to the Credit Enhancement Instrument, that the Trustee is authorized to file this notice pursuant to the Indenture. Any capitalized, but undefined, term used in this Certificate is used as defined in the Credit Enhancement Instrument.

The undersigned certifies to Fannie Mae: *

________ (a) None of the Bonds (other than Excluded Bonds) are Outstanding under the Indenture.

________ (b) The Trustee has received an Alternate Credit Facility (as such term is defined in the Indenture) as permitted by the Indenture and the Reimbursement Agreement.

* Trustee: Check applicable paragraph.

Pursuant to the Indenture we enclose the Credit Enhancement Instrument for cancellation.

Very truly yours,

__________________________________________
as Trustee

By: _______________________________________

______________________________
Authorized Officer

Dated: __________

By its execution of this Notice of Termination, FF Hills LP ("Borrower") certifies to Fannie Mae that all conditions precedent to the cancellation of the Credit Enhancement Instrument and substitution of an Alternate Credit Facility set forth in the Indenture and the Reimbursement Agreement have been satisfied and joins in the Trustee's instructions to Fannie Mae may cancel the same.

D-21
FF HILLS LP, a California limited partnership

By: FF Hills LLC, a California limited liability company, its Co-General Partner

By: FF Properties, Inc., a Delaware corporation, its Manager.

By: __________________________________________
     Stanley P. Herskovitz
     Vice President

By: Wakeland Housing and Development Corporation, a California nonprofit public benefit corporation, its Managing General Partner

By: __________________________________________
     Kenneth L. Sauder
     Executive Director
Exhibit F

CERTIFICATE OF REDUCTION

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016

Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. (insert loan number) ("Credit Enhancement Instrument")

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the Trustee named below ("Trustee"), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The aggregate principal amount of Bonds outstanding has been reduced to $__________.

(3) Effective on [insert date]:

(a) the Amount Available shall be reduced by $__________, of which (i) $__________ is a reduction of the Principal Portion, (ii) $__________ is a reduction of the Interest Portion and (iii) $__________ is a reduction of the Issuer’s Fee Portion;

(b) after such reduction, the Amount Available will be $__________, of which (i) $__________ will be the Principal Portion, (ii) $__________ will be the Interest Portion and (iii) $__________ will be the Issuer’s Fee Portion; and

(c) after such reduction, the Amount Available will be not less than the aggregate unpaid principal amount of the Bonds Outstanding (as that term is defined in the Indenture).

By its execution of this Certificate, FF Hills LP ("Borrower") certifies to Fannie Mae that the Trustee is authorized to deliver this Certificate to Fannie Mae. The Borrower and the Trustee further certify that the amounts specified in paragraph 3 have been determined in accordance with the terms and conditions of the Indenture and the Reimbursement Agreement.

Any capitalized, but undefined, term used in this Certificate has the meaning given that term in the Credit Enhancement Instrument.
The Trustee and the Borrower have executed and delivered this Certificate as of the ___ day of ______.

--------------------------------------------------
as Trustee

By: _____________________________________________

Authorized Officer

FF HILLS LP, a California limited partnership

By: FF Hills LLC, a California limited liability company, its Co-General Partner

By: FF Properties, Inc., a Delaware corporation, its Manager

By: _____________________________________________
Stanley P. Herskovitz
Vice President

By: Wakeland Housing and Development Corporation, a California nonprofit public benefit corporation, its Managing General Partner

By: _____________________________________________
Kenneth L. Sauder
Executive Director
Exhibit G

CERTIFICATE OF REINSTATEMENT

Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. __________ (“Credit Enhancement Instrument”)

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned, a duly authorized officer of the Trustee named below (“Trustee”), certifies to Fannie Mae, with reference to the Credit Enhancement Instrument, as follows:

(1) The Trustee is the Trustee under the Indenture for the holders of the Bonds.

(2) The Trustee has received notification from the Tender Agent that Bonds pledged to Fannie Mae by the Borrower which were acquired with the proceeds of a Liquidity Advance under the Credit Enhancement Instrument or which are otherwise Borrower Bonds are to be remarked or sold. In connection with a Liquidity Advance (other than a Liquidity Advance in connection with a mandatory tender pursuant to Section 4.2(c) of the Indenture), the Trustee has received and is transferring to Fannie Mae the amount set forth in paragraph 3.

(3) Upon receipt by Fannie Mae of this Certificate and, except in the case of a remarketing of Borrower Bonds, $__________, the Amount Available will be increased as follows:

(a) the Principal Portion of the Amount Available will be increased by $________, but such increase shall not cause the Principal Portion to exceed the original Principal Portion less the sum of (i) all Principal Advances paid by Fannie Mae in accordance with the Credit Enhancement Instrument and (ii) the aggregate of all reductions of the Principal Portion pursuant to any Certificate of the Trustee in the form of Exhibit F to the Credit Enhancement Instrument; and

(b) the Interest Portion of the Amount Available will be increased by $__________, but such increase shall not cause the Interest Portion to exceed the original Interest Portion less the aggregate of (i) all Interest Advances for interest which have not been reinstated in accordance with the Credit Enhancement Instrument, subject to the reinstatement of such amounts as set forth in the Credit Enhancement Instrument, (ii) all reductions of the Interest Portion due to any permanent reduction of the Principal Portion of the Amount Available and (iii) to the extent not addressed in (ii), all reductions of the Interest Portion pursuant to any Certificate of the Trustee in the form of Exhibit F to the Credit Enhancement Instrument.
(4) Fannie Mae shall promptly release or direct Fannie Mae’s custodian in writing to release the Pledged Bonds to the Tender Agent in a principal amount corresponding to the Principal Portion identified in paragraph 3 or, if such release is not possible, Fannie Mae shall be deemed to consent to the delivery of a written entitlement order to the applicable financial intermediary on whose records ownership of such Pledged Bonds is reflected to credit the ownership entitlement to such Bonds to the account as directed by the Trustee. Such release or deemed consent shall be conclusive evidence of the reinstatement of the Principal Portion and Interest Portion as described in paragraph 3.

Any capitalized, but undefined, term used in this Certificate has the meaning given that term in the Credit Enhancement Instrument.

The Trustee has executed and delivered this Certificate as of the ___ day of ____________.

__________________________________________

as Trustee

By: _______________________________________

Authorized Officer
Exhibit H

CERTIFICATE FOR SUCCESSOR TRUSTEE

Fannie Mae
3900 Wisconsin Avenue
Washington, D.C. 20016

Attention: Vice President, Multifamily Operations

Re: Direct Pay Irrevocable Transferable Credit Enhancement Instrument relating to Loan No. __________ ("Credit Enhancement Instrument")

$28,800,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A and $3,200,000 City of Richmond, California Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T

Baycliff Apartments

The undersigned is a duly authorized officer of the Trustee under the Indenture for the holders of the Bonds.

The Trustee transfers all rights in the Credit Enhancement Instrument to ________________, subject to the terms and conditions of the Credit Enhancement Instrument. The Trustee certifies that the transferee is the successor Trustee under the Indenture referred to in the Credit Enhancement Instrument and such successor Trustee has been approved in writing by Fannie Mae. The transferee acknowledges below that it is the successor Trustee. Such successor Trustee has entered into a written agreement to be bound by the terms of the Assignment and Intercreditor Agreement, dated as of July 1, 2004, among the Issuer, Fannie Mae and the Trustee, and acknowledged, accepted and agreed to by the Borrower.

By this transfer, all rights of the undersigned Trustee in the Credit Enhancement Instrument are transferred to the transferee and the transferee shall have the sole rights as the beneficiary, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.
Dated: ____________________________

______________________________, as Trustee

By: ________________________________

Authorized Officer

The above signature of an officer or other authorized representative conforms to that on file with us. That officer or representative is authorized to sign for the Trustee.

______________________________

By: ________________________________

Authorized Officer

______________________________ acknowledges that it is the successor to ________________________, as Trustee under the Indenture.

______________________________

By: ________________________________

Authorized Officer

D-28
Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Richmond (the “Issuer”) of $28,800,000 aggregate principal amount of Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Series 2004A (the “Tax-Exempt Bonds”) and $3,200,000 aggregate principal amount of Variable Rate Demand Multifamily Housing Revenue Bonds (Baycliff Apartments Project) Taxable Series 2004A-T (the “Taxable Bonds” and, together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are issued pursuant to Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the “Housing Law”), and a Trust Indenture, dated as of July 1, 2004 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Financing Agreement, the Regulatory Agreement, the Tax Certificate, certificates of the Issuer, the Borrower, the Trustee and others, opinions of counsel to the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Issuer.
The interest rate on the Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Financing Agreement, the Regulatory Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than us.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Financing Agreement, the Regulatory Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers agencies in the State of California (the "State"). We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein, nor do we express any opinion with respect to the state or quality of title or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the Financing Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a municipal corporation duly organized and existing under the Constitution and laws of the State of California, and has lawful authority to issue the Bonds.

2. The Bonds constitute the valid and binding limited obligations of the Issuer, payable solely from the Security.

3. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The Bonds do not constitute a debt or liability of the Issuer, the State or any political subdivision thereof, or a loan of credit thereof within the meaning of any constitutional or statutory provisions.
5. Interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the exclusion from gross income of interest on any Tax-Exempt Bond for any period during which such Tax-Exempt Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities with respect to which the proceeds of the Tax-Exempt Bonds were used or is a "related person." However, we observe that interest on the Tax-Exempt Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Taxable Bonds is not excluded from gross income tax for federal income tax purposes. Interest on the Bonds is exempt from State personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per
APPENDIX F

BOOK ENTRY SYSTEM

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

Redemption notices, if any, shall be sent to DTC. If less than all of the Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 Remarketing Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Remarketing Agent, 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 Remarketing Agent, 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.

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

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer and the Remarketing. Under such circumstances, in the
event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.
APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

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

On the Closing Date, if it occurs, the Credit Facility will be issued; such issuance will be pursuant to the Reimbursement Agreement which will obligate the Borrower, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses, in each case as provided in the Reimbursement Agreement.

The Reimbursement Agreement will set forth various affirmative and negative covenants of the Borrower, some of which are more restrictive with respect to the Borrower than similar covenants in the Financing Agreement. The Borrower’s obligations to Fannie Mae under the Reimbursement Agreement are secured by the Security Instrument.

The parties to the Reimbursement Agreement can amend the Reimbursement Agreement at any time, without the consent of, or notice to, the Issuer, the Trustee or the holders of the Bonds.

Events of Default

The occurrence of any one or more of the following events constitutes an event of default under the Reimbursement Agreement:

(a) the Borrower fails to pay when due any amount payable by the Borrower under the Reimbursement Agreement, the Note, the Financing Agreement, the Security Instrument or any other Transaction Document (as defined in the Reimbursement Agreement); or

(b) the occurrence of a Borrower Default under the Construction Phase Financing Agreement; or

(c) the occurrence of any Event of Default under any Transaction Document other than the Reimbursement Agreement beyond any cure period set forth in that Transaction Document; or

(d) fraud or material misrepresentation or material omission by the Borrower or any of its officers, directors, trustees, general partners or managers, the Key Principal (as defined in the Reimbursement Agreement) or any guarantor: (i) contained in the Reimbursement Agreement, the Certificate of Borrower or any other Borrower Document or any certificate delivered by the Borrower to Fannie Mae or the Loan Servicer pursuant to the Reimbursement Agreement or any other Borrower Document; or (ii) in connection with (A) the application for or creation of the Loan or the credit enhancement or liquidity for the Bonds (other than Borrower Bonds, as defined in the Indenture) provided by the Credit Enhancement Instrument, (B) any financial statement, rent roll, or other report or information provided to Fannie Mae or the Loan Servicer during the term of the Reimbursement Agreement or the Loan, or (C) any request for Fannie Mae’s consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement (as defined in the Reimbursement Agreement) or contained in the Reimbursement Agreement, the Certificate of Borrower or any other Borrower Document or...
any certificate delivered by Borrower to Fannie Mae or to the Loan Servicer pursuant to the Reimbursement Agreement or any other Borrower Document; or

(e) a Tax Event (as that term is defined in the Indenture) occurs; or

(f) any failure by the Borrower to perform or observe any of its obligations under the Reimbursement Agreement (other than as set forth in subsections (a) through (d) above), as and when required, which continues for a period of 30 days after notice of such failure by Fannie Mae or the Loan Servicer to the Borrower, but no such notice or grace period will apply in the case of any such failure which could, in Fannie Mae’s or the Loan Servicer’s judgment, absent immediate exercise by Fannie Mae of a right or remedy under the Reimbursement Agreement, result in harm to Fannie Mae, impairment of the Note, the Reimbursement Agreement, the Security Instrument or any other security given under any other Transaction Document; or

(g) written notice from Fannie Mae to the Borrower that Pledged Bonds (other than Borrower Bonds) have not been remarketed within one year following the purchase of such Bonds by the Trustee on behalf of the Borrower and that the Borrower has not reimbursed Fannie Mae in full for the Advance and the Activity Fee; or

(h) the (i) Borrower fails to pay when due or within any applicable grace period any amount payable by the Borrower under any Hedging Arrangement, or (ii) occurrence of any other default or event of default, however described, by the Borrower under any Hedging Arrangement.

Remedies Upon an Event of Default

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Obligations (as defined in the Reimbursement Agreement) and all amounts owing under the Reimbursement Agreement may be declared by Fannie Mae to become immediately 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, Fannie Mae will 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 Fannie Mae against the Borrower and/or in and to the Mortgaged Property, including, but not limited to, any one or more of the following actions:

(a) deliver to the Trustee written notice that an Event of Default has occurred under the Reimbursement Agreement and direct the Trustee to take such action pursuant to the Transaction Documents as Fannie Mae may determine, including a request that the Trustee declare the principal of all or a portion of the Bonds then Outstanding and the interest accrued thereon to be immediately due and payable in accordance with the terms and conditions of the Indenture;

(b) demand cash collateral or Permitted Investments in an amount equal to the maximum liability of Fannie Mae under the Credit Enhancement Instrument, whether or not then due and payable by Fannie Mae; and

(c) exercise any rights and remedies available to Fannie Mae under the Transaction Documents.
Waiver

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

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

Qualified Residential Rental Project

The Borrower acknowledges and agrees that the Project is to be owned, managed and operated as a "residential rental project" (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired, rehabilitated and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project to provide a multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Housing Law, and in accordance with such requirements as may be imposed thereby from time to time on the Project.

(b) All of the dwelling units in the Project will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

(e) All of the dwelling units in the Project (except for not more than three units set aside for resident managers or other administrative uses) will be available for rental during the Qualified Project Period on a continuous, first-come first-served, basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Low Income Tenants.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit
occupancy of not more than three dwelling units by resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Borrower shall deliver to the Administrator and the Trustee, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are occupied, a written notice specifying such date.

Low Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Borrower represents, warrants and covenants as follows:

(a) During the Qualified Project Period, no less than 40% of the total number of completed units in the Project shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this paragraph (a), a vacant unit that was most recently occupied by a Low Income Tenant is treated as rented and occupied by a Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant’s Adjusted Income increases to exceed the qualifying limit for Low Income Tenants. However, should a Low Income Tenant’s Adjusted Income, as of the most recent determination thereof, exceed 140% of the applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant. Until such next available unit is rented, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the 40% requirement of the Regulatory Agreement.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official requirements now or thereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this section.

The Borrower will make a good faith effort to verify that the income information provided by an applicant in a Verification of Income is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant’s current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.
(d) The Borrower will maintain complete and accurate records pertaining to the Low Income Units, and will permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(e) The Borrower will prepare and submit to the Administrator, on behalf of the Issuer, not later than the tenth day of each May and November (commencing the tenth day of the May or November after the Project is placed in service), until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower. During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to the Regulatory Agreement and the Security Instrument. All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the household income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Trustee, the Issuer or the Administrator, on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant’s income is subject to annual certification in accordance with the Regulatory Agreement and that if upon any such certification such tenant’s Adjusted Income exceeds the applicable income limit under the Regulatory Agreement, such tenant may cease to qualify as a Low Income Tenant and such tenant’s rent may be subject to increase.

Tax-Exempt Status of Series 2004A Bonds

The Borrower and the Issuer, as applicable, each represents, warrants and agrees as follows:

(a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Series 2004A Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Issuer will file of record such documents and take such other actions as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee (with a copy to the Borrower and the Credit Provider), in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of the County of Contra Costa, California.
Additional Requirements of the Housing Law

In addition to the requirements set forth above, the Borrower agrees that it shall comply with each of the requirements of Section 52080 of the Housing Law during the Qualified Project Period, including the following:

(a) Not less than 40% of the total number of units in the Project shall be available for occupancy on a priority basis to Low Income Tenants; which units may be the same units that satisfy the requirements of the Regulatory Agreement. The units made available to meet this requirement shall be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The rental payments for the Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 60% of the median adjusted gross income for the Area.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by subsection (a) of this section shall remain available on a priority basis for occupancy at all times during the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Borrower shall continue to make available to eligible households Low Income Units that have been vacated to the same extent that non Low Income Units are made available to noneligible households.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Housing Law), (3) 30 years after the date of the commencement of the Qualified Project Period, or (4) the Borrower pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

Additional Requirements of the Issuer

In addition to the requirements set forth above and to the extent not prohibited thereby, the Borrower agrees to comply with each and every requirement of the Issuer set forth in this section, as follows:

(a) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 04-56, adopted on April 21, 2004 (the "CDLAC Conditions"), as they may be further modified or amended from time to time in compliance with the terms of the Regulatory Agreement, which conditions are incorporated therein by reference and made a part thereof. The Borrower will
prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Compliance, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Borrower. The Issuer and the Administrator shall have no obligation to monitor the Borrower’s compliance with the CDLAC Conditions.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer upon reasonable advance notice to the Borrower.

(c) The Borrower shall submit to the Administrator, on behalf of the Issuer, within fifteen days after receipt of a written request, any information or completed forms requested by the Issuer or the Administrator in order to comply with reporting requirements of the Internal Revenue Service or the State, if any.

(d) The Borrower acknowledges that the Issuer has appointed the Administrator to administer the Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements thereof. The Borrower shall comply with any reasonable request made by the Administrator or the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant thereto or necessary to ensure performance of the Borrower’s obligations under the Regulatory Agreement, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer. The fees and expenses of the Administrator shall be paid by the Issuer.

(e) The rental payments made by the Low Income Tenants occupying units pursuant to the Reimbursement Agreement shall not exceed the rental payments payable with respect to Rent Restricted Units (as defined in Sections 42(g)(1)(B) and 42(g)(2) of the Code) for individuals whose income does not exceed 60% of area median incomes.

(f) Not less than 10% or 34 of the units in the project shall be available on a priority basis for occupancy by Very Low Income Tenants at rents not exceeding the rental payments payable with respect to Rent-Restricted Units (as defined in Sections 42(g)(1)(A) and 42(g)(2) of the Code) for individuals whose income does not exceed 50% of area median income.

(g) In addition to any other requirement imposed by law, regulation or contract, each tenant in the Project whose occupancy is proposed to be terminated solely because such tenant’s Adjusted Income exceeds 60% of area median income shall be given at least ninety (90) days’ prior notice of such termination.

(h) To the full extent permitted by law, the Borrower will adopt a marketing plan with respect to the Project utilizing, in the first instance, local media outlets, such as newspapers with a circulation within the City of Richmond, local public access cable television, and coordination with local non profit entities and other groups serving lower income residents of the City.

Any of the foregoing requirements of the Issuer (except (a) above, which may be expressly waived by CDLAC) may be expressly waived by the Issuer, in its sole discretion, in writing, but (i) no waiver by the Issuer of any requirement of this section shall, or shall be deemed to, extend or affect any other provision of the Regulatory Agreement except to the extent the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that any such provision is not required by the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Series 2004A Bonds for federal income tax purposes; and (ii) any requirement of this section shall be void and
of no force and effect if the Issuer and the Trustee (with a copy to the Borrower and the Credit Provider) receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Series 2004A Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Housing Law or any other state or federal law.

Sale or Transfer of the Project

The Borrower shall not, except as provided in the Security Instrument and as set forth below, sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default under the Regulatory Agreement or under the Financing Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the purchaser or assignee shall agree that the continued operation of the Project shall comply with the provisions of the Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years’ experience in the ownership, operation and management of similar size rental housing projects, and at least one year’s experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company (or other management company reasonably acceptable to the Issuer) will continue to manage the Project for at least one year following such transfer and, if applicable, during such period will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of, significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Trustee with respect to the assumption of the Borrower’s obligations under the Regulatory Agreement and the Financing Agreement (if then in effect), including without limitation an instrument of assumption in the Regulatory Agreement and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee’s counsel to the effect that each such document and the Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor’s rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition of the Project will not adversely affect the Tax-Exempt status of interest on the Series 2004A Bonds; and (D) receipt by the Issuer and the Trustee of all fees and/or expenses then currently due and payable to the Issuer and Trustee by the Borrower. It is thereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this section shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under the Regulatory Agreement. The written consent of the Issuer to any transfer of the Project shall constitute conclusive evidence that the transfer is not in violation of this section. Nothing in this section shall affect any provision of any other document or instrument binding upon the Borrower, which requires the Borrower to satisfy certain conditions or obtain the prior written consent of other parties in order to sell, transfer or otherwise dispose of the Project. Upon any sale or other transfer that complies with the Regulatory Agreement, the Borrower shall be fully released from its obligations under the Regulatory Agreement to the extent such obligations have been fully assumed in writing by the transferee of the Project.
Any restrictions on the sale or transfer of the Project set forth in the Regulatory Agreement shall not apply to any transfer of title to the Project to the Credit Provider or the Construction Lender or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan or to any subsequent transfer by the Credit Provider or Construction Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan. No such transfer of the Project shall operate to release the Borrower from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Security Instrument, any of the other Loan Documents or any of the Construction Phase Credit Documents that requires the Borrower to obtain the consent of the Credit Provider or the Construction Lender as a precondition to the sale, transfer or other disposition of the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Security Instrument or the Construction Phase Credit Documents. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to the Credit Provider or the Construction Lender or a third party upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan by the Credit Provider or the Construction Lender, or to any subsequent transfer by the Credit Provider following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan. Any written consent to a sale or transfer obtained from the Issuer must be deemed to constitute conclusive evidence that the sale or transfer is not in violation of the transfer provisions set forth in the Regulatory Agreement.

Any restrictions on the sale or transfer of the Project or of any interest in the Owner shall not apply to any transfer, sale, assignment or pledge of an ownership interest in the Investor Limited Partner and the removal and substitution of the general partner of Owner in accordance with the Amended and Restated Partnership Agreement of the Owner dated as of July 1, 2004.

For the Qualified Project Period, the Borrower shall not: (1) encumber any portion of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except pursuant or subordinate to the provisions of the Regulatory Agreement and the Security Instrument (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Series 2004A Bonds; provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project), or except upon a sale, transfer or other disposition of the Project in accordance with the terms of the Regulatory Agreement, provided that such transfer does not violate the terms of the Security Instrument; (2) demolish any part of the Project or substantially remove any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Financing Agreement or the Security Instrument; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Term

The Regulatory Agreement and the terms thereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided therein, and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions thereof are intended to, and may, survive the retirement of the Bonds and the discharge of the Indenture and the Financing Agreement.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements of the Regulatory Agreement shall terminate and be of no further force and effect in the event of (i) foreclosure or transfer by deed in lieu of foreclosure, or (ii) involuntary noncompliance with the provisions of this
Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date that prevents the Issuer and the Trustee from enforcing such provisions, or condemnation or a similar event, but only if, in either such event, within a reasonable period thereafter, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements thereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained therein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person (as described above) will obtain an ownership interest in the Project for federal income tax purposes. Notwithstanding any other provision of the Regulatory Agreement, the Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Borrower upon receipt by the Issuer and the Trustee of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Series 2004A Bonds for federal income tax purposes. Upon the termination of the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Covenants to Run with the Land

Notwithstanding Section 1461 of the California Civil Code, the Borrower subjects the Project to the covenants, reservations and restrictions set forth in the Regulatory Agreement. The Issuer and the Borrower thereby declare their express intent that the covenants, reservations and restrictions set forth therein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower’s successors in title to the Project; provided, however, that on the termination of the Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument thereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Limitation on Liability

Notwithstanding the foregoing or any other provision or obligation to the contrary contained in the Regulatory Agreement, (i) the liability of the Borrower under the Regulatory Agreement to any person or entity, including, but not limited to, the Trustee and the Issuer and their successors and assigns, is limited to the Borrower’s interest in the Project, the Revenues and the amounts held in the funds and accounts created under the Indenture, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of the Regulatory Agreement or any other agreement securing the obligations of the Borrower under the Regulatory Agreement; and (ii) from and after the date of the Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to the Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower’s obligations under the Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower’s interest in the Project, the Regulatory Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Borrower under the Indenture or any other documents relating to the Bonds or any rights of the Borrower under any guarantees relating to the Project), its
partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of the Regulatory Agreement and the Indenture or any agreement securing the obligations of the Borrower under the Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Financing Agreement.

Fannie Mae Rider

Unless (i) Fannie Mae has no further obligation under the Credit Enhancement Instrument and all obligations of the Borrower to Fannie Mae under the Credit Facility Documents and the other Borrower Documents have been satisfied in full, or (ii) a Wrongful Dishonor has occurred and is continuing, the provisions of the Regulatory Agreement shall apply and, during such period, the terms, provisions and conditions of the Regulatory Agreement shall be subject to the terms, conditions and provisions of the Regulatory Agreement.