

RESOLUTION NO. 21-010

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS MULTIFAMILY HOUSING REVENUE BONDS (OSO BAY APARTMENTS) SERIES 2021; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development, construction and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds (including notes), for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board has determined to authorize the issuance of its Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the "Bonds") pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") between the Department and Regions Bank, as trustee (the "Trustee"), for the purpose of providing funds in connection with the financing of the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Oso Bay Apartments, LLC, a Texas limited liability company (the "Borrower"), in connection with the acquisition, rehabilitation and equipping of a qualified residential rental development described in Exhibit A attached hereto (the "Development") located within the

State and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on July 23, 2020, declared its intent to issue its revenue bonds or notes to provide financing for the Development; and

WHEREAS, the Borrower has requested and received a reservation of private activity bond allocation from the State of Texas; and;

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Loan Agreement (the "Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the acquisition, rehabilitation and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a promissory note (the "Borrower Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Loan Agreement; and

WHEREAS, it is anticipated that the obligations of the Borrower under the Loan Agreement will be secured by a Subordinate Multifamily Deed of Trust, Security Agreement and Fixture Filing (the "Bond Mortgage") from the Borrower for the benefit of the Department and the Trustee; and

WHEREAS, the Department's rights (except for certain unassigned rights) under the Indenture, the Borrower Note and the Bond Mortgage will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents (the "Assignment") from the Department to the Trustee; and

WHEREAS, the Borrower will obtain a first lien mortgage loan from Regions Bank (the "HUD Lender"), and the Board has determined that the Department will execute and deliver a (i) Funding Agreement (the "Funding Agreement") with the HUD Lender, the Trustee and the Borrower and (ii) Loan Disbursement Procedures Agreement (the "Disbursement Agreement") with the HUD Lender, the Trustee, the Borrower, and the other parties identified therein, pursuant to which the HUD Lender will deposit from time to time the proceeds of the first lien mortgage loan with the Trustee, to be held by the Trustee as security for the Bonds in accordance with the Indenture; and

WHEREAS, with respect to the Bonds, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement") with respect to the Development, which will be filed of record in the real property records of Nueces County, Texas; and

WHEREAS, in order to assure compliance with Section 103 and 141 through 150 of the Code, the Board has determined that the Department, the Trustee and the Borrower will

execute a Tax Exemption Certificate and Agreement (the "Tax Exemption Agreement"), in connection with the Bonds, pursuant to which the Department and the Borrower will make certifications, representations and covenants relating to the treatment of the interest on the Bonds as exempt from gross income for federal income tax purposes; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of an official statement (the "Official Statement") and to authorize the Authorized Representatives (as defined herein) to deem the Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Official Statement as may be required to provide a final official statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Purchase Agreement") with Colliers Securities LLC (the "Underwriter") and the Borrower, setting forth certain terms and conditions upon which the Underwriter will purchase the Bonds from the Department and the Department will sell the Bonds to the Underwriter; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Indenture; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Regulatory Agreement, the Funding Agreement, the Disbursement Agreement, the Assignment, the Tax Exemption Agreement, the Official Statement and the Purchase Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Bond Mortgage and the Borrower Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Article 1, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Bond Mortgage and the Borrower Note and the taking of such other actions as may be necessary or convenient in connection therewith;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE 1

ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

Section 1.1 Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds is hereby authorized pursuant to the Act, including particularly Section 2306.353 thereof, and Chapter 1371, Texas Government Code, all under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the Authorized Representatives of the Department named in this Resolution are each hereby

authorized to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State (the "Attorney General") for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to or upon the order of the Underwriter.

Section 1.2 Interest Rate, Principal Amount, Maturity and Price. That the Chair or Vice Chair of the Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption and tender provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by an Authorized Representative (as defined below) of the Department of the Indenture and the Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the initial interest rate set forth in the Purchase Agreement in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 2.50%; (ii) the aggregate principal amount of the Bonds shall not exceed \$14,000,000; (iii) the final maturity of the Bonds shall occur not later than September 1, 2024; and (iv) the price at which the Bonds are sold to the initial purchaser thereof under the Purchase Agreement shall not exceed 100% of the principal amount thereof.

Section 1.3 Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the Authorized Representatives are each hereby authorized to execute the Indenture, and to deliver the Indenture to the Trustee.

Section 1.4 Approval, Execution and Delivery of the Loan Agreement. That the form and substance of the Loan Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Loan Agreement, and to deliver the Loan Agreement to the Borrower.

Section 1.5 Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute, attest and affix the Department's seal to the Regulatory Agreement, and to deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Nueces County, Texas.

Section 1.6 Approval, Execution and Delivery of the Tax Exemption Agreement. That the form and substance of the Tax Exemption Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Tax Exemption Agreement, and to deliver the Tax Exemption Agreement to the Borrower and the Trustee.

Section 1.7 Approval, Execution and Delivery of the Purchase Agreement. That the sale of the Bonds to the Underwriter and/or any other parties pursuant to the Purchase Agreement is hereby approved, that the form and substance of the Purchase Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Purchase Agreement and to deliver the Purchase Agreement to the Borrower, the Underwriter, and/or any other parties to the Purchase Agreement, as appropriate.

Section 1.8 Approval, Execution and Delivery of the Funding Agreement. That the form and substance of the Funding Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Funding Agreement, and to deliver the Funding Agreement to the HUD Lender, the Trustee and the Borrower.

Section 1.9 Approval, Execution and Delivery of the Disbursement Agreement. That the form and substance of the Disbursement Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Disbursement Agreement, and to deliver the Disbursement Agreement to the HUD Lender, the Trustee, the Borrower, and the other parties thereto.

Section 1.10 Acceptance of the Borrower Note and the Bond Mortgage. That the form and substance of the Borrower Note and the Bond Mortgage are hereby accepted by the Department and that the Authorized Representatives each are hereby authorized to endorse and deliver the Borrower Note without recourse.

Section 1.11 Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Assignment, and to deliver the Assignment to the Trustee.

Section 1.12 Approval, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Authorized Representatives are hereby severally authorized to deem the Official Statement “final” for purposes of Rule 15c2-12 under the Securities and Exchange Act of 1934; that the Authorized Representatives named in this Resolution each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; that the Authorized Representatives named in this Resolution each are authorized hereby to accept the Official Statement, as required; and that the use and distribution of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Purchase Agreement and as may be approved by the Executive Director of the Department and the Department’s counsel.

Section 1.13 [Reserved].

Section 1.14 [Reserved].

Section 1.15 [Reserved].

Section 1.16 Taking of Any Action; Execution and Delivery of Other Documents. That the Authorized Representatives are each hereby authorized to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.17 Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such Authorized Representative, and in the opinion of Bracewell LLP, Bond Counsel to the Department ("Bond Counsel"), may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the Authorized Representatives.

Section 1.18 Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit B - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Borrower Note
- Exhibit F - Bond Mortgage
- Exhibit G - Assignment
- Exhibit H - Purchase Agreement
- Exhibit I - Official Statement
- Exhibit J - Tax Exemption Agreement
- Exhibit K - Funding Agreement
- Exhibit L - Disbursement Agreement

Section 1.19 Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Board, the Executive Director of the Department, the Director of Administration of the Department, the Director of Financial Administration of the Department, the Director of Bond Finance and Chief Investment Officer of the Department, the Director of Multifamily Bonds of the Department, the Director of Texas Homeownership of the Department, and the Secretary or any Assistant Secretary to the

Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

ARTICLE 2

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1 Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2 Approval of Submission to the Attorney General. That the Board hereby authorizes, and approves the submission by Bond Counsel to the Attorney General, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3 Certification of the Minutes and Records. That the Secretary or Assistant Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4 Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Services, Inc., and its successors and assigns, is approved, ratified and confirmed hereby.

Section 2.5 Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Development in accordance with the Indenture and the Tax Exemption Agreement and to enter into any agreements relating thereto only to the extent permitted by the Indenture and the Tax Exemption Agreement.

Section 2.6 Underwriter. That the underwriter with respect to the issuance of the Bonds will be Colliers Securities LLC, or any other party identified in the Purchase Agreement.

Section 2.7 Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Purchase Agreement and the requirements of Bond Counsel, provided such engagement is done in accordance with applicable law of the State.

Section 2.8 Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

ARTICLE 3

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1 Findings of the Board. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Development is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Development in accordance with the requirements of the Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement, will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible, and

(iii) that the Borrower is not, and will not enter into a contract for the Development with, a housing developer that (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Development in accordance with the Loan Agreement, the Regulatory Agreement and the Tax Exemption

Agreement, which require, among other things, that the Development be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds in connection with the financing of the Development is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe, and sanitary housing by financing costs of the Development, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2 Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Development shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Tax Exemption Agreement and the Regulatory Agreement.

Section 3.3 Sufficiency of Loan Interest Rate. That, in accordance with Section 2306.226 of the Act, the Board hereby finds and determines that the interest rate on the Loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4 No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase the Bonds in the secondary open market for municipal securities.

ARTICLE 4

GENERAL PROVISIONS

Section 4.1 Limited Obligations. That the Bonds and the interest thereon shall be special limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2 Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Note shall contain on its face a statement to the effect that the State is not obligated to pay the

principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State is pledged, given or loaned to such payment.

Section 4.3 Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with Section 2306.032 of the Texas Government Code, and the March 16, 2020 action by the Governor of the State of Texas under Section 418.016, Texas Government Code, suspending certain provisions of the Texas Open Meetings Act regarding meetings of the Governing Board.

PASSED AND APPROVED this 14th day of January, 2021.

EXHIBIT A

Description of Development

Borrower: Oso Bay Apartments, LLC, a Texas limited liability company

Development: The Development is a 104-unit affordable, multifamily housing development known as Oso Bay Apartments, located at 7502 McArdle Road, Corpus Christi, Nueces County, TX 78412. It consists of eight (8) residential apartment buildings with approximately 84,792 net rentable square feet. The unit mix will consist of:

32	one-bedroom/one-bath units
56	two-bedroom/one-and-one-half-bath units
16	three-bedroom/two-bath units
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104	Total Units

Unit sizes will range from approximately 654 square feet to approximately 1,048 square feet.

TRUST INDENTURE

Between

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Issuer

and

REGIONS BANK,
as Trustee

Dated as of [February] 1, 2021

Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021

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- Exhibit A – Form of Bond
- Exhibit B – Form of Project Fund Requisition
- Exhibit C – Form of Costs of Issuance Requisition

TRUST INDENTURE

THIS TRUST INDENTURE (as amended, modified or supplemented from time to time, this “*Indenture*”) is entered into as of [February] 1, 2021, by and between the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (together with its successors and assigns, the “*Issuer*”), and REGIONS BANK, an Alabama banking corporation authorized to exercise corporate trust powers in the State of Texas, and authorized to accept and execute trusts of the character herein set out, as Trustee (together with its successors and assigns, the “*Trustee*”).

RECITALS

Certain of the terms and words used in these Recitals, and in the following Granting Clauses and Agreements, are defined in Section 1.01 of this Indenture.

WHEREAS, by virtue of the authority of the laws of the State of Texas (the “*State*”), and particularly the provisions of Chapter 2306, Texas Government Code, as amended (the “*Act*”), the Issuer is authorized to make loans to finance the cost of a “*development*” (as defined in the Act) and to issue bonds, notes or other evidences of indebtedness from time to time for such purposes; and

WHEREAS, the Issuer has, pursuant to the Act, Chapter 1371, Texas Government Code, as amended and this Indenture, determined to issue and sell its Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 in the original aggregate principal amount of \$[14,000,000] (the “*Bonds*”), for the purpose of financing the cost of the acquisition, rehabilitation, and equipping of a multifamily rental housing development, consisting of approximately 104 units and related personal property and equipment, and to be located in Nueces County, Texas (the “*Project*”), all pursuant to this Indenture and the Loan Agreement dated as of [February] 1, 2021, (as amended, modified or supplemented from time to time, the “*Bond Loan Agreement*”), between the Issuer and Oso Bay Apartments, LLC, a limited liability company duly organized and existing under the laws of the State of Texas (together with its permitted successors and assigns, the “*Borrower*”); and

WHEREAS, the Issuer is authorized to enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done to finance the Costs of the Project by the issuance of the Bonds, all as hereinafter provided; and

WHEREAS, all acts, conditions and things required to happen, exist, and be performed precedent to and in the issuance of the Bonds and the execution and delivery of this Indenture have happened, exist and have been performed in order to make the Bonds, when issued, delivered and authenticated, valid obligations of the Issuer in accordance with the terms thereof and hereof, and in order to make this Indenture a valid, binding and legal trust agreement for the security of the Bonds in accordance with its terms; and

WHEREAS, in order to assure compliance with Sections 103 and 142 through 150 of the Code, the Issuer, the Borrower and the Trustee have entered into the Tax Exemption Agreement and the Regulatory Agreement, each of which sets forth various certifications, representations, and covenants relating to the Federal Tax Status of the Bonds; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and has accepted its obligations hereunder, and in evidence thereof, this Indenture has been executed and delivered thereby.

Accordingly, the Issuer and the Trustee agree as follows for the benefit of each other and for the benefit of the Holders of the Bonds:

GRANTING CLAUSES AND AGREEMENTS

NOW, THEREFORE, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of any or all of the Bonds issued and sold by the Issuer from time to time under this Indenture by those who shall hold the same from time to time, and of the sum of one dollar, lawful money of the United States of America, duly paid to the Issuer by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds and the payment and performance of all other of the obligations of the Issuer, the Issuer does hereby grant, bargain, sell, convey, pledge and assign, without recourse, unto the Trustee and unto its successors in trust forever, and grants to the Trustee and to its successors in trust, a security interest in, the following (such property being herein referred to as the "*Trust Estate*"):

(a) All right, title and interest of the Issuer in and to all Revenues, derived or to be derived by the Issuer or the Trustee for the account of the Issuer under the terms of this Indenture and the Bond Loan Agreement (other than the Reserved Rights of the Issuer), together with all other Revenues received by the Trustee for the account of the Issuer arising out of or on account of the Trust Estate;

(b) All right, title and interest of the Issuer in and to the Note (other than the Reserved Rights of the Issuer) including all payments and proceeds with respect thereto or replacement thereof;

(c) Any fund or account created under this Indenture except for the Cost of Issuance Fund, the Expense Fund and the Rebate Fund;

(d) All right, title and interest of the Issuer in and to, and remedies under, the Bond Loan Agreement and the Bond Mortgage (other than the Reserved Rights of the Issuer); and

(e) All funds, moneys and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

PROVIDED, HOWEVER, that there shall be excluded from the granting clauses of this Indenture all the Reserved Rights of the Issuer, including all amounts paid or collected by the

Issuer in connection therewith, all amounts on deposit in the Cost of Issuance Fund and the Expense Fund and all amounts on deposit in the Rebate Fund, which amounts on deposit in the Rebate Fund shall be held for the sole benefit of the United States of America;

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in trust forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all Holders from time to time of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds.

PROVIDED, HOWEVER, that if the Issuer shall well and truly pay, or cause to be paid, the principal of the Bonds issued hereunder, and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Collateral Fund as required under Article IV hereof or by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of this Indenture and all other of the obligations of the Issuer to be kept, performed and observed by it, the Rebate Requirement shall be paid in full and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payment, as further provided in Section 9.01 hereof, and the termination of the Bond Loan Agreement, this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise, this Indenture shall remain in full force and effect.

AND IT IS EXPRESSLY DECLARED that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all such property, moneys, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective Holders from time to time of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01. **Definitions.** Certain terms used in this Indenture are defined in the Bond Loan Agreement and when and if used herein, such terms shall have the meanings given to them by the Bond Loan Agreement unless the context clearly indicates otherwise. In addition, when used in this Indenture, the following terms shall have the meanings given to them in this Section 1.01 unless the context clearly indicates otherwise:

“*Account*” means an account within any Fund created pursuant to Article IV hereof.

“*Act*” has the meaning assigned in the Recitals hereto.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For

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

“*Assumption Agreement*” has the meaning set forth in Section 6.01(k)(iii) of the Bond Loan Agreement.

“*Authorized Officer*” means the Chair or Vice Chair of the Board, the Executive Director of the Issuer, the Director of Administration of the Issuer, the Director of Financial Administration of the Issuer, the Director of Bond Finance and Chief Investment Officer of the Issuer, the Director of Multifamily Bonds of the Issuer, the Director of Texas Homeownership of the Issuer, and the Secretary or Assistant Secretary to the Board.

“*Board*” means the Governing Board of the Issuer.

“*Bond*” or “*Bonds*” means the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 issued, authenticated and delivered under this Indenture, which are identified as such in Section 2.01(a) hereof.

“*Bond Counsel*” means nationally recognized bond counsel selected by the Issuer and initially means Bracewell LLP.

“*Bond Documents*” means, with respect to the Bonds, the Bonds, this Indenture, the Bond Loan Agreement, the Bond Purchase Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Tax Exemption Agreement, the Lender Disbursement Agreement and any and all documents executed in connection with the Bonds.

“*Bond Fund*” means the Bond Fund created in Section 4.01 of this Indenture.

“*Bond Mortgage*” means the Subordinate Multifamily Deed of Trust, Security Agreement and Fixture Filing, dated of even date with this Indenture, from the Borrower to [_____] for the benefit of the Trustee and the Issuer, and as the same may be amended, supplemented or restated.

“*Bondholder*” or “*Holder of the Bonds*” or “*Holder*” or “*Owner of the Bonds*” or “*Owner*” when used with respect to any Bond, means the Person or Persons in whose name such Bond is registered as the owner thereof on the books of the Issuer maintained at the Trust Office of the Trustee for that purpose.

“*Bond Loan*” means the mortgage loan in the principal amount of \$[14,000,000] made by the Issuer to the Borrower evidenced by the Note, described in the Bond Loan Agreement and made in connection with the issuance of the Bonds.

“*Bond Loan Agreement*” or “*Agreement*” means the Loan Agreement, dated of even date with this Indenture, between the Issuer and the Borrower, and any and all amendments or supplements thereto, pursuant to which the Bond Loan is being made to the Borrower.

“*Bond Loan Documents*” shall mean the Bond Loan Agreement and the Note.

“*Bond Purchase Agreement*” means the Bond Purchase Agreement, dated [_____], 2021, among the Issuer, the Borrower and the Underwriter.

“*Bond Registrar*” has the meaning assigned to it in Section 2.01(f) hereof.

“*Book Entry Form*” or “*Book Entry System*” means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry and (ii) physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as holder, with the physical bond certificates “immobilized” in the custody of the Securities Depository.

“*Borrower*” means Oso Bay Apartments, LLC, a limited liability company duly organized and existing in the State of Texas, and its successors and assigns.

“*Borrower Documents*” means the Bond Loan Agreement, the Note, the Tax Exemption Agreement, the Regulatory Agreement, the Bond Purchase Agreement, the Official Statement, the Continuing Disclosure Agreement and any and all documents, agreements or instruments executed by the Borrower in connection with the Bond Loan evidenced by the Bond Loan Agreement.

“*Borrower Obligations*” means the obligations of the Borrower under the Bond Loan Agreement, the Note and the other Borrower Documents to (a) pay the principal of, and interest on the Note, when and as the same shall become due and payable (whether at the stated maturity thereof, on any payment date or by acceleration of maturity or otherwise), (b) pay all other amounts required by the Bond Loan Agreement, the Note, and the other Borrower Documents to be paid by the Borrower to the Issuer and the Trustee, as and when the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations, and agreements, express or implied, which the Borrower is required by the Bond Loan Agreement, the Note, the Regulatory Agreement, and any of the other Borrower Documents, to perform or observe.

“*Borrower Representative*” means a person at the time designated and authorized to act on behalf of the Borrower by a written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by one of its officers, which certificate may designate an alternate or alternates.

“*Business Day*” or “*business day*” means a day, other than a Saturday or Sunday, on which (a) banks located in New York, New York or in the city in which the Trust Office of the Trustee is located, are not required or authorized by law or executive order to close for business and (b) the New York Stock Exchange is not closed.

“*Capitalized Interest Account*” means the Account by that name created in the Bond Fund pursuant to Section 4.01(a).

“*Capitalized Interest Deposit*” means the deposit of \$[_____] from Preference Proof Moneys to the Project Fund on the Closing Date, as provided in Section 4.02 hereof.

“*Cash Flow Projection*” means a cash flow projection prepared by an Independent firm of certified public accountants, a financial advisory firm, a law firm or other Independent third party

qualified and experienced in the preparation of cash flow projections for structured finance transactions similar to the Bonds, designated by the Borrower and acceptable to the Rating Agency, establishing, to the satisfaction of the Rating Agency, the sufficiency of (a) the amount on deposit in the Project Fund and the Collateral Fund, (b) projected investment income to accrue on amounts on deposit in the Project Fund and Collateral Fund during the applicable period and (c) any additional Preference Proof Moneys delivered to the Trustee by or on behalf of the Borrower to pay principal of and interest on the Bonds when due and payable, including, but not limited to, any cash flow projection prepared in connection with (i) the initial issuance and delivery of the Bonds, (ii) a proposed optional redemption of the Bonds, as provided in Section 3.01(c) hereof, (iii) the release of Preference Proof Moneys from the Capitalized Interest Account of the Bond Fund, as provided in Section 4.05 hereof; and (iv) the purchase, sale or exchange of Permitted Investments as provided in Section 7.01 hereof.

“*Closing Date*” means the date of delivery of the Bonds in exchange for the purchase price thereof.

“*Closing Memorandum*” means the closing memorandum prepared by the Underwriter and executed by the Borrower and/or the Issuer in connection with the issuance of the Bonds.

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

“*Collateral Fund*” means the Collateral Fund created pursuant to Section 4.01(e) of this Indenture.

“*Completion Certificate*” means a certificate submitted by the Borrower Representative to the Issuer and the Trustee as provided in Section 3.05 of the Bond Loan Agreement.

“*Completion Date*” means the date upon which the Completion Certificate is delivered by the Borrower to the Issuer and the Trustee, which shall be no later than [_____].

“*Comptroller*” means the Comptroller of Public Accounts of the State of Texas.

“*Construction Contract*” means that certain construction contract executed between the Contractor and the Borrower relating to the construction of the Project, as that contract may be amended from time to time.

“*Construction Draw Date*” means the date on which a disbursement from the Project Fund shall be made solely to pay Costs of the Project.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement, dated of even date with this Indenture, between the Borrower and the Dissemination Agent.

“*Contractor*” means the entity identified as the general contractor under the Construction Contract.

“*Costs of Issuance*” means all fees, costs and expenses incurred in connection with the issuance of the Bonds and the extension of the Bond Loan that are payable from amounts deposited in the Cost of Issuance Fund.

“*Cost of Issuance Deposit*” means \$[_____].

“*Cost of Issuance Fund*” means the Cost of Issuance Fund created pursuant to Section 4.01(f) hereof.

“*Costs of the Project*” with respect to the Project shall be deemed to include all items permitted to be financed under the provisions of the Code and the Act.

“*Disbursement Agreement*” means, collectively, the Funding Agreement and the Loan Disbursement Procedures Agreement.

“*Dissemination Agent*” means Regions Bank, an Alabama banking corporation and its permitted successors and assigns as Dissemination Agent under the Continuing Disclosure Agreement.

“*Dissemination Agent Fee*” means a portion of the Trustee’s Fee payable to Regions Bank, in its capacity as Dissemination Agent pursuant to the Continuing Disclosure Agreement.

“*Documents*” means and shall include (without limitation), with respect to the Bonds, this Indenture, the Bond Documents, the Borrower Documents, and any and all other documents which the Issuer, the Borrower or any other party or parties or their representatives, have executed and delivered, or may hereafter execute and deliver, to evidence or secure the Bonds and the Borrower’s Obligations, or any part thereof, or in connection therewith, and any and all supplements thereto.

“*Event of Default*” or “*Default*” means, when used in this Indenture, those events of default or defaults specified in Section 10.01 hereof and, when used in the Bond Loan Agreement, those events of default or defaults specified in Section 7.01 thereof.

“*Expense Fund*” means the fund by that name created and established pursuant to Section 4.01(d) of this Indenture.

“*FHA*” means the Federal Housing Administration.

“*Favorable Opinion of Bond Counsel*” means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds under existing law (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

“*Federal Tax Status*” means, as to the Bonds, the status of the interest on the Bonds as excludable from gross income for federal income tax purposes (except on any Bond during any

period during which it is held by a “substantial user” or “related person” to such a substantial user within the meaning of Section 147(a) of the Code).

“*Fund*” means any fund created pursuant to Article IV hereof.

“*Funding Agreement*” means the Funding Agreement dated as of February 1, 2021, by and among the Lender, the Borrower, the Issuer and the Trustee, as amended, supplemented or restated from time to time.

“*GNMA*” means the Government National Mortgage Association.

“*Government Obligations*” means non-callable, non-redeemable direct obligations issued by the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, including, when available, SLGS.

“*Governmental Authority*” means any federal, State or local governmental or quasi-governmental entity, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity.

“*Governmental Requirements*” means all laws, ordinances, orders, rules or regulations of all Governmental Authorities applicable to the Project, the Issuer, the Borrower or any of the Borrower’s assets or other properties, including without limitation, laws, ordinances, orders, rules and regulations relating to securities or other public disclosures, zoning, licenses, permits, subdivision, building, safety, health, and fire protection and all environmental laws.

“*Hazardous Materials*” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“*PCBS*”) and compounds containing them; lead and lead based paint; asbestos or asbestos containing materials in any form that is or could become friable; underground or above ground storage tanks, whether empty or containing any substance; any substance the presence of which at the Project is prohibited by any federal, state or local authority; any substance that requires special handling under any Hazardous Materials Law; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” within the meaning of any Hazardous Materials Law, but does not include any such substance that is a customary and ordinary household, cleaning, office, swimming pool or landscape maintenance product used on the Project by the Borrower or any tenant or agent of the Borrower, or customary construction materials used during the course of construction and equipping of the Project by the Borrower or the Contractor, provided such use is in accordance with applicable hazardous material laws.

“*Hazardous Materials Law*” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials and apply to Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.*, the Resource

Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, the Clean Water Act, 33 U.S.C. Section 1251, *et seq.*, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, and their state analogs, including laws of the State.

“*Highest Rating Category*” means, with respect to a Permitted Investment, that the Permitted Investment is rated by a Rating Agency in the highest rating given by that Rating Agency for that Rating Category, provided that such rating shall include but not be below Aaa or Aaa/VMIG-1 if rated by Moody’s or A-1+ or AA+ if rated by S&P.

“*HUD*” means the U.S. Department of Housing and Urban Development.

“*HUD Regulatory Agreement*” means the Regulatory Agreement for Multifamily Projects between the Borrower and HUD, as amended or supplemented from time to time.

“*Indenture*” means this Trust Indenture dated as of [February] 1, 2021, between the Issuer and the Trustee, and any and all Supplements hereto, authorizing the issuance of the Bonds.

“*Independent*” means a Person that has no specific financial interest direct or indirect in the Borrower or any Affiliate of the Borrower and in the case of an individual is not a director, trustee, officer, partner, member or employee of the Borrower or any Affiliate of the Borrower and in the case of an entity, does not have a partner, director, trustee, officer, member or employee who is a director, trustee, partner, member, officer or employee of any partner or member of the Borrower or any Affiliate of the Borrower.

“*Initial Bond*” means the initial Bond registered by the Comptroller and subsequently canceled and replaced by a definitive Bond pursuant to this Indenture.

“*Interest Payment Date*” means each March 1 and September 1, beginning [_____] 1, 2021.

“*Investor Limited Partner*” means RAH Investor 279, LLC, a Mississippi limited liability company, and its permitted successors and assigns in its capacity as the investor limited partner of the Sole Member.

“*Issuer*” means the Texas Department of Housing and Community Affairs, a public and official agency of the State, and its successors and assigns.

“*Issuer Documents*” means the Bond Loan Agreement, this Indenture, the Regulatory Agreement, the Bond Purchase Agreement, the Tax Exemption Agreement and any and all documents, agreements or instruments executed by the Issuer in connection with the Bond Loan evidenced by the Bond Loan Agreement.

“*Issuer Indemnified Party*” or “*Issuer Indemnified Parties*” has the meaning set forth in Section 6.02 of the Bond Loan Agreement.

“*Issuer Administration Fee*” means the fee payable annually in advance to the Issuer on each [February] 1, in the amount of .10% per annum of the aggregate principal amount of Bonds

Outstanding at the inception of each payment period. On the Closing Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from the Closing Date to [January 31], 2023. The Trustee will remit to the Issuer (upon receipt of an invoice from the Issuer), payable solely from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after [February] 1, 2023.

“*Issuer Compliance Fee*” means the fee payable annually in advance to the Issuer on each [February] 1, in the amount of \$25 per Low-Income Unit (as defined in the Regulatory Agreement) in the Project, for the duration of the State Restrictive Period (as defined in the Regulatory Agreement). The first annual Issuer Compliance Fee shall be paid on the Closing Date. The Trustee will remit to the Issuer (upon receipt of an invoice from the Issuer), solely from funds provided by the Borrower, all payments of the Issuer Compliance Fee due on or after [February] 1, 2024. The Issuer Compliance Fee is for bond compliance only, and an additional fee may be charged for tax credit compliance.

“*Issuer’s Fees*” means, collectively, the Issuer Administration Fee and the Issuer Compliance Fee.

“*Lender*” means Regions Bank, and its successors and assigns.

“*Lender Borrower Note*” means the \$[17,000,000] Note (Multistate) dated as of [February] 1, 2021, from the Borrower to the Lender to evidence its indebtedness under the Lender Loan and endorsed by HUD.

“*Lender Collateral Deposit*” shall have the meaning given to such term in Section 4.03 hereof.

“*Lender Disbursement Agreement*” means the Construction Loan Disbursement Agreement, dated as of [February] 1, 2021, among the Lender, the Borrower and [**Title Partners LLC**].

“*Lender Loan*” means the loan made by the Lender to the Borrower in the original principal amount not to exceed \$[17,000,000] pursuant to the Lender Disbursement Agreement, as evidenced by the Lender Borrower Note and secured by the Lender Mortgage.

“*Lender Loan Documents*” means the documents related to the Lender Loan, including the Lender Disbursement Agreement, the Lender Borrower Note, the Lender Mortgage, the HUD Regulatory Agreement and any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Lender Loan.

“*Lender Mortgage*” means the first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (Texas) dated [February] 1, 2021, from Borrower for the benefit of the Lender to secure the repayment of the Lender Borrower Note.

“*Loan Disbursement Procedures Agreement*” means the Loan Disbursement Procedures Agreement dated as of February 1, 2021, by and among [**the Lender, the Borrower, the Issuer and the Trustee**], as amended, supplemented or restated from time to time.

“*Mandatory Tender Date*” means (i) [September 1, 2022], and (ii) if the Bonds are remarketed pursuant to Article III for a period that does not extend to the Maturity Date, the day immediately following such period.

“*Maturity Date*” means [September 1, 2024].

“*Maximum Rate*” shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Bonds under State law pursuant to Chapter 1204 of the Texas Government Code.

“*Moody’s*” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Borrower.

“*Note*” means the Promissory Note, dated the Closing Date, from the Borrower to the Issuer in substantially the form attached as Exhibit B to the Bond Loan Agreement, and any amendments, supplements or modifications thereto, which Note has been assigned by the Issuer to the Trustee.

“*Notice Address*” means, unless otherwise designated pursuant to Section 13.06 hereof:

(a) As to the Issuer:

Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711
Attention: Director of Multifamily Bonds
Telephone: (512) 475-3344
Facsimile: (512) 475-1895

(b) As to the Borrower:

Oso Bay Apartments, LLC
c/o Vitus Group, LLC
1700 Seventh Avenue, Suite 2000
Seattle, WA 98101
Attention: Samantha Cullen
Telephone: 206-832-1326
E-mail: Samantha.cullen@vitus.com

With a copy to:

c/o Commonwealth Multifamily Housing Corporation
1610 S. 31st Street., Suite 200
Temple, Texas 76504
Attention: David P. Cole
Telephone: 254-773-7400

E-mail: HQ@cmhctx.org

With a copy to:

Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402-4629
Attention: John D. Nolde
Telephone: 612-604-6720
Facsimile: 612-604-6820
E-mail: jnolde@winthrop.com

(c) As to the Rating Agency:

Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York, NY 10007
Attention: Public Finance Group – Housing Team
E-mail: Housing@moodys.com

(d) As to the Trustee:

Regions Bank
400 convention St., 9th Floor
Baton Rouge, LA 70802
Attention: Corporate Trust
Telephone: 225-388-2734
E-mail: gregory.pulley@regions.com

(e) As to the Investor Limited Partner:

RAH Investor 279 LLC
111 Great Neck Road, Suite 500
Great Neck, New York 11021
Attention: Asset Management
Phone: 516-869-7460
Email: RAH-AssetManagement@regions.com

With a copy to:

Regions Bank, as Subordinate Lender
3275 West 14th Avenue, Suite 202
Denver, CO 80204
Attention: Andrew Romero
Phone: (720) 231-0275
Email: andrew.romero@regions.com

With a copy to:

Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102
Attention: Jill Goldstein
Telephone: 402-346-6000
Facsimile: 402-346-1148
E-mail: jill.goldstein@kutakrock.com

(f) As to the Lender:

Regions Bank
[]
[]
Attention: []
Telephone: []
Facsimile: []
Email: []

With a copy to:

Krooth & Altman LLP
1850 M Street NW, Suite 400
Washington, DC 20036
Attention: [Deborah A. Turner]
Telephone: [(202) 293-8200]
Facsimile: [(202) 327-5576]
Email: [dturner@krooth.com]

(g) As to Remarketing Agent:

Colliers Securities LLC
90 South Seventh Street, Suite 4300
Minneapolis, Minnesota 55402-4108
Attn: Public Finance
Telephone: []
Facsimile: []
Email: []

“Official Statement” means the Official Statement dated [], 2021, relating to the Bonds.

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

“*Optional Redemption Date*” means any date the Bonds are redeemed pursuant to Section 3.01(a) hereof.

“*Outstanding*,” “*outstanding*” or “*Bonds Outstanding*” when used with respect to the Bonds means any Bonds theretofore authenticated and delivered under this Indenture, except:

(a) Bonds theretofore canceled by the Trustee or theretofore delivered to the Trustee for cancellation;

(b) Bonds for the payment of which moneys or obligations shall have been theretofore deposited with the Trustee or other escrow agent in accordance with Article IX; or

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture.

“*Organizational Documents*” means (i) with respect to the Borrower, the [**Amended and Restated Operating Agreement**] of the Borrower dated as of February [____], 2021, and (ii) with respect to the Sole Member, the Amended and Restated Agreement of Limited Partnership of the Sole Member dated as of February [____], 2021, as any of the foregoing may be amended, modified, supplemented or restated from time to time.

“*Paying Agent*” means the Trustee in its capacity as paying agent for the Bonds.

“*Permitted Investments*” means (i) Government Obligations, and (ii) shares or units in any money market mutual fund rated “Aaa-mf” by Moody’s (or the equivalent Highest Rating Category given by the Rating Agency for that Rating Category), including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor that are registered under the Investment Company Act of 1940, as amended, whose investment portfolio consist primarily of Government Obligations. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings of Permitted Investments upon or after the initial purchase of such Permitted Investments.

“*Person*” shall include an individual, association, unincorporated organization, corporation, partnership, limited liability company, joint venture, or government or agency or political subdivision thereof.

“*Plans and Specifications*” means the plans and specifications and/or the scope of work for the Project, together with such amendments thereto as are made from time to time in accordance with Section 5.07 of the Bond Loan Agreement.

“*Preference Proof Moneys*” means (i) moneys drawn on a letter of credit, (ii) proceeds of the Bonds including any additional amount paid by the Underwriter to the Trustee in excess of the offering, or in the case of a remarketing, the reoffering, price of the Bonds, (iii) proceeds of a Lender Collateral Deposit, (iv) proceeds of the Subordinate Loan deposited with the Trustee on behalf of the Borrower, or (v) moneys in connection with which the Trustee shall have been delivered an opinion of bankruptcy counsel acceptable to it to the effect that the use of such moneys

would not be avoidable as a preference under Section 547 of the United States Bankruptcy Code or give rise to a stay under Section 362(a) of the United States Bankruptcy Code. “*Preference Proof Moneys*” shall also include investment earnings derived from any of the foregoing.

“*Project*” means the multifamily rental housing development to be known as Oso Bay Apartments, which will consist of approximately 104 apartment units and related facilities to be located in Nueces County, Texas.

“*Project Fund*” means the Project Fund created in Section 4.01(b) hereof.

“*Purchase in Lieu of Redemption Date*” means the date set forth in Section 3.02 of this Indenture.

“*Qualified Project Costs*” has the meaning assigned to such term in the Tax Exemption Agreement.

“*Qualified Project Period*” has the meaning assigned to such term in the Regulatory Agreement.

“*Rating Agency*” means Moody’s, S&P or any other nationally recognized securities rating agency rating the Bonds, or such rating agency’s successors or assigns, and initially means Moody’s so long as Moody’s is rating the Bonds.

“*Rating Category*” means one of the rating categories of the Rating Agency for the specific type and duration of the applicable Permitted Investment.

“*Rating Confirmation*” means a letter of confirmation from the Rating Agency to the effect that the proposed action would not result in a withdrawal, suspension or downgrade of the rating then in effect on the Bonds.

“*Rebate Analyst*” has the meaning assigned to such term in the Tax Exemption Agreement.

“*Rebate Analyst Fee*” means the fee payable by the Borrower to the Rebate Analyst upon delivery of its report in accordance with the Tax Exemption Agreement.

“*Rebate Fund*” means the Rebate Fund created in Section 4.01(c) hereof.

“*Rebate Requirement*” means the amount, if any, which is to be paid to the United States of America pursuant to Section 148(f) of the Code and Section 5.01 hereof or to reduce the yield on investments to the yield on the Bonds pursuant to Section 148 of the Code.

“*Record Date*” means the 15th day of the month preceding the date on which interest is due and payable.

“*Regulations*” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“*Regulatory Agreement*” means the Regulatory and Land Use Restriction Agreement dated of even date with this Indenture, among the Issuer, the Trustee and the Borrower, and any and all amendments or supplements thereto.

“*Remarketing Agent*” means initially Colliers Securities LLC, and any successor Remarketing Agent that may be appointed by the Borrower.

“*Remarketing Agreement*” means the Remarketing Agreement, dated as of even date with this Indenture, between the Borrower and the Remarketing Agent.

“*Remarketing Notice Parties*” means the Borrower, the Issuer, the Trustee, the Remarketing Agent, the Investor Limited Partner and the Rating Agency.

“*Remarketing Rate*” means the interest rate or rates established pursuant to Section 3.05(b) hereof and borne by the Bonds then Outstanding from and including a Mandatory Tender Date to but not including the next Mandatory Tender Date or the Maturity Date, as applicable.

“*Representation Letter*” means the Blanket Letter of Representations from the Issuer to DTC, or any similar Letter of Representations at the time in use by DTC.

“*Requisition*” means (a) the request signed by the Borrower Representative to make a disbursement from the Project Fund on a Construction Draw Date in the manner provided pursuant to Section 6.02 hereof or (b) the request signed by the Borrower Representative to make a disbursement from the Cost of Issuance Fund in the manner provided pursuant to Section 4.04(b) hereof.

“*Reserved Rights of the Issuer*” and “*Reserved Rights*” means (a) all of the Issuer’s right, title and interest in and to all reimbursement, costs, expenses and indemnification; (b) the right of the Issuer to amounts payable to it pursuant to Section 4.03 of the Bond Loan Agreement, including the Issuer’s Fees; (c) all rights of the Issuer to receive any Rebate Amount (as defined in the Tax Exemption Agreement) required to be rebated to the United States of America under the Code in connection with the Bonds, as described in the Tax Exemption Agreement; (d) all rights of the Issuer to receive notices, reports or other information, and to make determinations and grant approvals or consent hereunder and under the Bond Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement; (e) all rights of the Issuer of access to the Project and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Bond Loan Agreement, the Tax Exemption Agreement and the Regulatory Agreement; (f) any and all rights, remedies and limitations of liability of the Issuer set forth in this Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, or the Bond Mortgage, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, this Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, the Bond Mortgage or the Note, (4) no liability of the Issuer to third parties, and (5) no warranties of suitability or merchantability by the Issuer; (g) all rights of the Issuer in connection with any amendment to or modification of this Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, Bond Mortgage and the Note; (h) any and all limitations of the Issuer’s

liability and the Issuer’s disclaimers of warranties set forth in this Indenture, the Regulatory Agreement, the Tax Exemption Agreement or the Bond Loan Agreement, and the Issuer’s right to inspect and audit the books, records and permits of the Borrower and the Project.

“*Resolution*” means the resolution adopted by the Issuer on [January 14], 2021, duly authorizing and directing the issuance, sale and delivery of the Bonds.

“*Responsible Officer*” means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Trustee within the Trust Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

“*Revenues*” means, all payments paid or payable to the Trustee in accordance with the Bond Loan Agreement, the Bond Loan and the Note and all investment earnings derived or to be derived on any moneys or investments held by the Trustee hereunder, but excluding (a) amounts paid as fees, reimbursement for expenses or for indemnification of any Issuer Indemnified Party and the Trustee, (b) amounts paid to or collected by the Issuer in connection with any Reserved Rights of the Issuer and (c) any Rebate Requirement.

“*S&P*” means S&P Global Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Borrower.

“*Securities Depository*” means The Depository Trust Company, its successors and assigns, or any other securities depository for the Bonds designated by the Issuer or the Borrower to the Trustee in writing.

“*SLGS*” means Time Deposit Treasury Securities –State and Local Government Series.

“*Sole Member*” means Oso Bay Housing Partners, LP, a Texas limited partnership, as sole member and manager of the Borrower.

“*Special Funds*” means, collectively, the Bond Fund, the Project Fund and the Collateral Fund, and any accounts therein, all as created in Section 4.01 of this Indenture.

“*Special Limited Partner*” means Sterling Corporate Services LLC, a New York limited liability company.

“*State*” means the State of Texas.

“*Subordinate Lender*” means Regions Bank, and its successors and assigns.

“*Subordinate Loan*” means the equity bridge loan to the Borrower relating to the Project from Subordinate Lender in the original principal amount of \$[4,300,000].

“*Supplement*” or “*Supplements*” means any and all extensions, renewals, modifications, amendments, supplements and substitutions to this Indenture.

“*Tax Exemption Agreement*” means the Tax Exemption Certificate and Agreement dated of even date with this Indenture, among the Issuer, the Borrower and the Trustee, and any and all amendments or supplements thereto.

“*Term of Agreement*” means the term of the Bond Loan Agreement as specified in Section 9.01 of the Bond Loan Agreement.

“*Trust Estate*” has the meaning given such term in the Granting Clauses of this Indenture.

“*Trust Office*” means the corporate trust office of the Trustee located at the address set forth in Article I hereof or such other office designated by the Trustee from time to time, or such other offices as may be specified in writing to the Issuer by the Trustee.

“*Trustee*” means Regions Bank, an Alabama banking corporation, duly organized and existing under the laws of the United States of America, and authorized to exercise corporate trust powers in the State, having a corporate trust office in Houston, Texas, and its successor or successors in the trust created by this Indenture.

“*Trustee’s Fee*” means the ongoing compensation and expenses payable to the Trustee as follows: (a) the acceptance fee of the Trustee of \$2,500 payable on the Closing Date; (b) the annual administration fees and expenses of the Trustee, as Trustee, Registrar and Paying Agent of \$4,000 per year for the ordinary services of the Trustee rendered under this Indenture during each twelve-month period, payable annually in advance beginning on the Closing Date and thereafter on each anniversary of the Closing Date; (c) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under this Indenture as and when the same become due, including reasonable counsel fees (including in-house counsel fees and fees prior to litigation, at trial, in insolvency proceedings or for appellate proceedings); *provided, further*, that the Trustee shall not be required to undertake any such extraordinary services unless provision for payment of extraordinary expenses satisfactory to the Trustee shall have been made; (d) for purposes of the Bond Loan Agreement, indemnification of the Trustee by the Borrower; and (e) the annual Dissemination Agent Fee under the Continuing Disclosure Agreement of \$1,000 per year, payable annually in advance on the Closing Date and thereafter on each anniversary of the Closing Date.

“*Trustee Indemnified Party*” or “*Trustee Indemnified Parties*” has the meaning set forth in Section 6.02 of the Bond Loan Agreement.

“*Underwriter*” means Colliers Securities LLC.

Section 1.02. **Rules of Construction.** The words “hereof,” “herein,” “hereunder,” “hereto,” and other words of similar import refer to this Indenture in its entirety.

The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

References to Articles, Sections, and other subdivisions of this Indenture are to the designated Articles, Sections, and other subdivisions of this Indenture.

The headings of this Indenture are for convenience only and shall not define or limit the provisions hereof.

All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

Any reference to particular sections or subsections of the Code and applicable income tax regulations shall include any successor provisions of law or regulations, to the extent the same shall apply to the Bonds.

Any reference to a Bond or to the Bonds shall include each portion in the minimum authorized denomination of any registered bond having a denomination greater than the minimum authorized denomination.

ARTICLE II

CREATION OF BONDS; DETAILS OF THE BONDS

Section 2.01. **Authorization and Terms of Bonds.**

(a) *Authorization of Bonds.* The Issuer hereby authorizes for issuance under this Indenture, bonds in the original aggregate principal amount of \$[14,000,000] which shall be designated the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021” to be issued as hereinafter provided.

(b) *Registered Form; Numbering.* The Bonds shall be issuable only as fully registered Bonds in authorized denominations, substantially in the form, appropriately completed, attached hereto as *Exhibit A* and made a part hereof. The Bonds shall be lettered “R” and shall be numbered separately from “1” consecutively upward, except for the Initial Bond, which shall be numbered I-1.

(c) *Date, Denominations, Interest Rate and Maturity.* The Bonds shall be dated [February] 1, 2021, shall be issued in denominations of \$5,000 each or integral multiples thereof, shall bear interest from the Closing Date to the initial Mandatory Tender Date at the rate of [_____] % per annum and thereafter at the Remarketing Rate or Rates determined as provided in Section 3.05(b) hereof, payable semiannually on each Interest Payment Date, and shall mature on the Maturity Date.

The Issuer intends to conform strictly to the usury laws applicable to this Indenture and the Bonds and all agreements made in the Bonds, this Indenture and the Bond Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto including Chapter 1204 of the Texas Government Code and other applicable laws of the State. If,

from any circumstances whatsoever, the fulfillment of any provision of the Bonds, this Indenture or the other Bond Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Holders shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Holders, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Borrower. In no event shall the interest on the Bonds exceed the Maximum Rate. This paragraph shall control every other provision of the Bonds, this Indenture and all other Bond Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Issuer intends and agrees that (i) interest shall be computed upon the assumption that payments under the Bond Loan Agreement and other Bond Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Bonds.

(d) *Book Entry Form.* Initially, the Bonds shall be in Book Entry Form by issuing a single bond in the amount of \$[14,000,000], registered in the name of Cede & Co., as nominee for DTC. In the event DTC discontinues its service with respect to the Bonds and the Book Entry System is terminated, replacement Bonds shall be issued in authorized denominations.

(e) *Dates from Which Interest Payable.* The Bonds shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first Interest Payment Date, in which case it shall bear interest from the Closing Date; *provided, however,* if at the time of authentication of any Bond, the Issuer is in default with respect to the payment of interest thereon, such Bond shall bear interest from the date to which interest shall have been paid. Interest payable on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

(f) *Medium and Place of Payment.* Principal of and interest on the Bonds shall be payable in lawful money of the United States of America which, at the respective times of payment, is legal tender for the payment of public and private debts, but only from the Revenues and any other monies made available to the Issuer for such purpose. Principal of the Bonds shall be payable at Trust Office of the Trustee upon presentation and surrender of the Bonds as the same become due, and upon the request of any registered Owner of Bonds on the applicable Record Date having an aggregate principal amount of \$1,000,000 or more, such principal shall be paid by wire transfer of immediately available funds from the Trustee to the bank and account number specified by such Owner in writing to the Trustee. Interest on the Bonds shall be payable to the registered Owners of the Bonds by check or draft mailed to such Owners at their addresses as they appear on registration books kept by the Trustee as Bond Registrar (the "*Bond Registrar*"), or, upon the request of any registered Owner of Bonds having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee to the domestic bank and

account number specified by such Owner in writing to the Trustee at least three (3) Business Days prior to the applicable payment date.

(g) *Form of Bonds.* The definitive Bonds, which may be printed, typewritten, photocopied, or otherwise reproduced, including the Trustee's certificate of authentication to be endorsed thereon, shall be substantially in the form as set forth in *Exhibit A* attached hereto with such appropriate variations, omissions and insertions as permitted or required by this Indenture.

The Initial Bond, which shall be numbered I-1 and registered by the Comptroller, shall be identical to the form of Bond attached as *Exhibit A* attached hereto, except that the Initial Bond shall be payable to the Underwriter, the CUSIP number may be omitted and the penultimate paragraph of the Initial Bond shall read as follows:

“THIS BOND SHALL NOT BE VALID OR BECOME OBLIGATORY for any purpose or be entitled to any benefit or security under the Indenture unless the Comptroller's Registration Certificate hereon has been executed by an authorized representative of the Texas Comptroller of Public Accounts by manual signature.”

In lieu of the authentication certificate of the Trustee, the Initial Bond shall contain the following certificate:

“COMPTROLLER'S CERTIFICATE

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS
THE STATE OF TEXAS

REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas and that this Bond has been registered by the Comptroller of the Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL OF OFFICE at Austin, Texas, this _____.

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas”

The provisions of *Exhibit A* attached hereto may be rearranged or re-ordered for purposes of the Initial Bond.

(h) *Payments or Actions to be taken on Saturdays, Sundays and Holidays.* In any case where the date of any action required hereunder to be taken or the date of maturity of interest on or principal of the Bonds, shall not be a Business Day, then payment of interest or principal or the

taking of such action need not be made or taken on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date such action was to be taken.

Section 2.02. **Source of Payment of Bonds.** The Issuer covenants that it will promptly pay the principal of and the interest on the Bonds only out of (a) the Revenues pledged for the payment thereof under this Indenture, (b) the amounts held in any Fund or Account created under this Indenture, other than amounts held in the Cost of Issuance Fund, the Rebate Fund or the Expense Fund, and (c) from any other moneys held pursuant to the Trust Estate. Nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Issuer. All the Bonds to be issued hereunder shall be equally and ratably secured, to the extent provided herein, by this Indenture.

Section 2.03. **Execution of Bonds.** The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chair or Vice Chair of the Issuer, and the seal of the Issuer or a facsimile thereof shall be impressed or otherwise reproduced thereon and attested by the manual or facsimile signature of an authorized officer of the Issuer. In case any authorized officer of the Issuer whose signature or a facsimile of whose signature shall appear on any of the Bonds shall cease to be an authorized officer of the Issuer before the delivery of such Bonds, such signature or such facsimile signature thereof shall nevertheless be valid and sufficient for all purposes, the same as if such authorized officer of the Issuer had remained in office until delivery. Any Bond may be signed on behalf of the Issuer by such authorized officers as are at the time of execution of such Bond proper officers of the Issuer, even though at the date of such Bond, such authorized officer was not such officer. Furthermore, it shall not be necessary that the same authorized officer of the Issuer sign all of the Bonds that may be issued hereunder at any one time or from time to time.

Section 2.04. **Certificate of Authentication.** Except for the Initial Bond, only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in the form of the Bond herein provided and duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. Except for the Initial Bond, no Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if manually signed by an authorized officer of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder. At the time of authentication of any Bond, the Trustee shall insert therein the date from which interest on such Bond shall be payable as provided in Section 2.01(e) hereof.

Section 2.05. **Authentication and Delivery of Bonds.** Upon the execution and delivery hereof, the Issuer shall execute the Initial Bond and register the same with the Comptroller. Upon payment on the Closing Date of the purchase price of the Bonds, the Trustee shall cancel the Initial Bond and authenticate the definitive Bonds and deliver them to the purchaser or purchasers as may be directed by the Issuer as provided in this Section 2.05. Prior to the authentication by the Trustee of the Bonds, there shall have been filed with the Trustee:

- (a) A copy, certified by an authorized officer of the Issuer, of the Resolution adopted by the Issuer relating to the Bonds, authorizing the execution, delivery and performance of this Indenture and the Bond Loan Agreement;
- (b) The Initial Bond registered by the Comptroller;
- (c) A fully executed counterpart of this Indenture;
- (d) A fully executed counterpart of the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, the Continuing Disclosure Agreement and the original, fully executed Note;
- (e) A copy of the completed Internal Revenue Service Form 8038 to be filed by or on behalf of the Issuer with the Internal Revenue Service pursuant to Section 149(e) of the Code; *provided*, that the Trustee is not responsible for filing the Form 8038 with the Internal Revenue Service;
- (f) An opinion of Bond Counsel to the effect that, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes (except on any Bond during any period during which it is held by a “substantial user” or “related person” to such a substantial user within the meaning of Section 147(a) of the Code);
- (g) An opinion or opinions of counsel to the Issuer addressed to the Issuer and the Trustee to the effect that the Bonds and the Issuer Documents have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors’ rights generally, and with respect to certain remedies which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose;
- (h) An opinion of the Attorney General of the State of Texas approving the Bonds;
- (i) A request and authorization signed by an authorized officer of the Issuer authorizing the Trustee to authenticate and to deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Issuer of the amount specified in such request and authorization;
- (j) Written evidence from the Rating Agency confirming that the Bonds have been assigned a rating of “Aaa/VMIG-1”;
- (k) The Capitalized Interest Deposit and Cost of Issuance Deposit, for deposit to the Capitalized Interest Account of the Bond Fund and the Cost of Issuance Fund, respectively; and
- (l) Copies of all initial financing statements to be filed by the Borrower upon issuance of the Bonds.

The proceeds from the sale of the Bonds shall be paid over directly to the Trustee and deposited to the credit of the Project Fund, as provided in Article VI hereof.

Section 2.06. **Temporary Bonds.** Until Bonds in definitive form are ready for delivery, the Issuer may execute, and upon its request in writing, the Trustee shall authenticate and deliver in lieu of any thereof, and subject to the same provisions, limitations and conditions, one or more printed, typewritten or photocopied Bonds in temporary form, substantially of the tenor of the Bonds herein described, and with appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form shall be delivered in denominations authorized by this Indenture, may be numbered using the prefix “T” before any number thereon as authorized by this Indenture, and may bear a legend thereon setting forth the terms for the exchange thereof for Bonds in definitive form. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit of this Indenture. The Issuer shall, without unreasonable delay (unless the Holders of the Bonds issued in temporary form agree otherwise), prepare, execute and deliver to the Trustee, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form, the Trustee shall authenticate and deliver, in exchange therefor, a Bond in a definitive authorized form in authorized denominations, of the same maturity or maturities, bearing the same interest rate or rates and for the same aggregate principal amount as the Bond in temporary form surrendered. Such exchange shall be made by the Issuer at the Borrower’s expense and without making any charge to the Holders of the Bonds therefor.

Section 2.07. **Mutilated, Lost, Stolen or Destroyed Bonds.** In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, maturity, interest rate and denomination as that of the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond there shall be first furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them. The Trustee may, with the consent of the Holder, provide to the Holder a typewritten (or similarly reproduced) Bond certificate in lieu of a printed Bond certificate. In the event any such Bond shall have matured, instead of issuing a duplicate Bond the Trustee may pay the same without surrender thereof. The Issuer and the Trustee may charge the Holder of such Bond their expenses and reasonable fees, if any, in connection with the preparation, execution and authentication of a replacement Bond.

Section 2.08. **Registration, Negotiability, Transfer and Exchange of Bonds.** All of the Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration and transfer contained in this Indenture and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep at the Trust Office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at such office, the Trustee shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as the Issuer or the Trustee may prescribe, any Bond entitled to registration or transfer.

Each Bond shall be transferable only upon the books of the Issuer maintained for such purpose by the Trustee, at the written request of the registered Owner thereof or his attorney duly authorized in writing, upon presentation and surrender thereof, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or his attorney duly authorized in writing. Upon the surrender for transfer of any Bond, the Issuer shall issue, and the Trustee shall authenticate, in the name of the transferee, in authorized denominations, a new Bond

or Bonds without coupons of the same aggregate principal amount, series, maturity and interest rate as the surrendered Bond.

The Issuer and the Trustee shall deem and treat the Person in whose name any Outstanding registered Bond shall be registered upon the books of the Issuer as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

For every exchange or transfer of Bonds, whether temporary or definitive, the Issuer or the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer which sum or sums shall be paid by the Person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Indenture to the contrary, any expenses of the Issuer or the Trustee incurred in connection therewith (except any applicable tax or other governmental charge) shall be paid by the Borrower as required by the Bond Loan Agreement. The Issuer shall not be obligated to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding an Interest Payment Date.

Section 2.09. **Limited Obligation.** THE BONDS, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER SECURED BY THE TRUST ESTATE, ARE AND WILL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE (EXCEPT TO THE EXTENT PAID OUT OF MONEYS ATTRIBUTABLE TO PROCEEDS OF THE BONDS OR THE INCOME FROM THE TEMPORARY INVESTMENT THEREOF), AND ARE AND WILL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME MAY BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THIS INDENTURE AND IN THE BOND LOAN AGREEMENT. THE BONDS AND THE OBLIGATION TO PAY INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, DO NOT NOW AND WILL NEVER CONSTITUTE A DEBT OR AN OBLIGATION OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREFOR. **THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.** THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR ANY OTHER FEDERAL GOVERNMENTAL AGENCY

AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. The foregoing statement of limitation shall appear on the face of each Bond.

Section 2.10. **Cancellation and Destruction of Bonds.** All Bonds that have been surrendered for payment, cancellation or for registration of transfer or exchange pursuant to Section 2.08 hereof shall be cancelled and destroyed by the Trustee and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Issuer and, upon written request therefor, to the Borrower. Any Bonds so cancelled may be retained by the Trustee for such period of time as the Trustee may determine and shall be destroyed by the Trustee at the end of such period. Any Bond so cancelled shall thereafter no longer be considered Outstanding for any purpose of this Indenture or the Bond Loan Agreement.

Section 2.11. **Book Entry System.**

(a) (i) Except as provided in subparagraph (iii) of this Section 2.11(a), the registered owner of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. (“Cede”), as nominee of The Depository Trust Company (“DTC”). Payment of semi-annual interest for any Bonds shall be made by transfer of same day funds to the account of Cede on the Interest Payment Date at the address indicated for Cede in the registration books of the Issuer kept by the Trustee.

(ii) The Bonds shall be initially issued in the form of a separate single fully registered bond in the amount of each separately stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the registry books of the Issuer kept by the Trustee in the name of Cede, as nominee of DTC. With respect to Bonds registered in the registry books kept by the Trustee in the name of Cede, as nominee of DTC, the Issuer and the Trustee shall have no responsibility or obligation to any participant of DTC (a “Participant”) or to any Person for whom a Participant acquires an interest in the Bonds (a “Beneficial Owner”). Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds. The Issuer and the Trustee may treat as and deem DTC to be the absolute owner of each Bond for the purpose of payment of the principal of and interest on such Bond, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. Payments of principal may be made without requiring the surrender of the Bonds, and the Issuer and Trustee shall not be liable for the failure of DTC or any successor thereto to properly indicate on the Bonds the payment of such principal. No Person other than DTC shall receive a Bond evidencing the obligation of the Issuer to make payments of principal of and interest on the Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that

DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word “Cede” in this Indenture shall refer to such new nominee of DTC.

(iii) (A) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), Bond certificates will be delivered as described in this Indenture.

(B) The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Issuer determines that: (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the Beneficial Owners of the Bonds. In the event that no substitute securities depository is found by the Issuer, or restricted registration is no longer in effect, Bond certificates will be delivered as described in this Indenture.

(C) Upon the termination of the services of DTC with respect to the Bonds pursuant to subparagraph (a)(iii)(B) of this Section 2.11, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subparagraph (a)(iii)(A) or subparagraph (a)(iii)(B) of this Section 2.11 after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(b) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the applicable Representation Letter of the Issuer addressed to DTC.

(c) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Issuer or the Trustee with respect to any consent or other action to be taken by the Bondholders, the Issuer or the Trustee, as the case may be, shall establish a special record date for such consent or other action and give DTC notice of such special record date not less than fifteen (15) calendar days in advance of such special record date to the extent possible.

Section 2.12. **Non-Presentation of Bonds.** Subject to the provisions of Section 11.20 hereof, in the event any Bonds shall not be presented for payment when the principal thereof

becomes due, either at maturity or otherwise, if funds sufficient to pay such Bonds shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on its part under this Indenture or on, or with respect to, such Bond. Any such Bonds shall cease to bear interest on the specified maturity and such Bonds or portions thereof shall no longer be protected by or subject to the benefit or security of this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. **Redemption of Bonds.**

(a) The Bonds are subject to optional redemption prior to maturity from Preference Proof Moneys, at the direction of a Borrower Representative (with delivery of a Cash Flow Projection, if required pursuant to Section 3.01(c) below), in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest, but without premium, to the date fixed for redemption, (i) prior to the initial Mandatory Tender Date, on any Business Day on or after [March 1, 2022], and (ii) after the initial Mandatory Tender Date, on any Business Day that is on or after the date that is halfway between the most recent Mandatory Tender Date and the next Mandatory Tender Date or the Maturity Date, as applicable.

(b) Other than as set forth in Section 3.01(a) above, the Bonds are not subject to redemption prior to the Maturity Date.

(c) If, to pay the redemption price, the Trustee is required to sell or otherwise dispose of Permitted Investments shown in the most recent Cash Flow Projection delivered to the Rating Agency before the maturity or mandatory tender date of such Permitted Investments, then a new Cash Flow Projection shall be provided to the Trustee (with a copy to the Rating Agency) with the direction described in Section 3.01(a) above, and the Trustee shall utilize the amounts and take the actions set forth in such Cash Flow Projection to pay the redemption price of the Bonds called for redemption.

(d) In the event of a redemption in part, the particular Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall deem fair and appropriate, provided that if a Book Entry System is then in effect, the Securities Depository shall select the interests of the beneficial owners of the Bonds to be redeemed.

Section 3.02. **Purchase in Lieu of Redemption.**

(a) Any Bonds called for optional redemption under Section 3.01(a) of this Indenture may be purchased by the Borrower or by any other party designated in writing by the Borrower, on the date upon which such Bonds were to have been redeemed (the "Purchase in Lieu of Redemption Date"), at a purchase price equal to the redemption price thereof. The Borrower shall

give 5 days advance written notice before the designated Purchase in Lieu of Redemption Date to the Trustee for which an election to purchase pursuant to this Section 3.02 is being made. Bonds to be purchased pursuant to this Section 3.02 which are not delivered to the Trustee on the Purchase in Lieu of Redemption Date shall be deemed to have been so purchased, and the purchaser of such Bonds shall be the Owner of such Bonds for all purposes under this Indenture, and interest accruing on such Bonds on and after the Purchase in Lieu of Redemption Date shall be payable solely to the purchaser of the Bonds or any assignee(s) of its interest in such Bonds.

(b) The purchase of Bonds in accordance with this Section 3.02 is not intended, and shall not be deemed to constitute, a redemption of such Bonds nor an extinguishment of the debt evidenced thereby.

(c) The notice provided for in Section 3.03 hereof shall be given by the Trustee regardless of whether the Borrower intends to purchase the Bonds in lieu of redemption; however, the notice may include a statement(s) that the Bonds may be purchased in lieu of redemption, and related information as may be required or necessary to comply with the requirements and policies of DTC.

Section 3.03. **Notices of Redemption.**

(a) All or a portion of the Bonds shall be called for optional redemption pursuant to Section 3.01 hereof by the Trustee as herein provided upon receipt by the Trustee and the Issuer, at least 30 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), of written notice of a Borrower Representative specifying the principal amount of the Bonds to be called for redemption and the redemption date. In the case of every redemption, the Trustee shall cause notice of such redemption to be given by mailing by first class mail postage prepaid a copy of the redemption notice to the Bondholders designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 30 nor less than 20 days prior to the redemption date, provided, however, that failure to receive such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. Notwithstanding anything contained herein to the contrary, so long as the Bonds are in Book Entry Form, notice of redemption will be given by the Trustee only to DTC or its successor. Redemption is conditioned upon the Trustee having sufficient moneys on deposit in the Special Funds, on or prior to the redemption date, to redeem all of the Bonds called for redemption, and if the Trustee does not have sufficient funds for this purpose, no Bonds shall be redeemed. The Trustee shall furnish the Borrower, the Investor Limited Partner, the Issuer, the Remarketing Agent and the Rating Agency with a copy of each notice of redemption given with respect to any optional redemption under Section 3.01 hereof, as soon as practicable after the delivery of notice to the Bondholders.

(b) Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. Each notice of redemption may also state that the redemption is conditioned on receipt of sufficient Preference Proof Moneys for such redemption by the Trustee on or prior to the redemption date; if sufficient moneys are not so received, the redemption of the Bonds for which

notice was given shall not be made, and the Trustee promptly shall give notice of cancellation of such redemption in substantially the same manner as the original notice of redemption. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof to be redeemed.

Section 3.04. **Mandatory Tender.**

(a) The Bonds are subject to mandatory tender in whole and not in part on each Mandatory Tender Date and shall be purchased at a price equal to 100% of the principal amount of such Bonds, plus accrued interest, if any, to such Mandatory Tender Date, and without premium. No later than 10:00 a.m., New York City time, on a Mandatory Tender Date, the Holders shall deliver the Bonds to the Trustee. The Trustee shall utilize the following sources of payments to pay the tender price of the Bonds not later than 1:30 p.m. New York City time on such Mandatory Tender Date, in the following priority: (i) amounts representing proceeds of remarketed Bonds received pursuant to Section 3.07(c) hereof, to pay the principal amount, plus accrued interest, of Bonds tendered for purchase, (ii) amounts on deposit in the Collateral Fund and the Project Fund, to pay the principal amount of Bonds tendered for purchase, (iii) amounts on deposit in the Bond Fund (including the Capitalized Interest Account therein) to pay the accrued interest, if any, on Bonds tendered for purchase, and (iv) any other Preference Proof Moneys available or made available for such purpose at the direction of the Borrower.

(b) If the conditions set forth in Section 3.06 hereof are not satisfied and/or the Trustee shall not have received remarketing proceeds on a Mandatory Tender Date equal to the principal amount of the Bonds Outstanding on such date, the Bonds shall be purchased in whole on such Mandatory Tender Date using amounts on deposit in the Collateral Fund, the Project Fund and the Bond Fund, and, immediately following such purchase, the Bonds shall be deemed redeemed on such Mandatory Tender Date and cancelled by the Trustee.

(c) Not less than 30 days before a Mandatory Tender Date, the Trustee shall give written notice of mandatory tender and remarketing to the Holders by first class mail, postage prepaid, at their respective addresses as they appear on registration books kept by the Trustee as Bond Registrar. The notice shall state the Mandatory Tender Date and that:

(1) all Outstanding Bonds are subject to mandatory tender for purchase on such Mandatory Tender Date and must be tendered for purchase on such Mandatory Tender Date;

(2) all Outstanding Bonds will be purchased on such Mandatory Tender Date at a price equal to the principal amount of the Outstanding Bonds plus interest accrued to such Mandatory Tender Date;

(3) Holders will not have the right to elect to retain their Bonds and any Bonds not tendered will nevertheless be deemed to have been tendered and will cease to bear interest from and after such Mandatory Tender Date; and

(4) the address of the office of the Trustee at which Holders should deliver their Bonds for purchase on such Mandatory Tender Date.

If notice is given as stated in this section, failure of any Holder to receive such notice, or any defect in the notice, shall not affect the remarketing or the validity of the proceedings for the remarketing of the Bonds.

Section 3.05. Duties of Remarketing Agent.

The Remarketing Agent shall do the following in connection with the remarketing of the Bonds:

(a) If directed in writing by the Borrower, not less than ten (10) days before a Mandatory Tender Date, the Remarketing Agent shall offer for sale and use its best efforts to sell Bonds on such Mandatory Tender Date at a price equal to 100% of the principal amount of such Bonds plus accrued interest, if any.

(b) Establishment of Interest Rate In Connection With Remarketing of Bonds.

(1) *Establishment of Interest Rate.* From and after a Mandatory Tender Date until the next Mandatory Tender Date or the Maturity Date, as applicable, the Bonds shall bear interest at the Remarketing Rate determined pursuant to this subsection. Any Remarketing Rate determined by the Remarketing Agent and taking effect pursuant to this Indenture for a remarketing period established pursuant to Section 3.05(b)(2) below shall be conclusive and binding for the purposes of this Indenture upon the Trustee, the Issuer, the Borrower, and the Holders.

(2) *Determination of Remarketing Rate.* The Remarketing Agent shall determine the Remarketing Rate no later than five (5) Business Days prior to the applicable Mandatory Tender Date. The Remarketing 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 Bonds on such Mandatory Tender Date at par for the period which shall begin on the Mandatory Tender Date and end on a subsequent Mandatory Tender Date or the Maturity Date, as applicable, as determined by the Remarketing Agent in consultation with the Borrower, in all cases not to exceed the Maximum Rate.

(3) *Notice.* Immediately upon determining the Remarketing Rate, the Remarketing Agent shall give notice to the other Remarketing Notice Parties. In no event shall the Remarketing Agent give its notice later than the Business Day following the day on which the Remarketing Agent makes its determination of the Remarketing Rate.

Section 3.06. Conditions Precedent to Remarketing of Bonds and Notice.

(a) *Conditions Precedent to Remarketing of Bonds.* The remarketing of the Bonds on a Mandatory Tender Date is subject to the satisfaction of each of the following conditions precedent on or before such Mandatory Tender Date:

(1) The Trustee has received notice from the Remarketing Agent that all of the Bonds have been remarketed and that the proceeds from the remarketing are expected to be available to the Trustee on such Mandatory Tender Date and deposited into the Bond

Fund in an amount equal to the principal amount of the Bonds.

(2) The Trustee has received written notice from the Remarketing Agent that the Remarketing Agent has received a Rating Confirmation to the effect that the then current rating assigned to the Bonds will continue to be effective on such Mandatory Tender Date.

(3) The Trustee has received a Favorable Opinion of Bond Counsel.

(4) The Trustee has received an amount necessary to cover negative arbitrage, if any, in connection with remarketed Bonds as determined by the Remarketing Agent, through the next Mandatory Tender Date or the Maturity Date, as applicable.

(b) *Notice of Satisfaction of Conditions Precedent.* If the conditions set out in subsection (a) are satisfied, the Trustee shall immediately give notice to the other Remarketing Notice Parties stating that (i) all conditions precedent to the remarketing of the Bonds have been satisfied and (ii) the remarketing and settlement of the Bonds is expected to occur on the applicable Mandatory Tender Date.

Section 3.07. **Remarketing of Bonds.**

(a) *Delivery of Bonds by Holder for Purchase.* Each Holder must deliver its Bonds to the Trustee for purchase not later than 10:00 a.m., New York City time, on each Mandatory Tender Date. Bonds received by the Trustee shall be held by the Trustee in trust for the tendering Holders pending receipt of funds for the payment of such Bonds.

(b) *Untendered Bond.* Any Bond that is not tendered on a Mandatory Tender Date (an “*Untendered Bond*”) will be deemed to have been tendered to the Trustee as of such Mandatory Tender Date, and, from and after such Mandatory Tender Date shall cease to bear interest and no longer will be considered to be outstanding. In the event of a failure by owners to deliver Bonds on a Mandatory Tender Date, such Holders will not be entitled to any payment (including any interest to accrue from and after such Mandatory Tender Date) other than the purchase price for such Untendered Bond, and any Untendered Bond will no longer be entitled to the benefits of this Indenture, except for the purpose of payment of the purchase price for such Untendered Bond.

(c) *Delivery of Purchase Price of Remarketed Bonds.* The Remarketing Agent shall give notice to the Remarketing Notice Parties no fewer than five (5) Business Days prior to the applicable Mandatory Tender Date specifying the principal amount and denominations of such Bonds, if any, for which it has found purchasers. The Remarketing Agent shall deliver to the Trustee, no later than 10:00 a.m., New York City time, on the applicable Mandatory Tender Date, in immediately available funds, remarketing proceeds to the extent the Bonds have been successfully remarketed. Upon remarketing, the Bonds shall remain in Book Entry Form. Moneys deposited with the Trustee for the purchase of Bonds shall be held in trust in the Bond Fund and shall be paid to the tendering Holder upon presentation of its Bonds at the designated office of the Trustee.

(d) *Notice of Remarketing to Holders of Untendered Bonds.* The Trustee shall promptly give notice by registered or certified first class mail, postage prepaid, to each Holder of

Bonds whose Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the purchase price of such Bonds are available against delivery of such Bonds at the designated office of the Trustee.

Section 3.08. Concerning the Remarketing Agent.

The Remarketing Agent identified in Section 1.01 hereof shall serve as the Remarketing Agent for the Bonds. The Remarketing Agent shall provide to the Trustee its designated office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Borrower and the Trustee. In addition, the Remarketing Agent will agree particularly to:

- (a) keep such records relating to its computations of interest rates for the Bonds as shall be consistent with prudent industry practice and to make such records available for inspection by the Issuer, the Trustee, the Borrower and the Investor Limited Partner at all reasonable times; and
- (b) perform all of its functions and duties under this Indenture.

The Remarketing Agent shall be entitled to advice of legal counsel on any matter relating to the Remarketing Agent's obligations hereunder and shall be entitled to act upon the opinion of such counsel in the exercise of reasonable care in fulfilling such obligations.

The Remarketing Agent shall be entitled to appoint additional co-Remarketing Agents to assist in the performance of the Remarketing Agent's obligations under this Indenture, and any such appointment shall be effective without any action by the Issuer or the Borrower being necessary; provided that any such co-Remarketing Agent, shall have a capitalization of at least \$5,000,000, or shall have a line of credit with a commercial bank in the amount of at least \$5,000,000, shall be in conformity with all standards and requirements of the Municipal Securities Rulemaking Board and the Securities and Exchange Commission, and shall be authorized by law to perform all the duties imposed upon it by this Indenture. The Remarketing Agent shall take responsibility for any co- Remarketing Agent it appoints.

Section 3.09. Qualification of Remarketing Agent.

The Remarketing Agent shall be a member in good standing of the Financial Industry Regulatory Authority having a capitalization of at least \$5,000,000, or shall have a line of credit with a commercial bank in the amount of at least \$5,000,000, and shall be authorized by law to perform all the duties imposed upon it by this Indenture. Subject to the terms of the Remarketing Agreement, the Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 30 days' notice of such resignation to the Issuer, the Borrower, the Investor Limited Partner and the Trustee. The Remarketing Agent may be removed at any time by the Borrower, with prior written notice to the Issuer and the Trustee, with at least 30 days' notice of such removal to the Remarketing Agent.

Upon any resignation or removal of the Remarketing Agent, the departing Remarketing Agent shall pay over, assign and deliver any money and Bonds held by it in such capacity to its successor. Upon the resignation or removal of the Remarketing Agent, the Borrower, on behalf of

the Issuer, shall promptly appoint a successor Remarketing Agent, and shall provide notice to the Trustee and the Issuer of such appointment.

The Trustee, within 30 days of the resignation or removal of the Remarketing Agent or the appointment of a successor Remarketing Agent, shall give notice thereof by registered or certified mail to the Rating Agency (if the Bonds are then rated) and to the Holders of the Bonds.

If a successor Remarketing Agent is not appointed by the Borrower and acting as Remarketing Agent at least ten (10) Business Days before a Mandatory Tender Date, the Bonds will not be remarketed and will be paid on such Mandatory Tender Date

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. **Creation of Funds.** The following trust funds are hereby created by the Issuer and ordered established and held separately with the Trustee to be used for the purposes as hereinafter provided in this Indenture:

(a) *Bond Fund.* “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Bond Fund” (herein referred to as the “*Bond Fund*”), and within the Bond Fund, a “Capitalized Interest Account,” which Fund shall be administered as provided in Sections 4.02 and 4.06 hereof.

(b) *Project Fund.* “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Project Fund” (herein referred to as the “*Project Fund*”), which Fund shall be administered in accordance with the provisions of Section 6.02 hereof.

(c) *Rebate Fund.* “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Rebate Fund” (herein referred to as the “*Rebate Fund*”), which Fund shall be administered in accordance with the provisions of Section 5.01 hereof. Moneys held in the Rebate Fund are not held for the benefit of the Owners and are not part of the Trust Estate.

(d) *Expense Fund.* “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Expense Fund” (herein referred to as the “*Expense Fund*”), which Fund shall be administered in accordance with the provisions of Section 4.07 hereof. Moneys held in the Expense Fund are not held for the benefit of the Owners and are not part of the Trust Estate.

(e) *Collateral Fund.* “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Collateral Fund” (herein referred to as the “*Collateral Fund*”), which Fund shall be administered in accordance with the provisions of Section 4.03 hereof.

(f) *Cost of Issuance Fund.* “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Cost of Issuance Fund”

(herein referred to as the “*Cost of Issuance Fund*”), which Fund shall be administered in accordance with the provisions of Section 4.04 hereof. Moneys held in the Cost of Issuance Fund (other than amounts derived from the proceeds of the Bonds) are not held for the benefit of the Owners and are not part of the Trust Estate.

Section 4.02. **Deposits into the Bond Fund.** On the Closing Date, upon receipt of the Capitalized Interest Deposit in accordance with Section 4.02 of the Bond Loan Agreement, the Trustee shall deposit the Capitalized Interest Deposit to the Project Fund, and thereafter transfer or allocate to the Capitalized Interest Account of the Bond Fund the amounts set forth in the Closing Memorandum. All Revenues received by the Trustee, except for funds deposited in the Bond Fund (including the Capitalized Interest Account therein), the Project Fund or the Collateral Fund on the Closing Date and any investment earnings thereon, shall be deposited, first, to the credit of the Expense Fund to the extent any fees, costs, or expenses described in Section 4.07 hereof are due and payable, and then to the Bond Fund. In accordance with the last sentence of Section 11.04, for so long as the Bonds are outstanding hereunder, funds on deposit in the Project Fund, the Collateral Fund or the Bond Fund (including the Capitalized Interest Account therein) shall not be deposited in the Expense Fund or otherwise used to pay fees, costs or expenses described in Section 4.07 hereof.

In connection with the issuance of the Bonds, certain moneys may be deposited with the Trustee before the Closing Date pursuant to one or more letters of instruction from the provider or providers of such moneys. Such moneys will be held by the Trustee subject to the terms and conditions of this Indenture in addition to terms provided in such letter(s) of instruction.

Section 4.03. **Use of Moneys in Collateral Fund.** Upon receipt of (a) proceeds of the sale of a GNMA security from the Lender, (b) a draw on the Lender’s warehouse line of credit or (c) funds otherwise provided by the Lender (each, a “*Lender Collateral Deposit*”) or other Preference Proof Moneys, the Trustee shall, in accordance with the Disbursement Agreement, deposit such amounts to the Collateral Fund. Together with amounts on deposit in the Project Fund and the Bond Fund (including the Capitalized Interest Account therein), amounts on deposit in the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds to but not including the next Mandatory Tender Date or the Maturity Date, as applicable. On each date on which principal of or interest on the Bonds is due, the Trustee shall transfer a sufficient amount of funds from the Collateral Fund for deposit to the Bond Fund to enable the Trustee to make such payments as and when due.

Section 4.04. **Use of Moneys in the Cost of Issuance Fund.**

(a) *Deposits into the Cost of Issuance Fund.* On or before the Closing Date, the Borrower shall deliver the Cost of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Cost of Issuance Deposit into the Cost of Issuance Fund as designated in the Closing Memorandum.

(b) *Disbursements from the Cost of Issuance Fund.* Except as otherwise provided in this Section 4.04, the amounts deposited in the Cost of Issuance Fund shall be expended for Costs of Issuance and for no other purpose. The Borrower shall deliver to the Trustee the Requisition in the form attached hereto as *Exhibit C*, executed by the Borrower (and approved by the Lender),

specifying in detail the amount that constitutes Costs of Issuance to be paid or reserved to be paid under this Section 4.04, the respective firms or persons to whom such payments are to be made, and their respective payment instructions. The Trustee shall make the payments specified therein concurrently with or as soon as may be practicable after the delivery of the Bonds.

(c) *Disposition of Remaining Amounts.* Any moneys remaining in the Cost of Issuance Fund twelve (12) months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower upon the written instruction to the Trustee from the Borrower, in accordance with Section 4.06 hereof. Upon final disbursement, the Trustee shall close the Cost of Issuance Fund.

Section 4.05. **Use of Moneys on Deposit in the Bond Fund; Application of Loan Payments.** The funds on deposit in the Bond Fund shall be used by the Trustee to pay principal of and interest on the Bonds on each date a payment of principal or interest is due to be made, whether by maturity, redemption or scheduled Interest Payment Date.

In the event that amounts on deposit in the Bond Fund on any Interest Payment Date or Mandatory Tender Date or such other Bond payment date are insufficient to make the payment of principal of or interest on the Bonds when due, the Trustee shall transfer funds in the following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to make such payments when due:

- (a) *first*, from amounts on deposit in the Capitalized Interest Account of the Bond Fund;
- (b) *second*, from amounts on deposit in the Collateral Fund; and
- (c) *third*, from amounts on deposit in the Project Fund.

So long as there are any Outstanding Bonds, payments due under the Note and the Bond Loan Agreement shall be deemed made by the Trustee's transfer of funds on each Interest Payment Date from the Capitalized Interest Account of the Bond Fund or from the Collateral Fund to the Bond Fund, in an amount necessary to pay the interest on and principal (if any) of the Bonds.

Promptly following receipt by the Trustee of a Cash Flow Projection provided on behalf of the Borrower, the Trustee is hereby authorized to take the actions and release from the Capitalized Interest Account the amount of Preference Proof Moneys set forth in such Cash Flow Projection to or at the written direction of the Borrower.

Section 4.06. **Payment to Borrower of Excess Moneys.** Subject to the provisions of Section 13.10 hereof, any amounts remaining in the Cost of Issuance Fund after the payment in full of all Costs of Issuance shall be paid (upon written direction from the Borrower to the Trustee) to the Borrower in accordance with Section 4.04 hereof, and any amounts remaining in the Collateral Fund or the Bond Fund (except for amounts then held by the Trustee in the Bond Fund for payment of principal of, or interest on, any of the Bonds) after payment in full of the principal of and interest on the Bonds, payment of any and all fees and expenses due in accordance with this Indenture and the Bond Loan Agreement, and payment of all other costs associated with the discharge of the Bonds and receipt of the final rebate arbitrage report and payment of any rebate

amount (if any), shall, upon written instruction to the Trustee from the Borrower (with a copy to the Issuer), be paid to the Borrower upon the expiration or sooner termination of the term of the Bond Loan Agreement.

Section 4.07. **Expense Fund.** The Trustee shall deposit amounts received from the Borrower for the purpose of paying Trustee's Fees, the Issuer's Fees, the Rebate Analyst Fee and any other fees and expenses required under the Bond Loan Agreement into the Expense Fund. The Trustee shall pay such amounts to the proper persons on the dates and in the amounts due. Amounts on deposit in the Expense Fund shall be withdrawn or maintained, as appropriate by the Trustee to pay (i) to the Issuer, the Issuer's Fees, (ii) to the Trustee, the Trustee's Fee, (iii) to the Rebate Analyst, the Rebate Analyst Fee, (iv) upon receipt, to the Trustee, any amounts due to the Trustee which have not been paid, other than amounts paid in accordance with clause (ii) hereof and (v) upon receipt, to the Issuer, the Issuer's Fees due and unpaid, other than amounts paid in accordance with clause (i) above.

Section 4.08. **Allocation and Reallocation of Permitted Investments Deposited to the Collateral Fund and the Project Fund.** On the Closing Date, the Trustee shall allocate ownership of the Permitted Investments acquired pursuant to Section 7.01 hereof and deposited for the benefit of the Project Fund and the Collateral Fund as follows: the Trustee shall (i) allocate to the Capitalized Interest Account the portion of the Permitted Investments set forth in the Closing Memorandum, (ii) allocate such portion of the remaining Permitted Investments to the Collateral Fund a percentage of such Permitted Investments equal to the amount of Preference Proof Moneys presented to the Trustee for deposit to the Collateral Fund on the Closing Date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the "Initial Collateral Fund Percentage"), and (iii) allocate the remainder (i.e., 100% minus the Initial Collateral Fund Percentage) of such Permitted Investments to the Project Fund. On each subsequent month when additional Preference Proof Moneys are presented to the Trustee for deposit to the Collateral Fund (each, a "*Subsequent Allocation Date*"), the dollar amount of such Preference Proof Moneys shall be added to all prior Preference Proof Moneys so deposited, and the percentage of such Permitted Investments allocated to the Collateral Fund shall be adjusted to that percentage equal to the aggregate Preference Proof Moneys so deposited through such date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the "*Collateral Fund Percentage*") and the remainder (i.e., 100% minus the Collateral Fund Percentage, referred to as the "*Project Fund Percentage*") shall be allocated to the Project Fund. On each Subsequent Allocation Date, the Trustee shall be deemed to have liquidated that portion of the Permitted Investments allocated to the Project Fund and purchased equivalent Permitted Investments to be allocated to the Collateral Fund.

ARTICLE V

REBATE FUND

Section 5.01. **Rebate Fund.** The Rebate Fund is created for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation, the Issuer or the Holders of the Bonds. The Rebate Fund is established for the purpose of complying with Section 148 of the Code. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied

solely as provided in the Tax Exemption Agreement. The Rebate Fund is not a portion of the Trust Estate and is not subject to any lien under this Indenture. Notwithstanding the foregoing, with respect to the Rebate Fund the Trustee is afforded all the rights, protections and immunities otherwise accorded to it hereunder.

ARTICLE VI

CUSTODY AND APPLICATION OF BOND PROCEEDS

Section 6.01. **Custody and Application of Project Fund.** The proceeds received by the Trustee for such purpose upon the issuance and sale of the Bonds shall be deposited in the Project Fund in the amount set forth in the Closing Memorandum.

Section 6.02. **Procedure for Making Disbursements from Project Fund.** Disbursements from the Project Fund shall be made upon the receipt by the Trustee of the following and shall be used solely to pay Costs of the Project incurred in connection with the acquisition and construction of the Project: (1) a request or requests therefor executed by the Borrower, in the form of a Requisition in substantially the form attached as Exhibit B hereto, (2) a request by the Lender accompanied by its approved FHA draw and (3) an amount equal to the requested disbursement has been received by the Trustee and deposited to the Collateral Fund in accordance with this Indenture. Together with amounts on deposit in the Project Fund and any other Preference Proof Moneys on deposit in the Capitalized Interest Account of the Bond Fund, amounts on deposit in the Bond Fund and the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds as and when they become due to the next Mandatory Tender Date or the Maturity Date, as applicable.

Each Lender Loan Requisition shall be made in accordance with the Lender Loan Documents and FHA/HUD requirements. Upon approval of a Requisition by the Lender (each an “*Approved Advance*”) and, if required, HUD, the Lender shall, in accordance with the Disbursement Agreement, deliver to the Trustee an amount equal to the Approved Advance to be held by the Trustee and to be deposited into the Collateral Fund, together with its request for a disbursement from the Project Fund in an amount equal to the Approved Advance, which disbursement shall be used by the Lender to provide for the payment of Costs of the Project. In the event that for any reason the Trustee is not prepared to promptly disburse funds from the Project Fund, the Trustee shall not deposit the amount of the Approved Advance in the Collateral Fund, shall so inform the Lender and the Borrower and shall return such deposit to the Lender in accordance with the written instructions of the Lender.

Notwithstanding any provision of the Bond Loan Agreement or any other provision of this Indenture to the contrary, the Trustee shall not disburse moneys from the Project Fund, other than to pay principal and/or interest payments on the Bonds in accordance with Section 4.05 hereof, unless and until the Trustee receives satisfactory evidence that a Lender Collateral Deposit in an amount equal to or greater than the requested disbursement amount has been deposited in the Collateral Fund. Prior to making any disbursement, the Trustee shall verify that upon making the disbursement, the aggregate amount to be held in (i) the Collateral Fund, (ii) the Capitalized Interest Account of the Bond Fund, (iii) the Project Fund and (iv) the Bond Fund, will be sufficient to pay principal of and interest on the Bonds as and when they become due to the next Mandatory

Tender Date or the Maturity Date, as applicable. Upon satisfaction of the conditions precedent set forth in this Section 6.02, and notwithstanding anything in the Bond Documents to the contrary, once the Lender deposits the Lender Collateral Deposit and upon satisfaction of the conditions set forth in the first paragraph of Section 6.02 hereof, the Trustee is irrevocably and unconditionally obligated to disburse an equal amount of moneys from the Project Fund in accordance with approved Requisitions.

All disbursements from the Project Fund will be made to or at the direction of the Lender, or shall be transferred to the Bond Fund.

The Trustee and the Issuer shall not in any event be responsible or liable to any Person for the disbursement of, or failure to disburse, moneys from the Project Fund, or any part thereof, and no contractor, subcontractor or material or equipment supplier shall have any right or claim against the Trustee or the Issuer under this Indenture.

Section 6.03. **Trustee May Rely on Requisitions and Certifications.** In making any such disbursement from the Project Fund, the Trustee may rely on any Requisition delivered to it pursuant to Section 6.02 hereof, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with any such Requisition.

Section 6.04. **Completion of Project.** The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced for the Project by the filing with the Trustee and the Issuer of (a) the Completion Certificate pursuant to Section 3.05 of the Loan Agreement and (b) a certificate signed by the Borrower Representative stating that all obligations and Costs of the Project have been paid and discharged, except for Costs of the Project not then due and payable or then in dispute as provided in the Bond Loan Agreement. Additionally, the Borrower has agreed pursuant to Section 3.06 of the Bond Loan Agreement that in the event that there are insufficient moneys available in the Project Fund to pay the Costs of the Project, the Borrower will complete the Project and pay the portion of the Costs of the Project in excess of the moneys available therefor in the Project Fund.

ARTICLE VII

INVESTMENT OF FUNDS AND ACCOUNTS

Section 7.01. **Investment.** On the Closing Date, a portion of the moneys on deposit in the Project Fund in the amount, if any, set forth in the Closing Memorandum will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with the Closing Memorandum. The balance of amounts on deposit in the Project Fund after any such disbursement shall be invested as set forth in the following paragraph.

In accordance with the Closing Memorandum, the Trustee is hereby directed to purchase, on the Closing Date, Permitted Investments maturing on or before the initial Mandatory Tender Date, with respect to the investment of certain amounts on deposit in the Special Funds, the principal and interest of which will be sufficient to pay principal and interest on the Bonds when due to the initial Mandatory Tender Date. All interest earned from the foregoing investments shall be deposited in the Bond Fund. Such funds shall remain on deposit, subject to reallocation

pursuant to Section 4.08 hereof, until the initial Mandatory Tender Date or earlier Optional Redemption Date, on which date they will be withdrawn to make payment on the Bonds. If any investments in the Special Funds must be liquidated prior to the Maturity Date, such investments shall be liquidated hereunder. Anything to the contrary contained herein notwithstanding, earnings received by the Trustee with respect to Permitted Investments purchased hereunder shall be invested in money market funds described in clause (ii) of the definition of Permitted Investments.

At no time shall the Borrower direct that any funds constituting Gross Proceeds (as defined in the Tax Exemption Agreement) of the Bonds be used in any manner as would constitute failure of compliance with Section 148 of the Code, all as set forth in the Tax Exemption Agreement. Following the Closing Date, at the direction of the Borrower, the Trustee is permitted to purchase, sell or exchange Permitted Investments so long as the Trustee has received a Cash Flow Projection.

As long as no Event of Default shall have occurred and be continuing, the Borrower shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or purchase of the investments made with the moneys in the Special Funds, provided that the Trustee shall be entitled to conclusively assume the absence of any such Event of Default unless it has notice thereof; if there has been an Event of Default, the Trustee shall have said right.

Except as otherwise specified herein, amounts on deposit in the Special Funds shall be invested at all times in Permitted Investments. The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided hereby and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower. In the absence of investment instructions from the Borrower, the Trustee shall invest the moneys held in the Special Funds in money market funds described in clause (ii) of the definition of Permitted Investments.

Amounts, if any, on deposit in the Cost of Issuance Fund, until disbursed or returned to the Borrower pursuant to Section 4.04(c) hereof, shall be invested at the direction of the Borrower Representative. The Expense Fund shall be invested at the direction of the Borrower Representative. In the absence of investment instructions from the Borrower, the Trustee shall not be responsible or liable for keeping the moneys held in the Cost of Issuance Fund or the Expense Fund hereunder fully invested in Permitted Investments.

Section 7.02. **Investment of Rebate Fund.** Any moneys held as part of the Rebate Fund, and not immediately required for the purposes of the Rebate Fund, shall be invested or reinvested by the Trustee as set forth in the Tax Exemption Agreement.

Section 7.03. **Accounting for Termination of Investments.** Subject to Section 7.01 hereof, in the event the moneys in the Special Funds have been invested in Permitted Investments and such Permitted Investments at any time and for any reason fail to satisfy the requirements of Section 7.01 hereof, the Trustee shall, at the written direction of the Borrower and with the written approval of the Rating Agency, terminate any such investments, and the proceeds of such termination shall be credited to the Collateral Fund, the Bond Fund (including the Capitalized Interest Account therein) or the Project Fund, as applicable.

Section 7.04. **Trustee's Own Bond or Investment Department.** The Trustee may make any and all investments permitted under Section 7.01 hereof through its own bond or investment department or that of any affiliate and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Although the Issuer and the Borrower each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer and the Borrower hereby agree that confirmations of Permitted Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account hereunder if no activity occurred in such fund or account during such month.

Section 7.05. **Moneys to be Held in Trust.** Subject to Section 4.08 hereof, all moneys required to be deposited with or paid to the Trustee for account of the Collateral Fund, the Bond Fund or the Project Fund under any provision of this Indenture shall be held by the Trustee in trust, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and claim created by this Indenture. The Trustee, acting in its capacity as Trustee and not as sponsor, advisor or manager in connection with any investments hereunder, shall not be liable for any loss arising from investments made in accordance with this Section 7.05, or for any loss resulting from the redemption or sale of any such investments as authorized by this Indenture.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. **Payment of Bonds.** Each and every covenant made in this Indenture, including all covenants made in the several sections of this Article VIII, is predicated upon the condition that any obligation for the payment of money incurred by the Issuer shall be payable solely (a) from Revenues, which are specifically assigned to secure the payment of the Bonds in the manner and to the extent specified in this Indenture, (b) from the moneys held in the funds and accounts created under this Indenture, except for amounts held in the Rebate Fund, the Cost of Issuance Fund and the Expense Fund and (c) from any other moneys held pursuant to the Trust Estate. Nothing in the Bonds or in this Indenture shall be construed as pledging any other funds or assets of the Issuer.

The Issuer covenants that it will cause to be paid, as provided herein, the principal of and interest on the Bonds from the Trust Estate at the place, on the date and in the manner provided herein and in the Bonds.

The Revenues due under the Note are to be remitted by the Borrower directly to the Trustee for the account of the Issuer and constitute a part of the Trust Estate and are subject to the lien and claim created by this Indenture. The moneys held by the Trustee in the Bond Fund (including the Capitalized Interest Account therein) and the Collateral Fund shall be used to make timely payment of the principal of and interest on the Bonds. Such amounts are to be sufficient in amount at all times to pay the principal of and interest on the Bonds to the Maturity Date. The entire amount of Revenues and the entire amount of moneys held in the Bond Fund (including the Capitalized Interest Account therein) and the Collateral Fund are assigned to secure the payment of the principal of and interest on the Bonds.

Section 8.02. **Performance of Covenants.** The Issuer covenants that it will faithfully perform at all times any and all applicable covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto, subject, however to the limitations set forth in Section 2.09 hereof. The Issuer covenants that it is duly authorized under the laws of the State to issue the Bonds, to enter into this Indenture and the Bond Loan Agreement and to assign the Revenues, and that, upon issuance, authentication, and delivery, the Bonds are and will be valid and enforceable limited obligations of the Issuer according to the import thereof.

Section 8.03. **Maintenance of Existence; Compliance with Laws.** The Issuer will (i) maintain its corporate existence or assure the assumption of its obligations under this Indenture by any public body succeeding to its powers under the Act and (ii) comply with all valid material acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to this Indenture and the Bond Loan Agreement.

Section 8.04. **Enforcement of Borrower's Obligations.** So long as any of the Bonds are Outstanding, the Issuer will cooperate with the Trustee in enforcing the obligations of the Borrower to pay, or cause to be paid, all the payments and other costs and charges payable pursuant to the Bond Loan Agreement and the Note. NOTHING CONTAINED IN THIS SECTION 8.04 OR IN ANY OTHER SECTION OF THIS INDENTURE SHALL BE DEEMED TO MODIFY THE PROVISIONS OF THE ACT AND SECTION 2.09 HEREOF OR REQUIRE THAT THE ISSUER EXPEND ANY OF ITS OWN FUNDS OR ASSETS TO ENFORCE THE OBLIGATIONS OF THE BORROWER UNDER THE DOCUMENTS.

Section 8.05. **Further Assurances, Instruments and Actions.** The Issuer will from time to time execute and deliver such further instruments, conveyances, assignments and transfers and take such further actions as may be reasonable and as may be required to better assure, convey, grant, assign or confirm the Trust Estate and all other rights, revenues or funds pledged, assigned or intended to be so pledged or assigned hereunder for the benefit of the owners of the Bonds; provided, however, that no such instruments or actions shall pledge the credit or taxing power of the State, the Issuer, the County, the Authority or any other political subdivision of the State, or create or give rise to any monetary obligation or liability of the Issuer. The Issuer has no taxing power.

Section 8.06. **Priority of Pledge.** The Issuer covenants and agrees that it will not create any lien or claim upon the Revenues other than the liens and claims hereby created. Except for the assignment to the Trustee, the Issuer will not sell, lease or otherwise dispose of or encumber any of the Revenues, and will cooperate in causing to be discharged or satisfied any lien or charge on any part of the Trust Estate.

Section 8.07. **Books and Documents Open to Inspection.** The Trustee hereby covenants and agrees that all books and documents in its possession relating to the Bonds, the Project, and the moneys, revenues and receipts derived from the Project, if any, that shall at any time be in its possession, shall, within a reasonable time of a written request by the Issuer or the Borrower, be open to inspection during the Trustee's regular business hours by such accountants or other agents as the Issuer, the Trustee or the Borrower may from time to time designate.

Section 8.08. **Borrower to Indemnify and Hold the Issuer and Trustee Harmless from Liability.** The Borrower has agreed to indemnify and hold the Issuer Indemnified Parties and the Trustee Indemnified Parties harmless from and against liability arising out of claims as defined and as provided in Section 6.02 of the Bond Loan Agreement.

Section 8.09. **Issuer Tax Covenants.** The Issuer represents, covenants and agree that it will:

(a) comply with all applicable requirements of the Code that are necessary to preserve the Federal Tax Status of the Bonds, as further set forth in the Tax Exemption Agreement; and

(b) not take any action inconsistent with its expectations stated in the Tax Exemption Agreement and will comply with the covenants and requirements stated therein and incorporated by reference herein.

ARTICLE IX

DISCHARGE

Section 9.01. **Discharge of Lien.** If and when the Bonds secured hereby shall become due and payable in accordance with their terms as provided in this Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds, together with all other amounts payable hereunder by the Issuer and all fees and expenses of the Trustee and the Issuer, shall be paid, or provision shall have been made for the payment of the same, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon request of the Borrower, the Trustee shall turn over to the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing and after receipt of a rebate analyst report and, if necessary, funding for any rebate payment, any surplus in the Collateral Fund and all balances remaining in any other fund created under this Indenture and shall assign and transfer to the Borrower all other property then held by the Trustee under this Indenture and shall execute such documents as may be reasonably required by the Borrower.

If and when the Trustee shall hold sufficient moneys hereunder, as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations, to provide for payment of the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all the Bonds, together with all other amounts (exclusive of amounts in the Cost of Issuance Fund, the Rebate Fund or the Expense Fund) payable or which may thereafter become payable hereunder by the Issuer, notwithstanding that all the Bonds have not yet become due and payable and that consequently the right, title and interest of the Trustee in and to the Trust Estate shall not have ceased, terminated and become void pursuant to the foregoing provisions of this Section 9.01, the Trustee, on demand of the Borrower, shall deposit with or at the direction of the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, any surplus in the Collateral Fund in excess of the amount sufficient to pay the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all Bonds together

with all other amounts payable or which may thereafter become payable hereunder by the Issuer or the Borrower.

All Outstanding Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect described above if (a) there shall have been deposited with the Trustee (as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations) either (i) moneys in an amount which shall be sufficient, or (ii) Government Obligations which are not subject to redemption prior to maturity, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and interest due and to become due on such Bonds on the maturity date thereof, and (b) the Borrower shall have given the Trustee, in form satisfactory to it irrevocable instructions to give, as soon as practicable, a notice to the Holders of such Bonds and the Rating Agency that the deposit required by (a) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions described in this Section and stating such maturity upon which moneys are to be available for the payment of the principal and interest on such Bonds.

Neither the securities nor moneys deposited with the Trustee pursuant to this Section 9.01 nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest, on such Bonds; *provided* that any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, may be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on such Bonds on and prior to such maturity dates thereof, as the case may be, and interest earned from such reinvestment shall be invested in money market funds described in clause (ii) of the definition of Permitted Investments and be deposited into the Bond Fund.

The release of the obligations of the Issuer under this Section 9.01 shall be without prejudice to the right of the Trustee provided in Section 11.04 hereof to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements, including those of its attorneys, agents and employees, and shall not affect the obligations of the Borrower to make the payments required by the Bond Loan Agreement or the Note.

Notwithstanding the foregoing, any provisions of this Indenture which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of money in trust, the rebate of money to the United States in accordance with Section 5.01 hereof and the Tax Exemption Agreement, and the rights and duties of the Trustee in connection with all of the foregoing, or which by their terms survive payment and discharge of the Bonds, shall remain in effect and be binding upon the Trustee and the Holders notwithstanding the release and discharge of this Indenture. The provisions of this Article shall survive the release, discharge and satisfaction of this Indenture.

Notwithstanding anything herein to the contrary, the purchase of Permitted Investments in accordance with Section 7.01 hereof, together with the Capitalized Interest Deposit, shall not cause a discharge of the Indenture under this Section 9.01.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.01. **Events of Default and Acceleration.** If any of the following events occur, it is hereby defined as and declared to be and constitute an “Event of Default”:

(a) any interest on any Bond is not paid on the date on which the same becomes due;
or

(b) the principal of any Bond is not paid on the date on which the same becomes due, whether at the stated maturity thereof, by acceleration or otherwise; or

(c) an Event of Default occurs under the Bond Loan Agreement; or

(d) the Issuer fails to duly and promptly perform, comply with, or observe any covenant, condition, agreement or provision (other than as specified in (a) or (b) of this Section 10.01) contained in the Bonds or in this Indenture on the part of the Issuer to be performed, and such failure shall continue for a period of ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer and the Borrower by the Trustee, which notice may be given by the Trustee in its discretion and shall be given at the written request of the Holders of not less than 100% in principal amount of the Bonds then Outstanding; *provided, however*, that if such default be such that it is correctable but cannot be corrected within ninety (90) days, it shall not be an Event of Default if the Issuer or the Borrower is taking appropriate corrective action to cure such failure and if such failure will not impair the security for the Bond Loan or the Bonds.

If any Bond Loan payment required under the Bond Loan Agreement to avoid a default under (a) or (b) of this Section 10.01 shall not have been received at the close of business on the last Business Day preceding the day on which payment must be made to avoid a default under such (a) or (b), the Trustee shall use its best efforts to give telephonic notice of such default to the Borrower and the Investor Limited Partner, which telephonic notice shall be confirmed by electronic, telegraphic or written notice to the Borrower and the Investor Limited Partner. If any other default shall occur under the provisions of this Section 10.01, the Trustee shall, within five (5) days after having actual knowledge of such default, use its best efforts to give written notice of such default to the Issuer, the Borrower, the Investor Limited Partner, the Holders of the Bonds and the Rating Agency. A default or an Event of Default specified in (a) through (d) above shall occur even though the Trustee fails to give the notice required by this paragraph, the giving of such notice being intended solely to aid in the enforcement of the rights of Bondholders and not in limitation of such rights.

If an Event of Default specified in (a) or (b) of this Section 10.01 shall occur and be continuing, the Trustee, may, and upon written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall, declare the principal of all Bonds then

Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided in such notice, anything in this Indenture or in the Bonds to the contrary notwithstanding.

If an Event of Default specified in (c) or (d) of this Section 10.01 shall occur and be continuing, the Trustee, upon written request of the Holders of 100% in aggregate principal amount of the Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided therein, anything in this Indenture or in the Bonds to the contrary notwithstanding.

Anything herein to the contrary notwithstanding, the Investor Limited Partner shall have the right, but not the obligation, to cure any default hereunder on the same terms provided to the Borrower.

Section 10.02. **Trustee to Enforce Rights of the Issuer.** Only in accordance with the provisions of this Indenture, the Trustee, as the assignee of all the right, title and interest of the Issuer in and to each of the documents constituting a part of the Trust Estate (except the Reserved Rights of the Issuer), may enforce the rights granted to the Issuer pursuant to such documents. In the enforcement of any rights or remedies under such documents, no provision of such documents shall require, and none shall be construed to require, that the Trustee post a bond or establish any surety of any kind as a condition precedent to exercising any such rights or remedies.

Section 10.03. **Remedies.** Upon the happening of any Event of Default and in addition to and not in limitation of any rights and remedies under Section 10.01 hereof, then and in every such case the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding and receipt of satisfactory indemnity, shall:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Issuer or the Borrower to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act and the Documents including, but not limited to, foreclosing upon the security interest in or otherwise using funds on deposit in the Collateral Fund;

(b) bring suit upon the Bonds; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, before taking any action which may subject the Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims,

judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such action.

Section 10.04. **Termination of Proceedings.** In case any proceeding taken by the Trustee on account of any default or Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Issuer, the Trustee, the Bondholders and the Borrower shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 10.05. **Right of Bondholders to Direct Proceedings.** No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder, or any other remedy hereunder or on the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless also the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of this Indenture or for any other remedy hereunder; it being understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Bonds, except in the manner herein provided and for the equal benefit of all Holders of Outstanding Bonds. For purposes of the foregoing sentence, the Trustee shall be deemed to have failed to act within a reasonable time if it fails to take action with sixty (60) days after receipt of written notice and compliance with the foregoing terms and conditions, whereupon, the Holders of a majority in aggregate principal amount of the Bonds may take such action in the place of the Trustee. Nothing this Indenture contained shall, however, affect or impair the right of any Holder of Bonds to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest, on each of the Bonds issued hereunder to the respective Holders of the Bonds at the time, place, from the source and in the manner herein and in such Bonds expressed.

Section 10.06. **Remedies Vested in Trustee.** All rights of action under this Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of this Indenture.

Section 10.07. **Remedies Non-Exclusive and Cumulative.** No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in

addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.08. **Delays or Omissions by Trustee.** No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or any acquiescence therein; and every power and remedy given by this Article X to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.09. **Application of Moneys.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article X shall, after payment of all costs and expenses of the Trustee and the Issuer, be deposited in the Collateral Fund and all moneys so deposited in the Collateral Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds which have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default, which moneys shall continue to be held for such payments) shall be applied as follows:

First – To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the direct order of the maturity of the installments of such interest and, if the amounts available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second – To the payment to the Persons entitled thereto of the unpaid principal, on any of the Bonds, which shall have become due (other than Bonds which have matured or otherwise become payable prior to such Event of Default and moneys for the payment of which are held in the Collateral Fund or otherwise held by the Trustee), with interest on such principal from the respective dates upon which the same became due and, if the amount available shall not be sufficient to pay in full the amount of principal, and the interest due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege; and

Third – To be held for the payment to the Persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due either at maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege; and

Fourth – The remainder, if any, shall be deposited in the Collateral Fund.

Whenever moneys are to be applied pursuant to the provisions of this Section 10.09, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply

such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts or principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.10. **Severability of Remedies.** It is the purpose and intention of this Article X to provide rights and remedies to the Trustee and the Bondholders which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled, as above set forth, to every other right and remedy provided in this Indenture and by law.

Section 10.11. **No Interference or Impairment of Lender Loan.** Notwithstanding anything herein to the contrary, none of the Issuer, the Trustee nor any other Person shall:

(a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or

(b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the Reserved Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of this Indenture so long as it does not violate HUD Program Obligations (as defined in the HUD Regulatory Agreement).

Notwithstanding anything in this Indenture to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under this Indenture which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned by the default or breach even after such Person ceases to be the Borrower with regards the Project.

Promptly upon determining that an Event of Default under this Indenture has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable;

notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

ARTICLE XI

CONCERNING THE TRUSTEE

Section 11.01. **Acceptance of Trusts.** The Trustee hereby accepts the trusts hereby created and agrees to perform and execute such trusts, but only upon the additional terms set forth in this Article XI, to all of which the Issuer agrees and the respective Holders of the Bonds agree upon and by their acceptance of delivery of any of the Bonds.

Section 11.02. **Trustee Not Responsible for Recitals, Statements and Representations.** Except as otherwise expressly provided herein, any representations or warranties by the Issuer in this Indenture or in the Bonds contained shall be taken and construed as made by and on the part of the Issuer, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

The Trustee shall have no responsibility for any information in any Official Statement or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

The Trustee shall not be responsible or accountable for the use or application by the Borrower of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent.

Section 11.03. **Action by Trustee Through and in Reliance Upon Others.** The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees. The Trustee shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder, and the written advice or opinion of such counsel shall be full and complete authorization and protection for any action taken or omitted by it in good faith and in accordance with such advice or opinion. The Trustee may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof, all of which shall be paid by the Borrower. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatever in connection with the trust, except only for negligence or willful misconduct with respect to its responsibilities hereunder.

Except for fraud and willful misconduct, no personal recourse may be taken, directly or indirectly, against any officer, director, employee or agent of the Trustee with respect to the obligations of the Trustee under this Indenture or any certificate or other writing delivered in connection therewith. The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties and functions under this Indenture shall extend to the Trustee's officers, directors, agents and employees.

The Trustee's immunities and protections from liability and its right to payment of compensation and indemnification in connection with performance of its duties and functions under this Indenture shall survive the Trustee's resignation or removal and the final payment of the Bonds.

Section 11.04. **Fees and Expenses of Trustee.** The Trustee shall be entitled to payment and/or reimbursement of such fees as the Trustee and the Borrower shall agree upon, and to payment and/or reimbursement of reasonable fees, for its services rendered hereunder and as Dissemination Agent, and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. For so long as the Bonds are outstanding hereunder, in no event will monies on deposit in the Project Fund, the Collateral Fund, and the Bond Fund (including the Capitalized Interest Account therein) be used for the payment and/or reimbursement of such Trustee fees.

Section 11.05. **Trustee's Obligations to Take or Have Notice of Default.** The Trustee shall not be required to take notice, or to be deemed to have notice, of any default under this Indenture other than an Event of Default under Section 10.01(a) or Section 10.01(b) hereof, unless a Responsible Officer of the Trustee is specifically notified in writing of such default by the Issuer or by the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding. The Trustee may, however, at any time, in its discretion, require of the Issuer information and advice as to the performance of any of the covenants, conditions and agreements contained herein.

Section 11.06. **Duties of Trustee.** (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(a) Except during the continuance of an Event of Default,

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others and no implied covenants or obligations will be read into this Indenture against the Trustee, and

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine those certificates and opinions to determine whether they conform to the requirements of this Indenture.

(b) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that

(1) This paragraph does not limit the effect of Section 11.03 hereof,

(2) The Trustee shall not be liable for any error of judgment made in good faith

by a Responsible Officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts,

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it in accordance with this Indenture and

(4) No provision of this Indenture or the Tax Exemption Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers.

(c) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense, but the Trustee shall not require indemnity as a condition to making any payments on the Bonds specifically required pursuant to the terms of this Indenture.

(d) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Indenture and final payment of the Bonds.

(e) Except as otherwise provided in this Article XI, the Trustee shall be under no obligation to take any action in respect of any default or otherwise, or toward the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, and if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may require, with security and satisfactory indemnity. The foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provision of this Indenture to the Trustee to take action in respect of any default without such written notice or request from the Bondholders, or without such security or indemnity.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct as described in Section 11.06(c) above.

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

(h) The Trustee may conclusively rely upon and shall be fully protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, direction, opinion or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture

upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of the Bonds shall be conclusive and binding upon all future owners of the same Bonds and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“*Instructions*”) given pursuant to this Indenture and delivered using Electronic Means (as defined below); *provided, however*, that Borrower, the Issuer or such other party giving such instruction (the “*Sender*”) shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“*Authorized Officers*”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Sender whenever a person is to be added or deleted from the listing. If the Sender elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Borrower, the Issuer and any other Sender understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. Each Sender shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Sender and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Sender. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Borrower agrees: (i) to assume all risks arising out of the use of Electronic Means by the Borrower to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Borrower for use by the Borrower, the Issuer and the other parties who may give instructions to the Trustee under this Indenture; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. “*Electronic Means*” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

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

Section 11.07. **Trustee May Rely Upon Instruments.** The Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any indenture, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and

to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture or the Documents, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements, and shall be protected and shall incur no liability in acting or proceeding in good faith in reliance thereon. The Trustee shall not be bound to recognize any Person as a Holder of any Bond or to take any action at his request unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee.

Section 11.08. **Trustee May Own and Deal in Bonds and Deal With the Issuer and Borrower.** The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Borrower or any related entity, and may act as depository, trustee, or agent for any committee or body of Holders of the Bonds secured hereby or other obligations of the Issuer as freely as if it were not Trustee hereunder.

Section 11.09. **Financial Liability of the Trustee.** No provision of this Indenture will require the Trustee to expend or risk its own funds or otherwise incur or risk any financial liability in the performance of any of its duties under this Indenture, or in the exercise of any of its rights or powers if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Except as may otherwise be provided in this Indenture, the Trustee will have the right to demand, in respect to the authentication of any Bonds or the release of any property, any showings, certificates, opinions (including Opinions of Counsel), appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof or of the Bond Loan Agreement required as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Issuer or the Borrower to the authentication of any Bonds, or the release of any property.

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

Section 11.10. **Trustee May Construe Ambiguous or Inconsistent Provisions.** The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provisions hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Bondholders.

Section 11.11. **Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than sixty (60) days written notice to the Issuer specifying the date when such resignation shall take effect and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of such successor, provided that such resignation shall not take effect unless

and until a successor shall have been appointed unless the Trustee has not been paid its fees and expenses (in which case the resignation shall become effective on the date specified by the Trustee above).

Section 11.12. **Removal of Trustee.** The Trustee shall be removed by the Issuer or by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized (with the consent of the Issuer), excluding any Bonds held by or for the account of the Issuer, if so requested by an instrument or concurrent instruments in writing giving not less than sixty (60) days written notice, filed with the Trustee and the Issuer. The Issuer may also remove the Trustee at any time, except during the existence of any Event of Default as defined in Section 10.01 hereof, for cause or breach of trust or for acting or proceeding in violation of, or failing to act or proceed in accordance with any provision of this Indenture with respect to the duties and obligations of the Trustee by filing with the Trustee an instrument signed by an authorized officer of the Issuer. A copy of each such instrument providing for any such removal shall be delivered by the Issuer to any Bondholder who shall have filed his name and address with the Issuer. Such removal of the Trustee in accordance with this Section 11.12 shall not be effective until a successor trustee shall have been appointed.

Section 11.13. **Appointment of Successor Trustee.** In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer (upon direction of the Borrower) covenants and agrees that it will thereupon appoint a successor Trustee.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provision of this Section 11.13 within sixty (60) days after the Trustee shall have given to the Issuer written notice as provided in Section 11.11 hereof, within sixty (60) days after the Issuer or the Holders shall have given to the Trustee written notice as provided in Section 11.12 hereof, or at any time after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, prescribe and appoint a successor Trustee.

Any Trustee appointed under the provisions of this Section 11.13 in succession to the Trustee shall be a bank or trust company or national banking association with trust powers, having a combined capital, surplus and undivided profits of at least \$50,000,000 if there be such a bank or trust company or national bank association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Section 11.14. **Appointment of Successor Trustee by Court.** In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article XI prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring Trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article within sixty

(60) days after a vacancy shall have occurred in the office of Trustee, the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Trustee.

Section 11.15. **Acceptance of Trust by Successor Trustee.** Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and the Rating Agency an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trust, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, the Trustee ceasing to act and the Issuer shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of the Trustee so ceasing to act, and the Trustee so ceasing to act shall pay over to the successor Trustee all moneys and other assets at the time held by it hereunder.

Section 11.16. **Merger or Consolidation of Trustee With Another Person.** Any Person into which any Trustee hereunder may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, shall be the successor Trustee under this Indenture without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

Section 11.17. **Action of Trustee During Existence of an Event of Default.** Subject to Section 11.09 hereof, the Trustee shall, during the existence of an Event of Default known to the Trustee, exercise such of the rights and powers vested in it by this Indenture and use the same degree of skill and care in their exercise as a prudent person would use and exercise under the circumstances.

Section 11.18. **Notice of an Event of Default.** Notwithstanding anything herein to the contrary, upon the occurrence of an Event of Default known to a Responsible Officer of the Trustee, the Trustee shall within thirty (30) days give written notice thereof to the Issuer, to the Rating Agency, and to each Bondholder at its last address appearing upon the registration books of the Issuer kept by the Trustee unless such Event of Default shall have been cured before the giving of such notice.

Section 11.19. **Trustee May Intervene.** In any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Holders of the Bonds, the Trustee may intervene on behalf of the Holders of the Bonds and shall, upon receipt of satisfactory indemnity do so if requested in writing by the Holders of a majority in aggregate principal amount of Bonds then Outstanding, if such intervention is permitted by the court having jurisdiction in the premises.

Section 11.20. **Unclaimed Moneys.** In case any moneys deposited with the Trustee for the payment of the principal of and interest on any Bond remains unclaimed for three (3) years after such principal or interest has been paid or has become due and payable, the Trustee shall

disburse the moneys in accordance with Title 6 of the Texas Property Code. Thereupon, the Trustee and the Issuer shall be released from any further liability with respect to payment of such purchase price or principal, premium, or interest and the Holder shall be entitled (subject to any applicable statute of limitations) to look only to the Borrower as an unsecured creditor for the payment thereof. The Trustee shall comply with the reporting requirements of Chapter 74 of the Texas Property Code.

Section 11.21. **Appointment of Co-Trustee.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Bond Loan Agreement, and in particular in case of the enforcement thereof on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 11.21 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Approval in writing from the Issuer shall be required prior to the appointment of the separate or co-trustee by the Trustee. All such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer at the expense of the Borrower. In case any separate or co-trustee or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or co-trustee, so far as permitted by law and so approved by the Issuer, shall vest in and be exercised by the Trustee until the appointment of a successor to such separate or co-trustee.

Section 11.22. **Financing Statements.** Pursuant to Section 5.05 of the Bond Loan Agreement, the Borrower shall cause to be perfected any security interest created hereunder by the filing of financing statements which fully comply with the Texas Uniform Commercial Code to the extent any such security interest may be perfected by filing. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code. The Trustee shall cause to be filed a continuation statement with respect to each Uniform Commercial Code financing statement relating to the Bonds which was filed at the time of the issuance thereof, in

such manner and in such places as the initial filings were made, provided that a copy of the filed original financing statement is timely delivered to the Trustee. Unless the Trustee shall have been notified in writing by the Issuer or a Bondholder that the initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (i) relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this Section 11.22 and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Borrower shall be responsible for the reasonable costs incurred by the Trustee in the preparation and filing of all continuation statements hereunder

Section 11.23. **Compliance with Texas Government Code.** The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Indenture, the Bond Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement, and such representation is hereby incorporated by reference into each of the documents referenced herein. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Trustee understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Trustee understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

ARTICLE XII

MODIFICATION OF INDENTURE AND OTHER DOCUMENTS

Section 12.01. **Limitation on Amendments to this Indenture.** This Indenture shall not be modified or amended in any respect except as provided in accordance with and subject to the provisions of this Article XII.

Section 12.02. Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders.

(a) The Issuer and the Trustee may, from time to time and at any time, without the consent of Bondholders, enter into Supplements or other agreements supplemental to this Indenture and the Bond Loan Agreement as follows:

(1) to specify and determine any matters and things relative to Bonds which shall not materially adversely affect the interest of the Bondholders;

(2) to cure any formal defect, omission or ambiguity in this Indenture or the Bond Loan Agreement if such action does not materially adversely affect the rights of the Bondholders;

(3) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as heretofore in effect;

(4) to add to the covenants and agreements of the Issuer in this Indenture or the Bond Loan Agreement other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture or the Bond Loan Agreement as theretofore in effect;

(5) to add to the limitations and restrictions in this Indenture or the Bond Loan Agreement, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture or the Bond Loan Agreement as theretofore in effect;

(6) to confirm, as further assurance, any pledge under and the subjection to any claim, lien or pledge created, or to be created by, this Indenture, of the Revenues or of any other moneys, securities or funds; or

(7) to modify, amend or supplement this Indenture or the Bond Loan Agreement in any respect which, in the judgment of the Trustee, is not materially adverse to the interests of the owners of the Bonds.

(b) Before the Issuer shall enter into any Supplement to this Indenture pursuant to this Section 12.02, there shall have been filed with the Trustee an opinion of Bond Counsel to the effect that such Supplement is authorized or permitted by this Indenture and complies with the terms hereof, and that upon adoption such Supplement will be valid and binding upon the Issuer in accordance with its terms. The opinion of Bond Counsel filed with the Trustee shall also include a Favorable Opinion of Bond Counsel.

(c) The Trustee shall send written notice to the Rating Agency, the Borrower and the Investor Limited Partner of any amendment to this Indenture or the Bond Loan Agreement.

Section 12.03. **Amendments to Indenture Requiring Consent of Bondholders.**

(a) Subject to the terms and provisions contained in this Section 12.03 and not otherwise, the Holders of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution and delivery by the Issuer and the Trustee of any Supplement to this Indenture as shall be deemed necessary or desirable by the Issuer and the Trustee for the purposes of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this Indenture; provided, however, that, unless approved in writing by the Holders of all of the Bonds then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the terms of maturity of the principal of or the interest on any Outstanding Bond, or a reduction in the principal amount of any Outstanding Bond or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge or assignment of, the Trust Estate ranking prior to or on a parity with the claim, lien, assignment or pledge created by this Indenture, or the release of the Trust Estate or any part thereof (except to the extent permitted pursuant to the Documents), or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for any action or consent by Bondholders set forth in this Indenture, including (without limitation) that required for consent to such Supplements. This Section 12.03 shall not limit or otherwise affect the ability of the Issuer to enter into Supplements to this Indenture without the consent of the Bondholders pursuant to Section 12.02 hereof.

(b) If at any time the Issuer and the Trustee shall determine to enter into any Supplement for any of the purposes of this Section 12.03, the Trustee shall cause written notice of the proposed Supplement to be given to all Holders of the Bonds; *provided, however*, that failure to give such notice or any defect therein, shall not affect the validity of any proceedings pursuant hereto. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the Trust Office of the Trustee for inspection by all Bondholders.

(c) No later than 120 days after the date of giving such notice, the Issuer and the Trustee may enter into such Supplement in substantially the form described in such notice only if there shall have first been filed with the Issuer (i) the written consents of Holders of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding (or 100% if required hereunder) and (ii) an opinion of Bond Counsel to the effect that (1) such Supplement is authorized or permitted by this Indenture and complies with the terms hereof, and that upon adoption it will be valid and binding upon the Issuer in accordance with its terms, and (2) the effectiveness of the Supplement will not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(d) If the Holders of at least the percentage of Bonds required by this Section 12.03 shall have consented to and approved the Supplement as herein provided, no Holder of any Bond shall have any right to object to such Supplement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Issuer or the Trustee from entering into the same or from taking any action pursuant to the provisions thereof.

(e) Upon the effectiveness of any Supplement entered into pursuant to the provisions of this Section 12.03, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

Section 12.04. **Supplemental Indentures Part of Indenture**. Any Supplement entered into in accordance with the provisions of this Article XII shall thereafter form a part of this Indenture and all the terms and conditions contained in any such Supplement as to any provision authorized to be contained therein shall be and shall be deemed to be a part of the terms and conditions of this Indenture for any and all such purposes.

Section 12.05. **Required Consent**. Notwithstanding anything herein to the contrary, the Trustee shall not be required to enter into or consent to any Supplement or any amendment of any other Document that would materially adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee herein or therein, except to the extent necessary, as set forth in an opinion of Bond Counsel, to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 12.06. **Amendments to Documents Requiring Consent of Bondholders**. Except as provided in Section 12.02 hereof, the Issuer and the Trustee shall not consent to any amendment, change or modification of the Documents without the giving of notice and the written approval or consent of the Holders of the Bonds at the time Outstanding given and procured as provided in Section 12.03 hereof. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change, or modification to be given in the same manner as provided by Section 12.03 hereof with respect to Supplements. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Trust Office of the Trustee for inspection by all Bondholders.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. **The Issuer's Successors**. In the event of the dissolution of the Issuer, all the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of, or for the benefit of, the Issuer, shall bind or inure to the benefit of the successors of the Issuer from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Issuer shall be transferred.

Section 13.02. **Indenture for Benefit of the Issuer, Trustee and Bondholders**. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, other than the Issuer, the Trustee and the Holders of the Bonds, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the Issuer and the Trustee and the Holders of the Bonds; provided that this Indenture shall also be for the benefit of the Borrower,

and the Borrower shall be deemed to be a third-party beneficiary of and in connection with those matters in which the terms of this Indenture fairly construed are indicative that they are for the benefit of the Borrower.

Section 13.03. **Severability**. In case any one or more of the provisions of this Indenture or of the Bonds for any reason, is held to be illegal or invalid such illegality or invalidity shall not affect any other provisions of this Indenture or the Bonds, and this Indenture and the Bonds shall be construed and enforced to the end that the transactions contemplated hereby be effected and the obligations contemplated hereby be enforced as if such illegal or invalid provisions had not been contained therein.

Section 13.04. **Limitation of Liability of the Issuer and Its Officers, Employees and Agents**.

(a) All covenants, stipulations, promises, agreements and obligations of the Issuer contained in this Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any of its officers or employees or members of its governing body, past, present or future, in his or her individual capacity, and no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or hereunder against any such officer or employee of the Issuer or member of its governing body or any natural person executing the Bonds.

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

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

members, employees, or agents, as such, is hereby expressly waived and released as a condition of, and consideration for, the execution of this Indenture and the issuance of such Bonds.

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

(e) Neither the members of the governing body of the Issuer nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof. The Bonds are issued pursuant to the Act, and the Bonds shall so state on their face, and shall state that the Bonds shall not be a debt of the Issuer, or the State, or any political subdivision thereof; and none of the Issuer, the State or any political subdivision thereof shall be liable thereon; nor in any event shall such Bonds or obligations be payable out of any funds or properties other than those of the Issuer identified herein.

Section 13.05. **Governing Law.** The laws of the State shall govern the construction of this Indenture and of all Bonds issued hereunder.

Section 13.06. **Notices; Publication of Notice.**

(a) All notices, advice, certifications or other communications hereunder between the Issuer and the Trustee shall be sufficiently given and shall be deemed given when provided in writing and when delivered by hand or overnight courier, or mailed by certified or registered mail, postage prepaid, return receipt requested, or transmitted by electronic means (including, without limitation, e-mail and facsimile transmission) addressed to the appropriate Notice Address. The Issuer or the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, advice, certifications or other communications shall be sent. Notices to persons other than the Issuer or the Trustee (such as, for example, notices to owners of Bonds) shall be governed by the other applicable provisions of this Indenture.

(b) Whenever the Issuer or the Trustee is required or permitted to give or publish notice of any event or occurrence under this Indenture, such notice shall be given or published in such manner and by such means as the Issuer or the Trustee, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Issuer or the Trustee, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to the Municipal Securities Rulemaking Board's EMMA System or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the Person entitled to receive the notice at such Person's address as shown on the records of the Issuer or the Trustee.

Section 13.07. **Trustee as Paying Agent and Bond Registrar.** The Trustee is hereby designated and agrees to act as Paying Agent and Bond Registrar for and in respect to the Bonds.

Section 13.08. **Execution of Instruments by Bondholders and Proof of Ownership of Bonds.** Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of the Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be conclusively proved by the registration books kept under the provisions of Section 2.08 of this Indenture.

Nothing contained in this Section 13.08 shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done by the Trustee pursuant to such request or consent.

Section 13.09. **Counterparts.** This Indenture may be simultaneously executed in several counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

Section 13.10. **FHA Federal Laws and Requirements Control.** Notwithstanding anything in this Indenture or the Bond Loan Agreement to the contrary:

(a) The Borrower, the Trustee and the Issuer acknowledge that this Indenture, and any obligations of the Borrower hereunder, are subject and subordinate to the Lender Loan Documents. Notwithstanding any provision in this Indenture to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement), (B) funds that are not derived from (i) revenues of the Project (as defined in the Lender Mortgage) or (ii) any reserve or deposit made with the Lender or any other party as required by HUD in connection with the Lender Loan Documents, or (C) the Lender Collateral Deposit which has been deposited into the Collateral Fund by or at the direction of the Lender (collectively, “*Non-Project Sources*”). No claims or actions shall be made (or payable) under this Indenture against the Project, the proceeds of the Lender Borrower Note, or the assets of the Borrower, except from Non-Project Sources. In addition, the rights and obligations of the parties under this Indenture and all other documents evidencing, implementing, or securing this Indenture (collectively, the “*Subordinate Bond Documents*”) are and shall be subordinated in all respects to

the rights and obligations of the parties to and under the Lender Loan Documents. In the event of any conflict between the provisions of (i) this Indenture or the Subordinate Bond Documents and (ii) the provisions of the Lender Loan Documents or the Program Obligations (as defined in the Lender Mortgage), GNMA statutory, regulatory or administrative requirements, the provisions of the Lender Loan Documents, the Program Obligations or the GNMA statutory, regulatory or administrative requirements, as applicable, shall control. The provisions of this Section 13.10 shall control over any inconsistent provisions in this Indenture or the Subordinate Bond Documents.

(b) Any subsequent amendment to this Indenture or the Bond Loan Agreement is subject to prior written approval of HUD (so long as the Project is subject to a mortgage insured or held by HUD). No amendment to this Indenture or the Bond Loan Agreement shall conflict with the provisions of the Program Obligations.

(c) The Bonds are not a debt of the United States of America, HUD, FHA, GNMA or any other agency or instrumentality of the federal government, and are not guaranteed by the full faith and credit of the United States or any agency or instrumentality thereof.

(d) There is no pledge hereunder or under the Bond Loan Agreement of the gross revenues or any of the assets of the Project.

(e) Neither a default under this Indenture nor under the Bond Loan Agreement shall constitute a default under the Lender Loan Documents related to the Project.

(f) Nothing contained herein or in the Bond Loan Agreement shall inhibit or impair the right of FHA to require or agree to any amendment, change or modification of any Lender Loan Documents related to the Project for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said Lender Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bonds.

(g) None of the Issuer, the Trustee, or any of the owners of the Bonds has or shall be entitled to assert any claim against the Project, any reserves or deposits required by HUD in connection with the Project, or the rents or deposits or other income of the Project.

(h) Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Trustee, but will be payable in accordance with the Lender Loan Documents.

(i) Notwithstanding anything in this Indenture, the Bond Loan Agreement, the Note or the Bond Purchase Agreement to the contrary, in no event shall HUD have any claim to or lien upon the Trust Estate under this Indenture and funds held by the Trustee under this Indenture and pledged to secure the repayment of the Bonds. Further, nothing herein shall restrict the rights and obligations of the parties as they relate to the Bonds and the rights and obligations therein are not subordinated.

(j) In the event of an assignment or conveyance of the Lender Loan to the FHA Commissioner (as defined in the Lender Loan Documents), subsequent to the issuance of the Bonds, all money, other than Bond proceeds, remaining in all funds and accounts other than the

Rebate Fund and any other funds remaining under the Indenture after payment or provision for payment in full of debt service on the Bonds and the fees and expenses of the Issuer, Trustee, and other such parties unrelated to the Borrower (other than funds originally deposited by the Borrower or related parties on or before the date of issuance of the Bonds) shall be returned to the Lender.

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IN WITNESS WHEREOF, the Issuer has caused this Indenture to be signed in its name by its authorized officer, and the Trustee has caused this Indenture to be signed in its name by its duly authorized officer, all as of the day and year first above written.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS, as Issuer

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to Board

(SEAL)

REGIONS BANK, as Trustee

By: _____

Name: Gregory Pulley

Title: Assistant Vice President

EXHIBIT A
FORM OF BOND

No. R- _____ \$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(OSO BAY APARTMENTS)
SERIES 2021

Unless this Bond is presented by an authorized representative of the Securities Depository (as defined in the Indenture) to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of the Securities Depository (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of the depository), any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

DATED DATE	INTEREST RATE	MATURITY DATE	CUSIP NUMBER
[February] 1, 2021	[]%	[] 1, 20[]	[]

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

FOR VALUE RECEIVED, the Texas Department of Housing and Community Affairs (the “*Issuer*”), a public facility corporation duly organized and validly existing under the laws of the State of Texas (the “*State*”), hereby promises to pay (but only out of the Trust Estate pledged therefor) to the registered owner identified above, or its successor or registered assignee or legal representative, the principal amount set forth above, on the Maturity Date identified above, in lawful money of the United States of America which on the date of payment is legal tender for the payment of public and private debts, upon the presentation and surrender of this Bond at the corporate trust office of Regions Bank, an Alabama banking corporation, as trustee, or its successor in trust (the “*Trustee*”), and to pay interest thereon (but only out of the Revenues) to the registered owner hereof from the initial delivery of the Bond until maturity, at the Interest Rate per annum identified above, or at the Remarketing Rate, as the case may be, payable at the times and in the manner hereinafter set forth. Principal hereof shall be payable, upon the request of any registered holder of Bonds on the applicable Record Date having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee to the bank and account number specified by such holder to the Trustee in writing. All interest hereon shall

be paid by check or draft mailed by the Trustee to the registered owner hereof at his address as it appears on the registration books of the Issuer, or, upon the request of any registered holder of Bonds having an aggregate principal amount of \$1,000,000 or more, by wire transfer of immediately available funds from the Trustee to the bank and account number provided by such registered owner to the Trustee in writing, such interest to the maturity hereof being payable semi-annually on each [] 1 and [] 1, commencing [] 1, 2021, in lawful money of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts.

THE BONDS OF WHICH THIS BOND IS A PART, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER SECURED BY THE TRUST ESTATE, ARE AND WILL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE (EXCEPT TO THE EXTENT PAID OUT OF MONEYS ATTRIBUTABLE TO PROCEEDS OF THE BONDS OR THE INCOME FROM THE TEMPORARY INVESTMENT THEREOF), AND ARE AND WILL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME MAY BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THIS INDENTURE AND IN THE BOND LOAN AGREEMENT. THE BONDS AND THE OBLIGATION TO PAY INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, DO NOT NOW AND WILL NEVER CONSTITUTE A DEBT OR AN OBLIGATION OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREFOR, **THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.** THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR ANY OTHER FEDERAL GOVERNMENTAL AGENCY AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT, OR FUTURE MEMBERS OF THE GOVERNING BODY OF THE ISSUER OR ANY OFFICER, DIRECTOR, EMPLOYEE, OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE, OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND

RELEASED AS A CONDITION OF, AND CONSIDERATION FOR, THE EXECUTION AND ISSUANCE OF THIS BOND.

This Bond is one of an issue of the \$[] Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “*Bonds*”), of like date and tenor, except as to number and denomination, issued under and pursuant to the laws of the State and in particular Chapter 2306, Texas Government Code, as amended (the “*Act*”), and a resolution of the Issuer adopted on [January 14], 2021, for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping by Oso Bay Apartments, LLC, a Texas limited liability company (the “*Borrower*”), of a multifamily rental housing development consisting of approximately 104 units to be known as Oso Bay Apartments and to be located at 7502 McArdle Road, Corpus Christi, Texas 78412 (the “*Project*”). The proceeds of the Bonds are being loaned to the Borrower by the Issuer under a Loan Agreement dated as of [February] 1, 2021, between the Borrower and the Issuer (the “*Bond Loan Agreement*”) and evidenced by a Promissory Note dated the Closing Date from the Borrower to the Issuer (the “*Note*”).

The Bonds are issued under a Trust Indenture dated as of [February] 1, 2021 (the “*Indenture*”), between the Issuer and the Trustee, and, to the extent provided therein, are equally and ratably secured and entitled to the protection given by the Indenture. Pursuant to the Indenture, the Issuer has assigned to the Trustee (among other things) the Revenues. Pursuant to the Note and the Bond Loan Agreement, payments sufficient for the prompt payment when due of the principal of and interest on the Bonds are to be paid by the Borrower to the Trustee for the account of the Issuer. The obligations of the Borrower under the Note and the Bond Loan Agreement are secured by the proceeds of the Bonds deposited into the Project Fund created pursuant to Section 4.01(b) of the Indenture, and from moneys deposited into the Collateral Fund created pursuant to Section 4.01(e) of the Indenture.

Reference is made to the Indenture, the Note and the Bond Loan Agreement and to all amendments and supplements thereto for a description of the property pledged and assigned and the provisions, among others, with respect to the nature and extent of the security, the rights, duties and other obligations of the Issuer and the Trustee, the terms on which the Bonds are issued and secured, the rights of the holders of the Bonds and provisions for defeasance of such rights. Capitalized terms used herein have the same meaning as set forth in the Indenture. The terms and conditions set forth herein concerning payment and other rights and remedies of the owners of the Bonds are descriptive only and are subject in all cases to the terms and conditions as set forth in the Indenture.

This Bond is negotiable and is transferable, as provided in the Indenture, only upon the books of the Issuer kept at the office of the Trustee, by the registered owner hereof in person or by his duly authorized attorney, and may be exchanged for new Bonds of the same aggregate principal amount of authorized denominations, maturity and interest rate, in registered form, but only upon presentation and surrender of this Bond, all in the manner and subject to the limitations and conditions provided in the Indenture. The Issuer and the Trustee may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for all purposes; and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable in the form of registered Bonds without coupons in denominations of \$5,000 each or integral multiples thereof.

The Bonds are subject to mandatory tender in whole and not in part on each Mandatory Tender Date (as defined in the Indenture), and shall be purchased at a price equal to 100% of the principal amount of such Bonds, plus accrued interest, if any to the applicable Mandatory Tender Date, and without premium, as set forth in the Indenture.

The Bonds are subject to redemption prior to maturity as provided in the Indenture.

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

The Holder of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. The Trustee shall treat the registered owner of this Bond as the Person exclusively entitled to payment of principal and interest, and the exercise of all rights and powers of the owner of this Bond.

In any case where the date of maturity of or an Interest Payment Date for this Bond shall not be a Business Day, then payment of interest or principal need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity.

This Bond shall not be entitled to any benefit under the Indenture, or be valid or become obligatory for any purpose, until the Trustee shall have executed the Certificate of Authentication appearing hereon.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner as required by law; and that all acts, conditions and things necessary to be done or performed by the Issuer or to have happened precedent to or in the execution and delivery of the Indenture have been done and performed and have happened in regular and due form as required by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name under its official seal by the manual or facsimile signature of its Chair or Vice Chair and attested by the manual or facsimile signature of its Secretary all as of the Dated Date hereof.

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS, as Issuer

(SEAL)

By: _____

Title: [Vice] Chair

ATTEST:

By: _____

Title: Secretary

[Initial Bond Only]

[FORM OF COMPTROLLER'S CERTIFICATE]

COMPTROLLER'S CERTIFICATE

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS
STATE OF TEXAS

REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas and that this Bond has been registered by the Comptroller of the Public Accounts of the State of Texas.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas, this _____.

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

[Definitive Bonds Only]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Indenture referred to in this Bond.

REGIONS BANK, as Trustee

By: _____
Authorized Signatory

Date of Authentication: _____, 20____

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
(Please Print or Type Name and Address of Assignee): _____

(Social Security or Taxpayer Identification Number: _____
_____) the within Bond and all rights thereunder, and hereby
irrevocably constitutes and appoints _____

attorney to transfer the said Bond on the books of the within named issuer maintained by the
Trustee for the registration thereof, with full power of substitution in the premises.

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatever. The signature must be guaranteed.

Signature guaranteed by:

[Bank, Trust Company or Firm]

Authorized Signature

(Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program (STAMP, SEMP, MSP)).

**EXHIBIT B
FORM OF REQUISITION**

BORROWER: OSO BAY APARTMENTS, LLC

PROJECT: OSO BAY APARTMENTS

REQUISITION NO.: _____

In the Amount of \$ _____

To: Regions Bank, as trustee

The Borrower hereby requests payments in the following amounts, from the following sources and to be made to the following parties, all as set forth on the Request for Payment attached to this Requisition:

AMOUNT	SOURCE [identify name of Account and Fund]	PAYABLE TO: [Borrower's account number] [third party payment/wire instructions must be attached]
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REQUISITION – CONTENTS AND ATTACHMENTS

Borrower's Representations and Warranties

Contractor's Application and Certification for Payment (AIA Form G 702)

Requisitions and Invoices Supporting Application

REPRESENTATIONS AND WARRANTIES

1. To the Borrower's knowledge, no changes have been made in the Plans and Specifications that require and have not received the prior approval of any Governmental Authority having jurisdiction over the Project or any other parties from whom such approval is required.
2. To the Borrower's knowledge, the construction and equipping of the Project has been performed in accordance with the Plans and Specifications.

3. Funding of this Requisition shall be in accordance with the terms and provisions of (i) the Loan Agreement dated as of [February] 1, 2021 (the “*Agreement*”), and (ii) the Trust Indenture dated as of [February] 1, 2021, with respect to the Bonds (the “*Indenture*”).
4. All monies requisitioned by the Borrower for acquisition and construction and disbursed by the Trustee under previously approved requisitions have been paid to the Contractor or other contractor or supplier or other party entitled to payment and, to Borrower’s best knowledge, all subcontractors, vendors and suppliers; all other funds requisitioned by the Borrower and disbursed by the Trustee under previously approved requisitions have been expended for the purpose for which they were requisitioned.
5. All of the information submitted to the Trustee in connection with this Requisition is true and accurate as of the date of submission.
6. The representations and warranties set forth in the Documents are true and correct as of the date hereof with the same effect as if made on this date unless such representation or warranty relates to a specific time.
7. The Borrower represents and warrants that (i) there has occurred no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default on the part of the Borrower under the terms of the Documents, (ii) except as previously disclosed by the Borrower to the Issuer, the Borrower has not received notice from or been informed by any Governmental Authority of any alleged deficiencies in the work performed to date or any deviation of such work from Plans and Specifications or notice of any assertion of a claim that the Project has not been constructed in accordance with all applicable requirements and (iii) the Documents are in full force and effect.
8. The Borrower represents and warrants that, following the disbursement by the Trustee of the aggregate amounts requested under these Requisitions, (i) no more than 5% of the Net Proceeds of the Bonds will have been used for costs that are not Qualified Project Costs; (ii) less than 25% of the Net Proceeds of the Bonds will have been used for the cost of acquiring land; and (iii) not more than 2% of the Net Proceeds of the Bonds will have been used for Costs of Issuance.
9. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto under the Indenture or the Tax Exemption Agreement.

Executed this ____ day of _____, 202__.

BORROWER:

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

Approved:

REGIONS BANK

By: _____
Name: _____
Title: _____

CONTRACTOR'S APPLICATION FOR PAYMENT

REQUISITIONS AND INVOICES

EXHIBIT C

**FORM OF REQUISITION
(Costs of Issuance)**

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021**

Dated: _____

Costs of Issuance Requisition No. ____

To: Regions Bank as trustee (the “*Trustee*”) under the Trust Indenture dated as of [February] 1, 2021, between the Texas Department of Housing and Community Affairs and the Trustee (the “*Indenture*”).

Terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture.

The undersigned, Borrower Representative of Oso Bay Apartments, LLC (the “*Borrower*”), hereby certifies to you that he/she is authorized and empowered to submit this Requisition to you and that attached hereto as Schedule “A” is a schedule of Costs of Issuance incurred in connection with the issuance of the above described Bonds, including the names and addresses of the payees and the specific amounts payable to each such payee, and that to the best of the undersigned’s information and belief, such amounts are true and correct.

This Requisition is being delivered to you in accordance with the referenced Indenture pursuant to which the Bonds were issued. You are hereby instructed to withdraw from the Cost of Issuance Fund created under the Indenture the amounts shown across from each payee listed on Schedule “A” hereto and pay such amounts to each such payee by wire transfer, check delivered by first class mail or by such other means as is acceptable to you and any such payee.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned has signed this Requisition by and on behalf of the Borrower.

BORROWER:

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

SCHEDULE "A"

SCHEDULE OF COSTS OF ISSUANCE

PAYEE	AMOUNT
-------	--------

LOAN AGREEMENT

Between

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Issuer

and

OSO BAY APARTMENTS, LLC,
as Borrower

Dated as of [February] 1, 2021

Relating to:

Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021

The interest of the Texas Department of Housing and Community Affairs (the “*Issuer*”) in this Loan Agreement has been assigned (except for “*Reserved Rights of the Issuer*” defined in the Indenture) pursuant to the Trust Indenture, dated as of the date hereof (the “*Indenture*”), between the Issuer and Regions Bank, an Alabama banking corporation, as trustee (the “*Trustee*”), and is subject to the security interest of the Trustee thereunder.

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- Exhibit A – Project Description
- Exhibit B – Form of Promissory Note’
- Exhibit C – Form of Completion Certificate

LOAN AGREEMENT

THIS LOAN AGREEMENT (“*Agreement*” or “*Loan Agreement*”) is entered into as of [February] 1, 2021, between the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public facility corporation duly organized and existing under the laws of the State of Texas (the “*Issuer*”), and OSO BAY APARTMENTS, LLC, a Texas limited liability company (the “*Borrower*”).

WITNESSETH:

WHEREAS, by virtue of the authority of the laws of the State of Texas (the “*State*”), and particularly the provisions of Chapter 2306, Texas Government Code, as amended (the “*Act*”), the Issuer is authorized to make loans to finance the cost of a “*development*” (as defined in the Act) and to issue bonds, notes or other evidences of indebtedness from time to time for such purposes; and

WHEREAS, the Borrower has requested the Issuer to issue its Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “*Bonds*”), the proceeds of which will be utilized to make a loan to the Borrower (the “*Loan*”) to finance a portion of the costs of the acquisition, rehabilitation and equipping of an approximately 104-unit multifamily housing residential rental development to be known as Oso Bay Apartments and to be located in Nueces County, Texas (the “*Project*”); and

WHEREAS, pursuant to and in accordance with the Act, the Issuer desires to provide funds to finance the acquisition, rehabilitation and equipping of the Project and the payment of certain costs of issuance by issuing the Bonds, pursuant to a Trust Indenture dated as of [February] 1, 2021 (the “*Indenture*”), between the Issuer and Regions Bank, an Alabama banking corporation, as trustee (the “*Trustee*”); and

WHEREAS, the Loan will be evidenced by this Agreement and a promissory note (the “*Note*”), from the Borrower to the Issuer in the form of *Exhibit B* hereto; and

WHEREAS, in order to assure compliance with Sections 103 and 142 through 150 of the Code, the Issuer, the Borrower and the Trustee have entered into the Tax Exemption Agreement and the Regulatory Agreement, each of which sets forth various certifications, representations, and covenants relating to the Federal Tax Status of the Bonds; and

WHEREAS, the parties hereto, intending to be legally bound hereby, and for and in consideration of the premises and the mutual covenants hereinafter contained, do hereby covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.01. **Definitions.** All capitalized, undefined terms used herein shall have the same meanings ascribed thereto in the Indenture.

Section 1.02. **Uses of Phrases.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words “Bond,” “Bondholder,” “Holder,” “Owner” and “Person” shall include the plural as well as the singular number. Any percentage of Bonds, specified herein for any purpose, is to be figured on the unpaid principal amount thereof then Outstanding. All references herein to specific sections of the Code refer to such sections of the Code and all successor or replacement provisions thereto.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. **Representations, Covenants and Warranties of the Issuer.** The Issuer represents, covenants and warrants that:

(a) The Issuer is a public and official agency of the State. Under the provisions of the Act and the resolution adopted by the Issuer on [January 14], 2021, the Issuer is authorized to enter into the Issuer Documents and to carry out its obligations thereunder. By proper action of its governing body, the Issuer has been duly authorized to execute and deliver the Issuer Documents and to issue and sell the Bonds.

(b) The Issuer covenants that it will not pledge the amounts derived from this Agreement other than as contemplated by the Indenture.

(c) The Issuer hereby finds and determines that financing the Project by the issuance of the Bonds will further the public purposes of the Act.

(d) No member of the governing body of the Issuer, nor any other officer or employee of the Issuer, has any interest, financial, employment or otherwise, in the Borrower, the Project or in the transactions contemplated hereby.

(e) There is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Issuer, threatened against the Issuer by or before any court, governmental agency or public board or body, that (i) affects or questions the existence or the title to office of any member of the governing body of the Issuer; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of any of the Issuer Documents, or the issuance, execution or delivery of the Bonds; (iii) affects or questions the validity or enforceability of any of the Issuer Documents or the Bonds; (iv) questions the exclusion from gross income for federal income taxation of interest on the Bonds; or (v) questions the power or authority of the Issuer to perform its obligations under any of the Issuer Documents or the Bonds or to carry out the transactions contemplated by any of the Issuer Documents or the Bonds.

(f) The Issuer makes no representation as to the financial position or business condition of the Borrower and does not represent or warrant as to any of the statements, materials (financial or otherwise), representations or certifications furnished or to be made and furnished by the Borrower in connection with the sale of the Bonds, or as to the correctness, completeness or accuracy of such statements.

(g) The Issuer will not take any action inconsistent with its expectations stated in the Tax Exemption Agreement and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 2.02. **Representations, Covenants and Warranties of the Borrower.** The Borrower represents, covenants and warrants that:

(a) *Good Standing; Single Purpose Covenants.* The Borrower (i) is a limited liability company duly organized and existing in good standing under the laws of the State of Texas, (ii) has the power to own its property and to carry on its business as now being conducted and as contemplated by this Agreement and the Tax Exemption Agreement and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary, including, but not limited to, the State. The Borrower's business and purpose shall consist solely of the ownership, rehabilitation, development, operation and management of the Project and such other lawful activities as are incidental, necessary or appropriate thereto. The Borrower shall not incur any indebtedness other than Project indebtedness and normal trade accounts payable in the ordinary course of the Borrower's business. The Borrower shall not assume or guaranty any other Person's indebtedness or obligations. The Borrower shall not dissolve or liquidate, in whole or in part, consolidate or merge with or into any other entity or convey, transfer or lease its property and assets substantially as an entirety to any entity. The Borrower shall not institute or consent to any bankruptcy, insolvency or reorganization proceedings with respect to it, consent to the appointment of a receiver or similar official with respect to it, make any assignment for the benefit of its creditors or admit in writing its inability to pay its debts generally as they become due. The Borrower shall: maintain books and records and bank accounts separate from those of any other Person; conduct its business in its own name and use separate stationery, invoices and checks; maintain its assets in such a manner that it is not costly or difficult to segregate and identify such assets; observe all organizational formalities and hold itself out to creditors and the public as a legal entity separate and distinct from any other entity; prepare separate tax returns and financial statements, or if part of a consolidated group, then be shown thereon as a separate member of such group; allocate and charge fairly and reasonably any common employee or overhead shared with affiliates; and transact all business with affiliates on an arm's length basis and pursuant to enforceable agreements. The Borrower shall not commingle its assets or funds with those of any other Person.

(b) *Authority.* The Borrower has full power and authority to (i) execute and deliver the Documents to which it is a party and (ii) incur the obligations provided for herein and therein, all of which have been duly authorized by all proper and necessary corporate action. All consents or approvals of any public authority which are required as a condition to the validity of the Documents to which the Borrower is a party have been obtained.

(c) *Binding Agreements.* The Borrower Documents have been properly executed by a duly authorized signatory of Oso Bay Housing Partners, LP, the sole member and manager of the Borrower, and constitute valid and legally binding obligations of the Borrower, and are fully enforceable against the Borrower in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors' rights generally, and with respect to certain remedies

which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose.

(d) *Litigation.* There is no litigation or proceeding pending or, to the knowledge of the Borrower, threatened in writing against the Borrower before any court or administrative agency which, if determined adversely to the Borrower, will materially adversely affect the Borrower or the Project, or the authority of the Borrower to enter into or perform under the Borrower Documents or which in any way would adversely affect the validity or enforceability of the Bonds or the Documents.

(e) *Conflicts; Defaults.* There is (i) no provision of the Borrower's organizational documents, or resolutions of the Borrower and no provision of any existing mortgage, indenture, contract or agreement binding on the Borrower affecting any of the Borrower's property and (ii) to the Borrower's knowledge, no provision of law or order of court binding upon the Borrower or affecting any of the Borrower's property, in each case which would conflict with or in any way prevent the execution, delivery, or performance of the terms of the Borrower Documents and the other financing documents and regulatory agreements to be entered into at closing in connection with this transaction, or which would be in default or violated as a result of such execution, delivery or performance. The Borrower is not in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party.

(f) *Title to Project, Liens and Encumbrances.* The Borrower is the fee simple owner of the Project, free and clear of all liens or encumbrances other than those encumbrances set forth on Schedule B of Title Proforma File No. 200918T issued by Chicago Title Insurance Company (the "*Permitted Encumbrances*"). There exist no liens, encumbrances or other charges against the Project (including without limitation statutory and other liens of mechanics, workers, contractors, subcontractors, suppliers, taxing authorities and others), except Permitted Encumbrances. The Borrower is the sole borrower under the Loan.

(g) *Indenture.* The Borrower understands that the Issuer will, pursuant to the Indenture and as security for the payment of the principal of and the interest on the Bonds, assign and pledge to the Trustee, and create a security interest in favor of the Trustee in certain of its rights, title and interest in and to this Agreement (including all payments hereunder) reserving, however, the Reserved Rights; and the Borrower hereby agrees and consents to such assignment and pledge. The Borrower acknowledges that it has received a copy of the Indenture for its examination and review. By its execution of this Agreement, the Borrower acknowledges that it has approved, has agreed to and is bound by the applicable provisions of the Indenture. The Borrower agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement that relate to it notwithstanding the fact that it is not a signatory hereto.

(h) *Events Affecting Tax Exemption.* The Borrower has not taken or permitted to be taken any action that would impair the Federal Tax Status of the Bonds, and the Borrower has never been advised that the interest is or will be subject to inclusion in gross income. As of the Closing Date, the Borrower is in compliance with all requirements contained in the Tax Exemption Agreement, and the representations set forth in the Tax Exemption Agreement pertaining to the Borrower and the Project are true and accurate in all material respects. Notwithstanding the above,

if the Borrower becomes aware of any situation, event or condition that would result in the interest on the Bonds being included in gross income for federal income tax purposes, the Borrower promptly shall give written notice thereof to the Issuer and the Trustee.

(i) *Compliance with Laws and Documents.* The Project is of the type authorized and permitted by the Act and will, from the Closing Date forward, be operated in compliance with the provisions of the Act and the provisions of the Code applicable thereto with respect to multifamily rental housing and/or qualified residential rental facilities. The Borrower will use due diligence to cause the Project to be operated in accordance with the Act and all other applicable laws, rulings, regulations and ordinances of any applicable Governmental Authority and the departments, agencies and political subdivisions thereof. The Borrower has obtained or will cause to be obtained all requisite approvals of the Issuer and of any applicable Governmental Authority or other federal and local governmental bodies required for the operation of the Project. The Project is located wholly within the boundaries of the Issuer's jurisdiction.

(j) Compliance by the Borrower with the provisions of the Bond Documents and the Borrower Documents will not involve, to the extent applicable, any prohibited transaction within the meaning of the Employee Retirement Income Security Act of 1974, as amended (sometimes referred to in this subparagraph 2.02(i) as "*ERISA*"), or Section 4975 of the Code. No "employee pension benefit plans", that are subject to Title IV of ERISA (sometimes referred to in this subparagraph 2.02(i) as "*Plans*"), maintained by the Borrower, nor any trust created thereunder, have incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA, to the extent applicable and the present value of all benefits vested under all Plans, if any, did not exceed, as of the last annual valuation date, the value of the assets of the Plans allocable to such vested benefits.

(k) The Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis that satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases that comply with all applicable laws.

(l) The Borrower shall, through the term of this Agreement and at no expense to the Issuer, promptly comply or cause compliance with all applicable laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Project or to the repair and alteration thereof, or to the use or manner of use of the Project, including, but not limited to, the Americans with Disabilities Act, all federal, State and local environmental, health and safety laws, rules, regulations and orders applicable to or pertaining to the Project and Federal Worker Adjustment and Retraining Notification Act.

(m) *No Material Misstatements.* The representations and warranties of the Borrower contained in the Borrower Documents (including, without limitation, any information furnished by the Borrower in connection with the preparation of any materials related to the issuance or delivery of the Bonds on the Closing Date), contain no material misstatement of fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, as of the Closing Date, are true, correct and complete in all material respects,

do not contain any untrue statement or misleading statement of material fact, and do not omit to state a material fact necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in light of the circumstances under which they were made, not misleading. The estimates and assumptions contained in this Agreement and in any certificate of the Borrower delivered as of the Closing Date are reasonable and based on the most accurate information available to the Borrower.

(n) The information used in the preparation of the financial statements of the Borrower, the Borrower Documents and any other written statement furnished by the Borrower to the Issuer (including the descriptions and information contained in the Official Statement relating to (i) the Borrower and the Project, (ii) the operations and financial and other affairs of the Borrower, (iii) the application by the Borrower of the proceeds to be received by it from the Loan and (iv) the participation by the Borrower in the transactions contemplated in this Loan Agreement and in the Official Statement, including, without limitation, the information relating to the Borrower in the Official Statement under the caption “Certain Bondholders’ Risks”), do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading. There is no fact that the Borrower has not disclosed to the Issuer in writing that materially adversely affects or, so far as the Borrower can now foresee, will materially adversely affect the financial condition of the Borrower, the ability of the Borrower to own and operate the Project or the Borrower’s ability to make payments on the Note when and as the same become due and payable.

(o) *Interest of Member or Agent of the Issuer.* To the knowledge of the Borrower, no member of the governing body of the Issuer or other agent of the Issuer has been or is in any manner interested, directly or indirectly, in that person’s own name or in the name of any other Persons, in the loan of the Bond proceeds, the Bonds, the Documents, the Borrower or the Project, in any contract for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Documents. There (i) is no completed, pending or threatened bankruptcy, reorganization, receivership, insolvency or like proceeding, whether voluntary or involuntary, affecting the Project or the Borrower and (ii) has been no assertion or exercise of jurisdiction over the Project or the Borrower by any court empowered to exercise bankruptcy powers.

(p) *Tax Returns.* The Borrower will timely file all tax returns for the Borrower, and pay or cause to be paid when due all taxes imposed on their operations, assets, income or properties. No claims with respect to any taxes have been assessed upon the Borrower and remain unpaid.

(q) *No Reliance on the Issuer.* The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or the Issuer is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner, except to issue the Bonds.

(r) *Fees.* The Borrower shall pay all fees as provided under the Note and in this Agreement, when due and payable without demand pursuant to Section 4.03 hereof, which fees shall be paid to the Trustee for deposit in the Expense Fund.

(s) *Name of Borrower.* The Borrower filed its Certificate of Formation with the State of Texas under the name of Oso Bay Apartments, LLC.

(t) *Governmental Requirements.* To the Borrower's knowledge, no violation of any Governmental Requirement exists with respect to the Project, the Borrower, or any other asset of the Borrower, the Project conforms in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of Governmental Authorities having jurisdiction over the Project, all necessary utilities are or will be available to the Project, and the Borrower has obtained or will obtain all requisite zoning approvals necessary with respect to the Project.

(u) *Condemnation.* No condemnation, eminent domain or similar proceeding is pending, or to the knowledge of the Borrower, threatened in writing, with respect to the Project or any portion thereof.

(v) *Governmental Approvals.* The Borrower has obtained, or will obtain and there are currently in full force and effect, or will be in full force and effect, all consents, and permits, licenses, accreditations, certifications and other approvals (governmental or otherwise) that:

(i) would constitute a condition precedent to, or the absence of which would materially adversely affect, the enforceability of and the performance by the Borrower of its obligations hereunder; and

(ii) are necessary for the acquisition, rehabilitation, equipping, financing and operation of the Project.

(w) *No Cease and Desist.* The Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering performance of its duties hereunder, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any such order.

(x) *No Intent of Sale of Project.* The Borrower intends to hold the Project for its own account and has no current plans to sell and has not entered into any agreement to sell any of the Project.

(y) *Notification of Default.* The Borrower agrees to immediately notify the Trustee and the Issuer in writing of any Default, or any event which with notice or the passage of time would constitute a Default.

(z) *Maintenance of Insurance.* The Borrower will promptly cause to be paid all premiums for insurance policies required to be maintained for the Project. The Borrower shall, at all times during the term of the Loan, maintain at its sole cost and expense, for the mutual benefit of the Borrower, the Lender and the Trustee, all of the insurance specified in Section 6.10 of the

Lender Disbursement Agreement, as required by Lender and the Issuer and applicable law, and in such amounts and with such maximum deductibles as the Lender and the Issuer may require, as those requirements may change.

(aa) *Lease or Use of Project.* The Borrower hereby represents that there are no leases or agreements to lease all or any part of the Project now in effect except for leases to residential tenants in compliance with the Regulatory Agreement.

(bb) *Non-Discrimination.* The Borrower has not and shall not discriminate on the basis of race, creed, religion, color, sex, marital status, age or national origin in the lease, use, or occupancy of the Project or in connection with the employment or application for employment of Persons for the operation and management of the Project. The Borrower specifically agrees that the Borrower will not refuse to lease units in the Project to persons whose family includes minor dependents who will occupy such unit, unless such refusal is based upon factors not related to the presence of such minors in the family, which factors may include, but shall not be limited to, negative credit, rental history or potential overcrowding of a unit

(cc) *Compliance with Texas Government Code.* The Borrower hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Loan Agreement is a contract for goods or services, will not boycott Israel during the term of this Loan Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Borrower understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Borrower and exists to make a profit.

The Borrower represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Borrower and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Borrower understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Borrower and exists to make a profit.

ARTICLE III

REHABILITATION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.01. **Agreement for Rehabilitation of the Project.** (a) The Borrower agrees to make or cause to be made all contracts and do all things necessary for the acquisition, rehabilitation and equipping of the Project. The Borrower further agrees that it will acquire and construct the Project in accordance with approved Plans and Specifications with all reasonable dispatch and use its best efforts to cause acquisition, rehabilitation and equipping of the Project to be completed by the Completion Date, or as soon thereafter as may be practicable, delays caused by force majeure as defined in Section 7.01 hereof only excepted; but if for any reason such acquisition, rehabilitation and equipping is not completed by said Completion Date, there shall be no resulting liability on the part of the Borrower or the Issuer and no diminution in or postponement of the payments required in Section 4.02 hereof to be paid by the Borrower.

(b) The Borrower shall cause the Project to be maintained in good, habitable and safe (so as to not threaten the health or safety of the Project's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) and shall not remove, demolish or materially alter the improvements to the Project (except for the performance of the construction work comprising the Project or removal of aging or obsolete equipment or furnishings in the normal course of business). After completion of repairs, no structural or other material defect or damages to the Development will exist, whether latent or otherwise.

Section 3.02. **Agreement to Issue, Sell and Deliver the Bonds; Deposit of Bond Proceeds.** In order to provide funds for the payment of the Qualified Project Costs, the Issuer, concurrently with the execution of this Agreement, will issue, sell and deliver the Bonds and deposit the proceeds thereof with the Trustee, which amounts shall be immediately deposited into the Project Fund.

Section 3.03. **Disbursements from the Project Fund.** In the Indenture, the Issuer has authorized and directed the Trustee to make disbursements from the Project Fund to pay Costs of the Project in the manner consistent with the Tax Exemption Agreement. The Trustee shall make disbursements from the Project Fund as provided in the Indenture, and pursuant to the receipt of a Requisition in substantially the form attached to the Indenture as Exhibit B. The Borrower agrees that the moneys transferred by the Trustee from the Project Fund to any reserve fund required by the Lender Disbursement Agreement shall only be disbursed for Qualified Project Costs as permitted by the Tax Exemption Agreement.

Section 3.04. **Furnishing Documents to the Trustee.** The Borrower agrees to cause such Requisitions to be directed to the Trustee as may be necessary to effect payments out of the Project Fund in accordance with Section 3.03 hereof.

Section 3.05. **Establishment of Completion Date.** (a) The Borrower shall evidence completion of the Project and the actual date of completion to the Issuer and the Trustee by an executed Completion Certificate in the form attached hereto as *Exhibit C*, as promptly as practicable, but no more than thirty (30) days after the occurrence of events and conditions referred to in paragraphs (a), (b) and (d) of the Completion Certificate. The Completion Certificate shall

be executed by the Borrower and shall state to the best information and belief of the Borrower, after due inquiry, that rehabilitation of the Project has been completed in material compliance with all applicable laws, regulations and agreements, and all costs of labor, services, materials and supplies used in the Project have been paid, all equipment necessary for the operation of the Project has been purchased, installed and paid for, is suitable and sufficient for its intended purposes, and is fully operable, all costs and expenses incurred in connection with the Project have been paid except for amounts not yet due and payable or being diligently contested in good faith by the Borrower, and the Project is suitable and sufficient for its intended purposes. The Borrower shall also attach to the Completion Certificate a table of sources and uses showing the final allocation for all sources of funding for the Project.

(b) Notwithstanding anything contained in the Documents to the contrary, the Borrower shall not be able to prepay the Loan and optionally redeem the Bonds unless and until the Project has been completed in accordance with the requirements of this Article III.

Section 3.06. **Borrower Required to Pay in Event Project Fund Insufficient.** In the event the moneys in the Project Fund available for payment of the Costs of the Project are not sufficient to pay the Costs of the Project in full, the Borrower agrees to complete the Project and to pay that portion of the Costs of the Project in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Costs of the Project will be sufficient to pay all of the Costs of the Project. The Borrower agrees that, if after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the Costs of the Project pursuant to the provisions of this Section 3.06, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds, nor shall the Borrower be entitled to any diminution of the amounts payable under this Agreement. Notwithstanding the foregoing, the terms, conditions and covenants of this Section 3.06 do not in any way affect the ability of the Issuer to pursue its rights and remedies under the Documents.

Section 3.07. **Remarketing of Bonds.** The Borrower is hereby granted the right to request a remarketing of the Bonds in the manner and to the extent set forth in Section 3.07 of the Indenture and, in consultation with the Remarketing Agent, designate the length of the remarketing period and the related Mandatory Tender Date in the manner and to the extent set forth in Sections 3.05 and 3.07 of the Indenture.

ARTICLE IV

LOAN PROVISIONS

Section 4.01. **Loan of Proceeds.** The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall be disbursed to or on behalf of the Borrower as provided in Section 3.03 hereof.

Section 4.02. **Amounts Payable.**

(a) On or prior to the Closing Date, the Borrower shall have delivered or caused to be delivered the Capitalized Interest Deposit to the Trustee for deposit to the Project Fund.

(b) The Borrower hereby covenants and agrees to repay the Loan on or before any date that any payment of interest or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in the Capitalized Interest Account of the Bond Fund and the Collateral Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. Deposits into the Bond Fund for payments by the Trustee of principal and interest on the Bonds from amounts in the Capitalized Interest Account of the Bond Fund or the Collateral Fund shall be credited against the Borrower's obligation to pay principal and interest on the Loan.

(c) It is understood and agreed that all payments of principal and interest payable by the Borrower under subsection (b) of this Section 4.02 are assigned by the Issuer in accordance with the terms of the Indenture to the Trustee for the benefit of the Holders of the Bonds (excluding amounts on deposit in the Rebate Fund and the Expense Fund). The Borrower consents to such assignment.

(d) In the event the Borrower should fail to make any of the payments required in this Section 4.02, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

Section 4.03. Fees and Expenses. The Borrower agrees to pay, when due, the Issuer's Fees, the Trustee's Fee and the Rebate Analyst Fee and any and all other costs or expenses at any time incurred by the Issuer, the Trustee, the Dissemination Agent or the Rebate Analyst (including the reasonable fees and expenses of their counsel actually incurred) in connection with the issuance, sale and delivery of the Bonds and the performance of their duties in connection with the transactions contemplated hereby, including, without limitation, all costs of recording and filing. Specifically, and without limiting the foregoing, the Borrower agrees to pay to and indemnify any Issuer Indemnified Party (as defined below), the Trustee or any payee designated by the Issuer, within thirty (30) days after receipt of request for payment thereof, all reasonable expenses of the Issuer and the Trustee actually incurred and related to the Project and the financing thereof that are not paid from the funds held under the Indenture, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Bonds or in connection with questions or other matters arising under such documents.

The obligations of the Borrower under this Section 4.03 shall survive the termination of this Loan Agreement and the payment and performance of all of the other obligations of the Borrower hereunder and under the other Borrower Documents.

Section 4.04. **Obligations of the Borrower Unconditional.** The obligations of the Borrower to make the payments required under this Agreement, and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any right of notice, setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee or any other Person. Subject to termination as provided herein, the Borrower (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for under this Agreement, (ii) will perform and observe all of its other agreements contained in this Agreement and the other Documents and (iii) will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied.

Section 4.05. **Lender Loan to the Borrower.** To provide and secure funds for the completion of the Project, and to provide for the delivery of a Lender Collateral Deposit, the Borrower shall concurrently with the execution and delivery hereof, obtain the Lender Loan from the Lender and enter into the Lender Mortgage. The Borrower will promptly take all necessary actions on its part to close the Lender Loan and to satisfy all other terms and conditions of the Lender Loan and the requirements of the Lender.

Pursuant to the terms of the Disbursement Agreement, the Borrower shall cause the Lender to advance funds in an aggregate amount not to exceed \$[14,000,000] comprising one or more Lender Collateral Deposits to the Trustee for deposit into the Collateral Fund subject to Section 6.02 of the Indenture.

Section 4.06. **Optional Prepayment.** The Loan is subject to optional prepayment by the Borrower according to the same terms and conditions as an optional redemption of Bonds set forth in Section 3.01 of the Indenture.

ARTICLE V

SPECIAL COVENANTS

Section 5.01. **No Warranty of Condition or Suitability by the Issuer.** The Borrower recognizes, acknowledges and agrees that the Issuer makes no warranty or representation, express or implied or otherwise, with respect to the development or the location, use, description, design, merchantability, condition, workmanship, or fitness, suitability or use for any particular purpose, condition or durability thereof. The Borrower further recognizes that the Issuer makes no representations or warranties of any kind as to the Borrower's title to the Project or ownership thereof or otherwise, it being agreed that all risks incident thereto are to be borne by the Borrower. In the event of any defect or deficiency of any nature in the Project or any fixture or other item constituting a portion thereof, whether patent or latent, the Issuer shall have no responsibility or

liability with respect thereto. These provisions have been negotiated and are intended to be a complete exclusion and negation of any warranties or representations by the Issuer, express or implied, with respect to the Project or any fixture or other item constituting a portion thereof, whether arising pursuant to the Uniform Commercial Code of the State of Texas or another law now or hereafter in effect or otherwise.

Section 5.02. **Access to the Project.** The Borrower agrees that the Issuer, the Trustee and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect the Project and the rehabilitation thereof at all reasonable times upon reasonable notice. The Issuer, the Trustee and their duly authorized agents shall also be permitted, at all reasonable times and upon reasonable notice, to examine the books, accounts, contracts, documents, and other papers of the Borrower with respect to the Project which shall all be maintained by the Borrower in reasonable condition and for audit.

Section 5.03. **Further Assurances and Corrective Instruments.** The Borrower agrees that it will, and will request the Issuer to, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

Section 5.04. **Issuer and Borrower Representatives.** Whenever under the provisions of this Agreement the approval of the Issuer or the Borrower is required or the Issuer or the Borrower is required to take some action at the request of the other, such approval or such request shall be given in writing both for the Issuer by an authorized representative of the Issuer and for the Borrower by a Borrower Representative. The Trustee shall be authorized to act on any such approval or request pursuant to the Indenture.

Section 5.05. **Financing Statements.** The Borrower shall file, or shall cause to be filed, and shall deliver copies to the Trustee of, any and all financing statements, or any amendments thereof or continuation statements thereto, to perfect the security interests granted in the Indenture, in the manner prescribed in the Indenture. The Borrower shall pay all costs of filing such instruments and any fees and expenses (including reasonable attorneys' fees) associated therewith.

Section 5.06. **Allocation and Use of Proceeds to Eligible Costs.** Notwithstanding anything to the contrary set forth in any of the documents evidencing or securing the Bonds, all of the Bond proceeds shall, for federal income tax purposes, be (1) allocated on a pro rata basis to each building in the Project and the land on which it is located, and (2) used exclusively to pay costs of acquisition, rehabilitation and equipping of the Project which are includable in the aggregate basis of any building and the land on which the building is located ("*Eligible Costs*") in a manner such that each building satisfies the requirement of Section 42(h)(4)(B) of the Code. Accordingly, none of the proceeds of the Bonds will be deemed to have been used to pay any of the Costs of Issuance for the Bonds or to fund any fund or account other than the Project Fund or an account to be used to pay Eligible Costs.

Section 5.07. **Restriction on Plans and Specifications.** The Borrower will not cause, permit or suffer to exist any material deviations from the Plans and Specifications and will not

approve or consent to any construction change directive without the prior approval of the Lender and the Investor Limited Partner.

Section 5.08. **Requisitions.** (a) Beginning on the Closing Date, the Borrower may complete, execute and deliver to the Trustee a Requisition for disbursement of amounts on deposit in the Project Fund to the Borrower to pay Costs of the Project. Each Requisition shall be signed on behalf of the Borrower and shall be in the form set forth on Exhibit B to the Indenture. Each Requisition for amounts on deposit in the Project Fund shall state: (1) the number of the Requisition, (2) the amount to be disbursed and the sources of such disbursement, (3) that each obligation described therein is a Cost of the Project, has been properly incurred and has not been the basis for any previous disbursement and (4) that the expenditure of such disbursement when added to all previous disbursements will result in (i) no more than 5% of the Net Proceeds of the Bonds will have been used for costs that are not Qualified Project Costs; (ii) less than 25% of the Net Proceeds of the Bonds will have been used for the cost of acquiring land; and (iii) not more than 2% of the Net Proceeds of the Bonds will have been used for Costs of Issuance. The Borrower shall submit the Requisitions to the Trustee for payment. Approved Requisitions may be submitted to the Trustee by e-mail or fax.

(b) The amounts deposited into the Project Fund may be disbursed by the Trustee only in accordance with Section 6.02 of the Indenture, including delivery of a written Requisition of the Borrower satisfying the requirements of this Section 5.08 and Section 6.02 of the Indenture.

(c) On the Closing Date, the Borrower shall complete, execute and deliver to the Trustee a Requisition for disbursement of amounts on deposit in the Cost of Issuance Fund to pay Costs of Issuance. Each Requisition shall be signed on behalf of the Borrower, and shall be in the form set forth on Exhibit C to the Indenture.

Section 5.09. **Covenant with Bondholders.** The Issuer and the Borrower agree that this Agreement is executed and delivered in part to induce the purchase by others of the Bonds and, accordingly, all covenants and agreements of the Issuer and the Borrower contained in this Agreement are hereby declared to be for the benefit of the Trustee and the Holders of the Bonds from time to time. Notwithstanding the foregoing, the Bondholder's rights to enforce this provision of this Agreement are governed by the terms of the Indenture.

Section 5.10. **Covenant to Provide Ongoing Disclosure.** The Borrower shall enter into a written undertaking for the benefit of the Holders to provide for the continuing disclosure of information about the Bonds, the Borrower and other matters as may be required to cause compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "*Rule*"). Failure of the Borrower to comply with the Rule shall not be a default under the Indenture, this Loan Agreement or any of the other Bond Documents; *provided, however*, the Borrower acknowledges that the Issuer, the Trustee or any Bondholder shall be entitled to bring an action for specific performance to cause the Borrower to comply with the covenant set forth in this Section 5.10.

Section 5.11. **Borrower Receipt of Insurance or Condemnation Proceeds.** In the event the Borrower receives any proceeds of insurance or any condemnation awards with respect to the Project from a party other than the Trustee, the Borrower shall promptly upon receipt remit all

such insurance proceeds or condemnation awards to the Lender for deposit and application in accordance with applicable Lender Loan Documents.

Section 5.12. **Reporting Requirements of the Borrower.** The Borrower will furnish to the Issuer and agencies of the State such periodic reports or statements as are required under the Act, if any, or as such agencies may otherwise reasonably require of the Issuer or the Borrower throughout the term of this Agreement.

Section 5.13. **Indenture.** The provisions of the Indenture concerning the Bonds and other matters therein are an integral part of the terms and conditions of the Loan, and this Agreement shall constitute conclusive evidence of approval of the Indenture by the Borrower to the extent it relates to the Borrower. Additionally, the Borrower agrees that, whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower agrees to carry out and perform all of its obligations under the Indenture as fully as if the Borrower were a party to the Indenture.

Section 5.14. **Financial Information.** The Borrower agrees that it will have the books and records of the Borrower audited annually by an independent certified public accountant as soon as practicable after the close of each fiscal year of the Borrower, and will furnish within 120 days after the end of each fiscal year to the Trustee commencing in the fiscal year in which the Completion Certificate is delivered a copy of the audit report certified by such accountant and prepared in accordance with generally accepted accounting principles, which report shall include calculations of the availability of funds for distributions and disclose the amount of distributions to partners of the Borrower for the preceding year. The Borrower acknowledges that the Trustee shall have no obligations under this Section 5.14 other than to receive such statements and, if requested, to furnish such statements to Bondholders.

Section 5.15. **Tax Credit Requirement.** The Issuer, the Trustee and the Borrower each acknowledge that the Borrower intends to cause the Project to satisfy the requirements necessary for low-income housing tax credit ("*Tax Credit*") pursuant to Section 42 of the Code. In the event that any of the restrictions described in this Agreement conflict with any Tax Credit requirements imposed by Section 42 of the Code, the Issuer, the Trustee and the Borrower each agree that the more restrictive requirements shall control. The provisions of this Section 5.15 are for the benefit of the Borrower and the Trustee shall not have any obligation to enforce this Section 5.15 nor shall it incur any liability to any Person, including without limitation, the Borrower and any other affiliate of the Borrower or the Holders of the Bonds for any failure to meet the requirements of this Section 5.15; and provided further, failure to comply with this Section 5.15 shall not constitute a default or Event of Default under this Agreement.

Section 5.16. **Brokers and Financial Advisors.** The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with this Loan, other than those disclosed to the Issuer and the Lender and whose fees shall be paid by the Borrower pursuant to a separate agreement. The Borrower and the Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in a way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated

herein. The provisions of this Section 5.16 shall survive the expiration and termination of this Agreement and the repayment of the Borrower Obligations.

Section 5.17. **Trial by Jury.** The Borrower hereby agrees not to elect a trial by jury of any issue triable of right by a jury, and waives any right to trial by jury fully to the extent that any such right shall hereafter exist with regard to the Documents, or any claim, counterclaim or other action arising in connection therewith. This waiver of right to trial by jury is given knowingly and voluntarily by the Borrower, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. The Trustee is hereby authorized to file a copy of this paragraph in any proceeding as conclusive evidence of this waiver by the Borrower. This Section 5.17 in no way affects the right of the Issuer to elect a trial by jury.

Section 5.18. **Issuer, Trustee and Lender Not in Control; No Partnership.** None of the covenants or other provisions contain in this Loan Agreement shall, or shall be deemed to, give the Issuer, the Trustee or the Lender the right or power to exercise control over the affairs or management of the Borrower, the power of the Issuer, the Trustee and the Lender being limited to the rights to exercise the remedies referred to in the Documents. The relationship between the Borrower and the Issuer, the Trustee, the Lender and the Bondholders is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Documents is intended, nor shall be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Issuer, the Trustee, the Lender or any Bondholder or to create an equity interest in the Project in the Issuer, the Trustee, the Lender or any Bondholder. Neither the Issuer, the Trustee, the Lender nor any Bondholder undertakes or assumes any responsibility or duty to the Borrower or to any other Person with respect to the Project, except as expressly provided in the Documents; and notwithstanding any other provision of the Documents: (1) the Issuer, the Trustee and the Bondholders are not, and shall not be construed as, a partner, joint venture, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members or partners and the Issuer, the Trustee and the Bondholders do not intend to ever assume such status; (2) the Issuer, the Trustee and the Bondholders shall in no event be liable for any of the Borrower Obligations, expenses or losses incurred or sustained by the Borrower; and (3) the Issuer, the Trustee and the Bondholders shall not be deemed responsible for or a participant in any acts, omissions or decision to the Borrower or its stockholders, members or partners. The Issuer, the Trustee the Bondholders and the Borrower disclaim any intention to create a partnership, joint venture, agency or common interest in profits or income between the Issuer, the Trustee, the Bondholders and the Borrower or to create an equity an equity interest in the Project of the Issuer, the Trustee or the Bondholders, or any sharing of liabilities, losses, costs or expenses.

Section 5.19. **Regulatory Agreement.** In order to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes and to assure compliance with the Act and other laws of the State, and certain additional requirements of the Issuer, the Borrower has, concurrently with or before the execution and delivery of the Bonds, executed and delivered and will cause to be recorded in the official records of Nueces County, Texas, the Regulatory Agreement. The Borrower covenants to observe and perform its obligations under the Regulatory Agreement and will cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases which comply with all applicable

laws and the Regulatory Agreement. The Project, when constructed, will meet the requirements of this Agreement and the Regulatory Agreement and any applicable requirements of the Act and the Code.

The Borrower covenants to file, or cause to be filed, of record the Regulatory Agreement and such other documents and take such other steps as are necessary in order to assure that the restrictions contained in the Regulatory Agreement will, subject to the terms of the Regulatory Agreement, be binding upon all owners of the Project. The Borrower covenants to include such restrictions or a reference to such restrictions in any documents transferring any interest in the Project to another to the end that such transferee has notice of, and is bound by, such restrictions.

Section 5.20. **Tax Matters.**

(a) *Representations and Covenants.* The Borrower represents, warrants and covenants as follows:

(i) The Borrower will not take any action, or fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the Federal Tax Status of the Bonds. Without limiting the generality of the foregoing, the Borrower covenants that it will comply with the instructions and requirements of the Tax Exemption Agreement, which is incorporated herein as if set forth fully herein.

(ii) The Borrower will, on a timely basis, provide the Issuer with all necessary information and, with respect to the Borrower's rebate requirement or yield reduction payments (both as may be required under the Tax Exemption Agreement) required to be paid, all necessary funds, in addition to any funds that are then available for such purpose in the Rebate Fund, to enable the Issuer to comply with all arbitrage and rebate requirements of the Code. To that end, the Borrower covenants and agrees to make such payments to the Trustee as are required of it under the Tax Exemption Agreement. The obligation of the Borrower to make such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Indenture and this Agreement.

(iii) Neither the Borrower nor any "related party," within the meaning of Section 1.150-1(b) of the Regulations, to the Borrower shall be permitted to purchase any Bonds in an amount related to the Loan.

(b) *Continuing Compliance.* The requirements stated in this Section 5.20 will survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the Federal Tax Status of the Bonds.

ARTICLE VI

RESTRICTION ON TRANSFER; ASSIGNMENT, SELLING, LEASING; INDEMNIFICATION

Section 6.01. **Restriction on Transfer.** (a) In the event the Borrower intends to sell, lease (except to the tenants who will occupy units in the Project), sublease or otherwise materially

encumber the whole of or any part of the Project or sell, assign or otherwise, except as otherwise provided herein, transfer any interest in the Borrower (a “*transfer*”), it shall (i) apply to the Issuer for consent to transfer, *provided* that consent of the Issuer shall not be unreasonably withheld, conditioned or delayed with respect to any transfer which is subject to the approval of the Issuer pursuant to this Section 6.01 and (ii) comply with the provisions of the Regulatory Agreement restricting any such transfer.

(b) In addition, in connection with a proposed transfer, the Borrower and any transferee shall comply with all applicable provisions of the laws and regulations of the State in effect at that time regarding notice to tenants, and tenants’ rights generally, including, specifically, the right of first refusal, or any successor legislation thereto. The transferee shall expressly assume the Borrower’s duties and obligations under this Agreement and any other Documents to which the Borrower is a party in writing simultaneously with any approved transfer as set forth in this Section 6.01. The Borrower shall make available to the Trustee and the Issuer copies of any documents reflecting an amendment to interests in the Borrower or other organizational documents relating to the sale or other transfer of assets of the Borrower.

(c) Except as otherwise provided for herein, the Borrower will not, directly or indirectly, by operation of law or otherwise, sell, assign, grant a deed of trust, pledge, hypothecate, transfer or otherwise dispose of the Project or any interest in the Project, and will not encumber, alienate, hypothecate, grant a security interest in or grant any other ownership or control interest whatsoever in the Project, in the leases or in the rents, issues and profits therefrom.

(d) Except as otherwise provided for herein, no interest in the Borrower and no ownership interest in the Managing Member may be sold, conveyed, transferred, assigned, pledged or otherwise transferred, in whole or in part, directly or indirectly, by operation of law or otherwise.

(e) Notwithstanding anything to the contrary contained in the subsections above or otherwise in the Borrower Documents, each of the following transactions are hereby deemed to be expressly permitted hereunder and, except to the extent required under the Regulatory Agreement, shall not require any further consent of the Issuer, provided that notice is provided to the Issuer:

(i) Reserved.

(ii) The transfer by the Investor Limited Partner of all or any portion of its interest in the Sole Member; and

(iii) The pledge and encumbrance of the interests in the Borrower of the Investor Limited Partner to or for the benefit of any financial institution which enables the Investor Limited Partner to make its capital contributions to the Borrower and any subsequent realization by any such lender upon the interests of the Investor Limited Partner in the Borrower.

(iv) The removal and replacement of the General Partner pursuant to the terms of the Sole Member’s Organizational Documents and the temporary replacement thereof with the Investor Limited Partner or its affiliate.

(v) Issuance of interests in the Borrower's Sole Member to the Investor Limited Partner equal to 99.99% of the profits, losses, credits, distributions and other interests in the Borrower.

(f) The Borrower will not become a party to any merger or consolidation, or agree to effect any asset acquisition or stock acquisition.

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

(h) The Borrower will not seek the dissolution or winding up, in whole or in part, of the Borrower or voluntarily file, or consent to the filing of, a petition for bankruptcy, reorganization, or assignment for the benefit of creditors or similar proceedings.

(i) The Borrower will not enter into any arrangement, directly or indirectly, whereby the Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Borrower intends to use for substantially the same purpose as the property being sold or transferred without the prior written consent of the Issuer in its sole and absolute discretion.

(j) The Borrower will not take any action that would adversely affect the Federal Tax Status of the Bonds nor omit or fail to take any action required to maintain the Federal Tax Status of the Bonds.

(k) This Agreement may not be sold, transferred or otherwise disposed of by the Borrower without the prior written consent of the Issuer (which consent shall be within the reasonable discretion of the Issuer), subject to each of the following conditions:

(i) No such assignment will relieve the Borrower from primary liability for any of its obligations hereunder (unless the Issuer agrees in writing to release the Borrower) and in the event of any such assignment, the Borrower will continue to remain primarily liable for payment of its obligations hereunder and for performance and observance of the other covenants and agreements on its part herein provided.

(ii) No such assignment will, in the opinion of Bond Counsel (all such expenses related to such opinion shall be paid by the Borrower), adversely affect the Federal Tax Status of the Bonds.

(iii) The assignee will assume in writing the obligations of the Borrower hereunder and under the Regulatory Agreement to the extent of the interest assigned in a form acceptable to the Issuer (the "*Assumption Agreement*").

(iv) Prior to any such assignment, the Borrower will, furnish or cause to be furnished to the Issuer and the Trustee an executed original of the Assumption Agreement, which the Borrower shall cause to be recorded and filed, at its sole expense, in the real property records of Nueces County.

Section 6.02. **Indemnification by Borrower.**

(a) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY COVENANTS AND AGREES AS FOLLOWS: TO PROTECT, INDEMNIFY AND SAVE THE ISSUER AND ITS GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES (COLLECTIVELY, THE "ISSUER INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ALL LIABILITY, LOSSES, DAMAGES, COSTS, EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), TAXES, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS AND JUDGMENTS OF ANY NATURE OR FORM, BY OR ON BEHALF OF ANY PERSON ARISING IN ANY MANNER FROM THE TRANSACTION OF WHICH THIS LOAN AGREEMENT IS A PART OR ARISING IN ANY MANNER IN CONNECTION WITH THE PROJECT OR THE FINANCING OF THE PROJECT INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ARISING FROM (I) THE WORK DONE ON THE PROJECT OR THE OPERATION OF THE PROJECT DURING THE TERM OF THIS LOAN AGREEMENT OR (II) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THIS LOAN AGREEMENT, OR (III) THE PROJECT OR ANY PART THEREOF, OR (IV) ANY VIOLATION OF CONTRACT, AGREEMENT OR RESTRICTION RELATING TO THE PROJECT EXCLUDING THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, OR (V) ANY LIABILITY, VIOLATION OF LAW, ORDINANCE OR REGULATION AFFECTING THE PROJECT OR ANY PART THEREOF OR THE OWNERSHIP OR OCCUPANCY OR USE THEREOF. UPON NOTICE FROM THE ISSUER OR ANY OF ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES, THE BORROWER SHALL DEFEND THE ISSUER INDEMNIFIED PARTIES IN ANY ACTION OR PROCEEDING BROUGHT IN CONNECTION WITH ANY OF THE ABOVE; PROVIDED, HOWEVER, THAT THE ISSUER SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY ACTION DESCRIBED IN THE PRECEDING SENTENCE AT THE EXPENSE OF THE BORROWER.

IT IS THE INTENTION OF THE PARTIES HERETO THAT THE ISSUER INDEMNIFIED PARTIES SHALL NOT INCUR PECUNIARY LIABILITY BY REASON OF THE TERMS OF THIS LOAN AGREEMENT OR BY REASON OF THE UNDERTAKINGS REQUIRED OF ISSUER INDEMNIFIED PARTIES IN CONNECTION WITH THE ISSUANCE OF THE BONDS, INCLUDING BUT NOT LIMITED TO THE EXECUTION AND DELIVERY OF THE INDENTURE, THIS LOAN AGREEMENT, THE TAX EXEMPTION AGREEMENT, THE REGULATORY AGREEMENT, AND ALL OTHER INSTRUMENTS AND DOCUMENTS REQUIRED TO CLOSE THE TRANSACTION; THE PERFORMANCE OF ANY ACT REQUIRED OF THE ISSUER INDEMNIFIED PARTIES BY THIS LOAN AGREEMENT; OR THE PERFORMANCE OF ANY ACT REQUESTED OF THE ISSUER INDEMNIFIED PARTIES BY THE BORROWER OR IN ANY WAY ARISING FROM THE TRANSACTION OF WHICH THIS LOAN AGREEMENT IS A PART OR ARISING IN ANY MANNER IN CONNECTION WITH THE PROJECT OR THE FINANCING OF THE PROJECT, INCLUDING BUT NOT LIMITED TO THE EXECUTION AND DELIVERY OF THE INDENTURE, THIS LOAN AGREEMENT, THE TAX EXEMPTION AGREEMENT, THE REGULATORY AGREEMENT AND ALL OTHER INSTRUMENTS AND DOCUMENTS REQUIRED TO CLOSE THE TRANSACTION; NEVERTHELESS, IF ANY OF

THE ISSUER INDEMNIFIED PARTIES SHOULD INCUR ANY SUCH PECUNIARY LIABILITY WITH RESPECT TO EVENTS OCCURRING AFTER THE DATE HEREOF, THEN IN SUCH EVENT THE BORROWER SHALL INDEMNIFY AND HOLD SUCH ISSUER INDEMNIFIED PARTIES HARMLESS AGAINST ALL CLAIMS BY OR ON BEHALF OF ANY PERSON, ARISING OUT OF THE SAME, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR IN CONNECTION WITH ANY ACTION OR PROCEEDING BROUGHT THEREON, AND UPON TIMELY NOTICE FROM THE ISSUER THE BORROWER SHALL DEFEND THE ISSUER INDEMNIFIED PARTIES IN ANY SUCH ACTION OR PROCEEDING, AND PROVIDE COMPETENT COUNSEL SATISFACTORY TO THE ISSUER AND THE BORROWER SHALL PAY THE ISSUER EXPENSES INCLUDING PAYMENT OF THE COUNSEL USED BY THE ISSUER; PROVIDED HOWEVER, THAT THE ISSUER SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY ACTION DESCRIBED IN THE PRECEDING SENTENCE AT THE EXPENSE OF THE BORROWER.

NOTWITHSTANDING ANY PROVISION OF THIS LOAN AGREEMENT TO THE CONTRARY, THE ISSUER INDEMNIFIED PARTIES SHALL BE INDEMNIFIED BY THE BORROWER WITH RESPECT TO LIABILITIES ARISING FROM ANY SUCH PARTY'S OWN GROSS NEGLIGENCE, NEGLIGENCE OR BREACH OF CONTRACTUAL DUTY, BUT NOT FOR ANY LIABILITIES ARISING FROM THE ISSUER'S OWN BAD FAITH, FRAUD OR WILLFUL MISCONDUCT.

(b) THE BORROWER (THE "INDEMNITOR") HEREBY AGREES TO RELEASE THE TRUSTEE AND ITS OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES (COLLECTIVELY, THE "TRUSTEE INDEMNIFIED PARTIES") FROM, AND COVENANTS AND AGREES TO INDEMNIFY, HOLD HARMLESS AND DEFEND THE TRUSTEE INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES, LITIGATION AND COURT COSTS, COSTS INCURRED IN CONNECTION WITH ANY AUDIT BY THE INTERNAL REVENUE SERVICE, AMOUNTS PAID IN SETTLEMENT BY OR WITH THE APPROVAL OF THE BORROWER AND AMOUNTS PAID TO DISCHARGE JUDGMENTS), TAXES, CAUSES OF ACTION, SUITS, DEMANDS AND JUDGMENTS OF ANY NATURE, JOINT OR SEVERAL, BY OR ON BEHALF OF ANY PERSON ARISING OUT OF:

(i) THE APPROVAL OF FINANCING FOR THE PROJECT, OR THE MAKING OF THE LOAN;

(ii) THE ISSUANCE AND SALE OR RESALE OF ANY BONDS OR ANY CERTIFICATIONS OR REPRESENTATIONS MADE BY ANY PERSON OTHER THAN THE PARTY SEEKING INDEMNIFICATION IN CONNECTION THEREWITH, INCLUDING, BUT NOT LIMITED TO, ANY (I) STATEMENT OR INFORMATION MADE BY THE BORROWER WITH RESPECT TO THE BORROWER OR THE PROJECT IN ANY OFFERING DOCUMENT OR MATERIALS REGARDING THE BONDS, THE PROJECT OR THE BORROWER OR IN THE TAX EXEMPTION AGREEMENT OR IN ANY OTHER CERTIFICATE EXECUTED BY THE BORROWER WHICH, AT THE TIME MADE, IS MISLEADING, UNTRUE OR

INCORRECT IN ANY MATERIAL RESPECT; (II) UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF A MATERIAL FACT RELATING TO THE BORROWER OR THE PROJECT, WHICH IS MADE AS APPROVED BY THE BORROWER AND IS CONTAINED IN ANY OFFERING MATERIAL RELATING TO THE SALE OF THE BONDS, AS FROM TIME TO TIME AMENDED OR SUPPLEMENTED, OR ARISING OUT OF OR BASED UPON THE OMISSION OR ALLEGED OMISSION TO STATE IN SUCH OFFERING MATERIAL A MATERIAL FACT RELATING TO THE BORROWER OR THE PROJECT REQUIRED TO BE STATED IN SUCH OFFERING MATERIAL OR NECESSARY IN ORDER TO MAKE THE STATEMENTS IN SUCH OFFERING MATERIAL NOT MISLEADING; OR (III) FAILURE TO PROPERLY REGISTER OR OTHERWISE QUALIFY THE SALE OF BONDS OR FAILURE TO COMPLY WITH ANY LICENSING OR OTHER LAW OR REGULATION WHICH WOULD AFFECT THE MANNER IN WHICH OR TO WHOM THE BONDS COULD BE SOLD;

(iii) THE INTERPRETATION, PERFORMANCE, ENFORCEMENT, BREACH, DEFAULT OR AMENDMENT OF THE BOND DOCUMENTS, THE LOAN DOCUMENTS OR ANY OTHER DOCUMENTS RELATING TO THE PROJECT OR THE BONDS OR IN CONNECTION WITH ANY FEDERAL OR STATE TAX AUDIT, OR ANY QUESTIONS OR OTHER MATTERS ARISING UNDER SUCH DOCUMENTS;

(iv) THE BORROWER'S FAILURE TO COMPLY WITH ANY REQUIREMENT OF THIS LOAN AGREEMENT, THE TAX EXEMPTION AGREEMENT OR THE REGULATORY AGREEMENT;

(v) THE CONDITION OF THE PROJECT (ENVIRONMENTAL OR OTHERWISE), INCLUDING ANY VIOLATION OF ANY LAW, ORDINANCE, COURT ORDER OR REGULATION AFFECTING THE PROJECT OR ANY PART OF IT;

(vi) ANY DAMAGE OR INJURY, ACTUAL OR CLAIMED, OF WHATSOEVER KIND, CAUSE OR CHARACTER TO THE PROJECT (INCLUDING LOSS OF USE OF THE PROJECT) OR PERSONS, OCCURRING OR ALLEGEDLY OCCURRING IN, ON OR ABOUT THE PROJECT OR ARISING OUT OF ANY ACTION OR INACTION OF THE BORROWER OR ANY OF ITS AGENTS, SERVANTS, EMPLOYEES OR LICENSEES, WHETHER OR NOT RELATED TO THE PROJECT, OR RESULTING FROM THE ACQUISITION, CONSTRUCTION, DESIGN, REPAIR, OPERATION, USE OR MANAGEMENT OF ALL OR ANY PART OF THE PROJECT;

(vii) ANY AND ALL CLAIMS ARISING IN CONNECTION WITH THE OPERATION OF THE PROJECT, OR THE CONDITIONS, ENVIRONMENTAL OR OTHERWISE, OCCUPANCY, USE, POSSESSION, CONDUCT OR SUPERVISION OF WORK DONE IN OR ABOUT, OR FROM THE PLANNING, DESIGN, CONSTRUCTION, REPAIR OR EQUIPPING OF, THE PROJECT OR ANY PART OF

IT, INCLUDING, BUT NOT LIMITED TO, THE AMERICANS WITH DISABILITIES ACT; AND

(viii) TO THE EXTENT NOT MENTIONED IN ANY OF THE PRECEDING SUBSECTIONS OF THIS SECTION 6.02, ANY CAUSE WHATSOEVER IN CONNECTION WITH TRANSACTIONS PROVIDED FOR IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR OTHERWISE IN CONNECTION WITH THE PROJECT, THE BONDS OR THE EXECUTION OR AMENDMENT OF ANY DOCUMENT RELATING TO THE BONDS OR THE PROJECT OR THE ACCEPTANCE OR ADMINISTRATION OF THE TRUSTS UNDER THE INDENTURE.

THIS INDEMNIFICATION SHALL EXTEND TO AND INCLUDE, WITHOUT LIMITATION, ALL REASONABLE COSTS, COUNSEL FEES, EXPENSES AND LIABILITIES INCURRED IN CONNECTION WITH ANY SUCH CLAIM, OR PROCEEDING BROUGHT WITH RESPECT TO SUCH CLAIM.

IF ANY CLAIM SHALL BE MADE OR ANY ACTION SHALL BE BROUGHT AGAINST THE TRUSTEE INDEMNIFIED PARTIES IN RESPECT OF WHICH INDEMNITY CAN BE SOUGHT AGAINST THE BORROWER PURSUANT TO THIS SECTION 6.02(B) OR OTHERWISE, THE TRUSTEE INDEMNIFIED PARTIES SHALL PROMPTLY NOTIFY THE BORROWER IN WRITING, AND THE BORROWER SHALL PROMPTLY ASSUME THE DEFENSE OF SUCH CLAIM OR ACTION, INCLUDING THE EMPLOYMENT OF COUNSEL CHOSEN BY THE BORROWER AND APPROVED BY THE ISSUER OR THE TRUSTEE, THE PAYMENT OF ALL EXPENSES AND THE RIGHT TO NEGOTIATE A SETTLEMENT WITH THE CONSENT AND APPROVAL OF THE ISSUER OR THE TRUSTEE; IF THE BORROWER SHALL HAVE FAILED TO ASSUME THE DEFENSE OF SUCH ACTION OR TO RETAIN COUNSEL REASONABLY SATISFACTORY TO THE ISSUER OR THE TRUSTEE WITHIN A REASONABLE TIME AFTER NOTICE OF THE COMMENCEMENT OF SUCH ACTION, THE BORROWER SHALL PAY THE REASONABLE FEES AND EXPENSES OF COUNSEL RETAINED BY THE TRUSTEE INDEMNIFIED PARTIES. IF THE TRUSTEE INDEMNIFIED PARTIES ARE ADVISED IN A WRITTEN OPINION OF COUNSEL THAT THERE MAY BE LEGAL DEFENSES AVAILABLE TO THE TRUSTEE INDEMNIFIED PARTIES WHICH ARE ADVERSE TO OR IN CONFLICT WITH THOSE AVAILABLE TO THE BORROWER OR THAT THE DEFENSE OF THE TRUSTEE INDEMNIFIED PARTIES SHOULD BE HANDLED BY SEPARATE COUNSEL, THE BORROWER SHALL NOT HAVE THE RIGHT TO ASSUME THE DEFENSE OF THE TRUSTEE INDEMNIFIED PARTIES, BUT SHALL BE RESPONSIBLE FOR THE REASONABLE FEES AND EXPENSES OF COUNSEL RETAINED BY THE TRUSTEE INDEMNIFIED PARTIES IN ASSUMING SUCH PARTY'S OWN DEFENSE. NOTWITHSTANDING THE FOREGOING, THE TRUSTEE INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL WITH RESPECT TO ANY SUCH CLAIM OR IN ANY SUCH ACTION AND TO PARTICIPATE IN THE DEFENSE THEREOF, BUT THE TRUSTEE INDEMNIFIED PARTIES SHALL PAY THE FEES AND EXPENSES OF SUCH COUNSEL UNLESS THE EMPLOYMENT OF SUCH COUNSEL HAS BEEN SPECIFICALLY AUTHORIZED BY THE BORROWER OR UNLESS THE PROVISIONS OF THE IMMEDIATELY PRECEDING SENTENCE ARE APPLICABLE. THE

BORROWER SHALL NOT BE LIABLE FOR ANY SETTLEMENT OF ANY SUCH ACTION EFFECTED WITHOUT THE CONSENT OF THE BORROWER, BUT IF SUCH CLAIM OR ACTION IS SETTLED WITH THE CONSENT OF THE BORROWER, OR IF THERE IS A FINAL JUDGMENT FOR THE PLAINTIFF IN ANY SUCH ACTION WITH OR WITHOUT CONSENT, THE BORROWER AGREES TO INDEMNIFY AND HOLD HARMLESS THE TRUSTEE INDEMNIFIED PARTIES FROM AND AGAINST ANY LOSS, LIABILITY OR EXPENSE BY REASON OF SUCH SETTLEMENT OR JUDGMENT.

THE BORROWER SHALL ALSO INDEMNIFY THE TRUSTEE INDEMNIFIED PARTIES FOR ALL REASONABLE COSTS AND EXPENSES, INCLUDING REASONABLE COUNSEL FEES, INCURRED IN: (I) ENFORCING ANY OBLIGATION OF THE BORROWER UNDER THIS AGREEMENT OR ANY RELATED AGREEMENT, (II) TAKING ANY ACTION REQUESTED BY THE BORROWER, (III) TAKING ANY ACTION REQUIRED BY THIS AGREEMENT OR ANY RELATED AGREEMENT, OR (IV) TAKING ANY ACTION CONSIDERED NECESSARY BY THE TRUSTEE INDEMNIFIED PARTIES AND WHICH IS AUTHORIZED BY THIS AGREEMENT OR ANY RELATED AGREEMENT. IF A TRUSTEE INDEMNIFIED PARTY TAKES ANY ACTION UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT EXECUTED IN CONNECTION HEREWITH FOR THE BENEFIT OF THE BORROWER, IT WILL DO SO IF AND ONLY IF (A) THE TRUSTEE INDEMNIFIED PARTIES ARE A NECESSARY PARTY TO ANY SUCH ACTION OR PROCEEDING, AND (B) THE TRUSTEE INDEMNIFIED PARTIES HAVE RECEIVED SPECIFIC WRITTEN DIRECTION FROM THE BORROWER, AS REQUIRED UNDER THIS AGREEMENT OR UNDER ANY OTHER INSTRUMENT EXECUTED IN CONNECTION WITH THIS AGREEMENT, AS TO THE ACTION TO BE TAKEN BY THE TRUSTEE INDEMNIFIED PARTIES.

THIS INDEMNIFICATION SHALL NOT BE AFFECTED BY ANY INVESTIGATION BY OR ON BEHALF OF THE TRUSTEE INDEMNIFIED PARTIES OR BY ANY INFORMATION THE TRUSTEE INDEMNIFIED PARTIES MAY HAVE OR OBTAIN WITH RESPECT THEREOF. THIS INDEMNIFICATION SHALL EXTEND TO AND INCLUDE, WITHOUT LIMITATION, ALL REASONABLE COSTS, COUNSEL FEES, EXPENSES AND LIABILITIES INCURRED IN CONNECTION WITH ANY SUCH CLAIM, OR PROCEEDING BROUGHT WITH RESPECT TO SUCH CLAIM TO THE FULLEST EXTENT PERMITTED BY LAW, **INCLUDING IF AS THE RESULT OF THE NEGLIGENCE, GROSS NEGLIGENCE OR BREACH OF CONTRACTUAL DUTY OF THE TRUSTEE INDEMNIFIED PARTIES**, UNLESS LIABILITY IS A RESULT OF BAD FAITH, WILLFUL MISCONDUCT OR FRAUD OR NEGLIGENCE ON THE PART OF THE TRUSTEE INDEMNIFIED PARTIES AND THEIR SUCCESSORS AND ASSIGNS. THE INDEMNIFICATION PROVIDED IN THIS ARTICLE VI IS IN ADDITION TO, AND NOT IN SUBSTITUTION OF, THE INDEMNIFICATION PROVISIONS IN OTHER DOCUMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THE MAKING OF THE LOAN AND THE ISSUANCE OF THE BONDS.

(c) ALL AMOUNTS PAYABLE TO THE ISSUER UNDER THIS AGREEMENT SHALL BE DEEMED TO BE FEES AND EXPENSES PAYABLE TO THE ISSUER FOR THE PURPOSES OF THE PROVISIONS OF THIS AGREEMENT, AND OF THE INDENTURE DEALING WITH ASSIGNMENT OF THE ISSUER'S RIGHTS UNDER THIS AGREEMENT.

THE ISSUER AND ITS MEMBERS, OFFICERS, AGENTS, EMPLOYEES AND THEIR SUCCESSORS AND ASSIGNS SHALL NOT BE LIABLE TO THE BORROWER FOR ANY REASON.

(d) ANY PROVISION OF THIS AGREEMENT OR ANY OTHER INSTRUMENT OR DOCUMENT EXECUTED AND DELIVERED IN CONNECTION THEREWITH TO THE CONTRARY NOTWITHSTANDING, THE ISSUER RETAINS THE RIGHT TO (I) ENFORCE ANY APPLICABLE FEDERAL OR STATE LAW OR REGULATION OR RESOLUTION OF THE ISSUER, AND (II) ENFORCE ANY RIGHTS ACCORDED TO THE ISSUER BY FEDERAL OR STATE LAW OR REGULATION OF THE ISSUER, AND NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS AN EXPRESS OR IMPLIED WAIVER THEREOF. THE INDEMNIFICATIONS PROVIDED BY THE INDEMNITOR SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT AND THE SATISFACTION OF THE NOTE, AND THE RESIGNATION OR REMOVAL OF THE TRUSTEE.

Section 6.03. **The Issuer to Grant Security Interest to Trustee.** The parties hereto agree that pursuant to the Indenture, the Issuer shall assign to the Trustee, in order to secure payment of the Bonds, all of the Issuer's right, title and interest in and to this Agreement and the Note, except for Reserved Rights of the Issuer. The Issuer retains the right to enforce any or all of the Reserved Rights, and may take independent action to so enforce such Reserved Rights.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. **Defaults Defined.** The following shall be "Defaults" under this Agreement and the term "Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) failure by the Borrower to pay any amount required to be paid under (i) subsection (b) of Section 4.02 or (ii) Section 4.03 hereof;

(b) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed herein other than as referred to in subsection (a) of this Section 7.01 or failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Regulatory Agreement or the Tax Exemption Agreement, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Borrower by the Issuer or the Trustee; *provided*, with respect to any such failure covered by this subsection (b), no event of default will be deemed to have occurred so long as a course of action adequate to remedy such failure will have been commenced within such sixty (60) day period and will thereafter be diligently prosecuted to completion and the failure will be remedied thereby;

(c) the dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which shall remain undismissed for ninety

(90) days, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations at the Project, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with its creditors or the failure generally by the Borrower to pay its debts as they become due; or

(d) the occurrence and continuance of an Event of Default under the Indenture.

The provisions of subsection (b) of this Section 7.01 are subject to the following limitation: if by reason of force majeure it is impossible for the Borrower in whole or in part, despite its best efforts, to carry out any of its agreements contained herein (other than its obligations contained in Article IV hereof), the Borrower shall not be deemed in Default during the continuance of such inability. Such force majeure event does not affect any obligations of the Borrower other than the timing of performance of such obligations. The term “force majeure” as used herein shall mean, without limitation, the following: acts of God; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; terrorism; landslides; earthquakes; fires; storms; droughts; floods; epidemics; pandemics; or explosions; not reasonably within the control of the Borrower. The Borrower agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreement.

Section 7.02. **Remedies on Default.** A copy of any notice of default provided to Borrower under any of the Borrower Documents shall also be provided to the Investor Limited Partner and the Lender. Whenever any Default referred to in Section 7.01 hereof shall have happened and be continuing beyond the expiration of any applicable cure period, the Trustee, or the Issuer (in the event the Trustee fails to act), may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement, the Note, the Regulatory Agreement or any other Document in the event of default thereunder. Any amounts collected pursuant to action taken under this Section 7.02 shall be paid into the Collateral Fund.

Section 7.03. **No Remedy Exclusive.** Subject to Section 10.01 of the Indenture, no remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power nor shall it be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article VII, it shall not be necessary to give any notice, other than such notice as may be required in this Article VII. Such rights and remedies as are given to the Issuer hereunder shall also extend to the Trustee, and the Trustee and the Holders of the Bonds, subject to the provisions of the Indenture, including, but not limited to the Reserved Rights of the Issuer, shall be entitled to the benefit of all covenants and agreements herein contained.

Section 7.04. **No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.05. **Right to Cure.** Notwithstanding anything to the contrary herein or otherwise in the Borrower Documents, if the Borrower shall, for whatever reason, at any time fail to pay any amount or perform any act which it is obligated to pay or perform under any of the Borrower Documents and, as a result, a default or event of default occurs or may occur thereunder, the Investor Limited Partner shall have the right to perform such act or pay such amount on behalf of the Borrower and thereby cure or prevent such default or event of default, provided such default or event of default is cured within any applicable cure period or grace period provided to the Borrower herein or otherwise in the Borrower Documents. Any cure of any event of default by the Investor Limited Partner under the Borrower Documents shall be deemed a cure by Borrower thereunder.

Section 7.06. **No Interference or Impairment of Lender Loan.** Notwithstanding anything herein to the contrary, none of the Issuer, the Trustee nor any other Person shall:

(a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or

(b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the ability or rights of the Trustee to take any actions permitted under the Indenture or to affect the Reserved Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of this Agreement so long as it does not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

Notwithstanding anything in this Agreement to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under this Agreement which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages

occasioned by the default or breach even after such Person ceases to be the Borrower with regards the Project.

Promptly upon determining that an Event of Default of this Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

ARTICLE VIII

HAZARDOUS MATERIALS

Section 8.01. Reserved.

Section 8.02. **Compliance Regarding Hazardous Substances.** Borrower has complied, will comply, and will use commercially reasonable efforts to cause all tenants and any other Persons who may come upon the Project to comply, with all federal, state and local laws, regulations and ordinances governing or applicable to Hazardous Materials, including those requiring disclosures to prospective and actual buyers or tenants of all or any portion of the Project. The Borrower must comply with the reasonable recommendations of any qualified environmental engineer or other expert engaged by the Borrower, the Issuer or the Investor Limited Partner with respect to the Project.

Section 8.03. **Notices Regarding Hazardous Substances.** The Borrower must promptly notify the Investor Limited Partner and the Issuer in writing (i) if it has actual knowledge that there may be any Hazardous Materials in or around any part of the Project, any improvements constructed on the Project, or the soil, groundwater or soil vapor on or under the Project at a level of concentration that results in the Hazardous Materials being subject to regulation, control, removal or restriction by any governmental agency under any law, regulation or ordinance, or that the Borrower or the Project may be subject to any threatened or pending investigation by any governmental agency under any law, regulation or ordinance pertaining to any Hazardous Materials, and (ii) of any claim made or threatened in writing by any Person, other than a governmental agency, against the Borrower arising out of or resulting from any Hazardous Substance being present or released in, on or around any part of the Project, any improvements constructed on the Project or the soil, groundwater or soil vapor on or under the Project (any of the matters described in clauses (i) and (ii) above is a “*Hazardous Materials Claim*”).

Section 8.04. **Remedial Work.** The Borrower must promptly undertake any and all remedial work (“*Remedial Work*”) in response to Hazardous Materials Claims to the extent required by governmental agency or agencies involved, or to comply with the reasonable recommendations set forth in any written environmental assessment report prepared by a third party engineer retained by the Investor Limited Partner or the Issuer, if such standard requires a higher degree of remediation, and in all events to minimize any impairment to Trustee’s security under the Loan Documents. All Remedial Work must be conducted (i) in a diligent and timely

fashion by licensed contractors acting under the supervision of a consulting environmental engineer; (ii) pursuant to a detailed written plan for the Remedial Work approved by all public or private agencies or Persons with a legal or contractual right to such approval; (iii) with insurance coverage pertaining to liabilities arising out of the Remedial Work as is then customarily maintained with respect to such activities; and (iv) only following receipt of any required permits, licenses or approvals. The selection of the Remedial Work contractors and consulting environmental engineer, the contracts entered into with such parties, any disclosures to or agreements with any public or private agencies or parties relating to Remedial Work and the written plan for the Remedial Work (and any changes thereto) is subject to the prior written approval of the Investor Limited Partner and the Issuer, which approval may not be unreasonably withheld or delayed.

Section 8.05. **Indemnity Regarding Hazardous Substances.** THE INDEMNITOR INDEMNIFIES, DEFENDS AND HOLDS EACH OF THE ISSUER INDEMNIFIED PARTIES AND THE TRUSTEE INDEMNIFIED PARTIES HARMLESS FROM AND AGAINST ANY AND ALL COSTS DIRECTLY OR INDIRECTLY ARISING OUT OF OR RESULTING FROM ANY HAZARDOUS MATERIALS BEING PRESENT OR RELEASED IN, ON OR AROUND ANY PART OF THE PROJECT, OR IN THE SOIL, GROUNDWATER OR SOIL VAPOR ON OR UNDER THE PROJECT (COLLECTIVELY, “*INDEMNIFIED COSTS*”), ARISING OUT OF OR AS A RESULT OF EVENTS PRIOR TO THE LATER OF THE FULL AND FINAL PAYMENT OF THE BONDS OR BEFORE THE DATE OF A TRANSFER OF THE PROJECT, AS APPLICABLE, INCLUDING:

(i) ANY CLAIM FOR SUCH INDEMNIFIED COSTS ASSERTED AGAINST ANY THE ISSUER INDEMNIFIED PARTY OR THE TRUSTEE BY ANY FEDERAL, STATE OR LOCAL GOVERNMENTAL AGENCY, INCLUDING THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY AND ALL OF THE ENVIRONMENTAL REGULATORY AUTHORITIES OF THE STATE, AND INCLUDING ANY CLAIM THAT ANY INDEMNIFIED PARTY IS LIABLE FOR ANY SUCH INDEMNIFIED COSTS AS AN “OWNER” OR “OPERATOR” OF THE PROJECT UNDER ANY LAW RELATING TO HAZARDOUS MATERIALS; AND

(ii) ANY CLAIM FOR SUCH INDEMNIFIED COSTS ASSERTED AGAINST ANY THE ISSUER INDEMNIFIED PARTY BY ANY PERSON OTHER THAN A GOVERNMENTAL AGENCY, INCLUDING (I) ANY PERSON WHO MAY PURCHASE OR LEASE ALL OR ANY PORTION OF THE PROJECT FROM BORROWER, FROM ANY INDEMNIFIED PARTY OR FROM ANY OTHER PURCHASER OR LESSEE, (II) ANY PERSON WHO MAY AT ANY TIME HAVE ANY INTEREST IN ALL OR ANY PORTION OF THE PROJECT, (III) ANY PERSON WHO MAY AT ANY TIME BE RESPONSIBLE FOR ANY CLEANUP COSTS OR OTHER INDEMNIFIED PARTY RELATING TO THE PROJECT, AND (IV) ANY PERSON CLAIMING TO HAVE BEEN INJURED IN ANY WAY AS A RESULT OF EXPOSURE TO ANY HAZARDOUS MATERIALS; AND

(iii) ANY INDEMNIFIED COSTS INCURRED BY ANY THE ISSUER INDEMNIFIED PARTY IN THE EXERCISE BY THE ISSUER INDEMNIFIED PARTY OF ITS RIGHTS AND REMEDIES UNDER THIS LOAN AGREEMENT; AND

(iv) ANY INDEMNIFIED COSTS INCURRED BY ANY THE ISSUER INDEMNIFIED PARTY AS A RESULT OF CURRENTLY EXISTING CONDITIONS IN, ON OR AROUND THE PROJECT, WHETHER KNOWN OR UNKNOWN BY THE INDEMNITOR OR THE ISSUER INDEMNIFIED PARTY AT THE TIME THIS LOAN AGREEMENT IS EXECUTED, OR ATTRIBUTABLE TO THE ACTS OR OMISSIONS OF THE INDEMNITOR, ANY OF THE BORROWER'S TENANTS, OR ANY OTHER PERSON IN, ON OR AROUND THE PROJECT WITH THE CONSENT OR UNDER THE DIRECTION OF THE INDEMNITOR; AND

(v) ANY INDEMNIFIED COSTS INCURRED BY ANY INDEMNIFIED PARTY AS A RESULT OF THE DEPOSIT, STORAGE, DISPOSAL, BURIAL, DUMPING, INJECTING, SPILLING, LEAKING, OR OTHER PLACEMENT OR RELEASE IN ON OR FROM THE PROJECT OF HAZARDOUS MATERIALS OR THE VIOLATION OR ALLEGED VIOLATION OF ANY HAZARDOUS MATERIALS LAW OR OFFICIAL INTERPRETATION THEREOF IN CONNECTION WITH THE PROJECT OR THE LAND ON WHICH IT IS LOCATED.

THE OBLIGATIONS OF THE INDEMNITOR UNDER THIS SECTION 8.05 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT AND THE RESIGNATION OR REMOVAL OF THE TRUSTEE.

Section 8.06. **Defense of Indemnified Parties.** UPON DEMAND BY ANY ISSUER INDEMNIFIED PARTY OR TRUSTEE INDEMNIFIED PARTY, THE INDEMNITOR MUST DEFEND ANY INVESTIGATION, ACTION OR PROCEEDING INVOLVING ANY INDEMNIFIED COSTS THAT IS BROUGHT OR COMMENCED AGAINST ANY ISSUER INDEMNIFIED PARTY OR TRUSTEE INDEMNIFIED PARTY, WHETHER ALONE OR TOGETHER WITH BORROWER OR ANY OTHER PERSON, ALL AT THE BORROWER'S OWN COST AND BY COUNSEL APPROVED BY THE INDEMNIFIED PARTY. IN THE ALTERNATIVE, ANY ISSUER INDEMNIFIED PARTY OR TRUSTEE INDEMNIFIED PARTY MAY ELECT TO CONDUCT ITS OWN DEFENSE AT THE BORROWER'S EXPENSE.

ARTICLE IX

MISCELLANEOUS

Section 9.01. **Term of Agreement.** This Agreement shall remain in full force and effect from the date hereof until such time as all of the Bonds and all amounts payable hereunder and under the Indenture shall have been fully paid or provision made for such payments, whichever is later, *provided*, that the provisions of Sections 5.20 and 6.02 and Article VIII hereof shall survive termination of this Agreement.

Section 9.02. **Notices; Publication of Notice.** (a) All notices, advice, certifications or other communications hereunder between the Issuer and the Borrower shall be sufficiently given and shall be deemed given when delivered by hand or overnight courier, or mailed by certified or registered mail, postage prepaid, return receipt requested, or transmitted by electronic means (including, without limitation, e-mail and facsimile transmission) addressed to the appropriate

Notice Address. The Issuer, the Borrower or the Investor Limited Partner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, advice, certifications or other communications shall be sent. Notices to Persons other than the Issuer, the Borrower or the Investor Limited Partner (such as, for example, notices to owners of Bonds) shall be governed by the other applicable provisions of the Indenture.

(b) Whenever the Issuer or the Borrower is required or permitted to give or publish notice of any event or occurrence under this Agreement, such notice shall be given or published in such manner and by such means as the Issuer or the Borrower, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Issuer or the Borrower, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to the Municipal Securities Rulemaking Board's EMMA System or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the Person entitled to receive the notice at such Person's address as shown on the records of the Issuer or the Borrower.

Section 9.03. **Nonrecourse Liability of Borrower.** From and after the date of this Agreement, (i) the liability of the Borrower under this Agreement shall be limited to the Trust Estate, and such amounts as may be invested in accordance with Section 6.01 of the Indenture, and the Issuer and the Trustee shall look exclusively thereto or to such other security as may from time to time be given or have been given for payment of the Bonds, and any judgment rendered against the Borrower under this Agreement shall be limited to the Project and moneys derived from the operation of the Project, and any other security so given for satisfaction thereof; and (ii) no deficiency or other personal judgment shall be sought or rendered against the Borrower or its successors, transferees or assigns, in any action or proceeding arising out of this Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; *provided, however,* that nothing herein shall limit the Issuer's or the Trustee's ability to exercise any right or remedy with respect to any property pledged or granted to the Issuer or to any trustee under this Agreement, or both, or to exercise any right against the Borrower, on account of any claim for fraud or deceit, and against any other Person on account of any claim for fraud or deceit. Notwithstanding anything herein to the contrary, nothing in this Section 9.03 shall limit the rights of indemnification against the Borrower pursuant to Sections 4.03, 6.02, 8.05 and 8.06 hereof. Furthermore, notwithstanding anything to the contrary, the Borrower shall be fully liable for: (1) amounts payable to the Issuer constituting Reserved Rights of the Issuer, (2) any amount due and owing as a result of any calculation or determination which may be required in connection with the Bonds for the purpose of complying with Section 148 of the Code (including rebate liability) or any applicable Treasury regulation, (3) payment of the Issuer's Fees, the Trustee's Fee and the Rebate Analyst's Fee and (4) the indemnification and the payment obligations to the Issuer Indemnified Parties under Sections 4.03, 6.02, 8.05 and 8.06 hereof.

The limit on the Borrower's liability set forth in this Section 9.03 shall not, however, be construed, and is not intended to in any way, constitute a release, in whole or in part, of the indebtedness evidenced by this Agreement or a release, in whole or in part, or an impairment of the security interest, or in case of any default or enforcing any other right of the Issuer under this Agreement or to alter, limit or affect the liability of any Person who may now or hereafter or prior

hereto guarantee, or pledge, grant or assign its assets or collateral as security for, the obligations of the Borrower under this Agreement.

The provisions of this Section 9.03 shall survive the termination of this Agreement.

Section 9.04. **No Pecuniary Liability of the Issuer; Issuer May Rely.** (a) All obligations of the Issuer incurred under this Agreement, the Regulatory Agreement, the Tax Exemption Agreement and the Indenture shall be limited obligations of the Issuer, payable solely and only from Bond proceeds, Revenues and other amounts derived by the Issuer from the Trust Estate. NO DIRECTOR, OFFICER, AGENT, EMPLOYEE, OR ATTORNEY OR MEMBER OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THIS AGREEMENT ON BEHALF OF THE ISSUER, SHALL BE LIABLE PERSONALLY UNDER THIS AGREEMENT OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THIS AGREEMENT OR ANY AMENDMENT TO THIS AGREEMENT, AGAINST ANY DIRECTOR, OFFICER, AGENT, EMPLOYEE, ATTORNEY OR MEMBER OF THE ISSUER, OR ANY SUCCESSOR WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THIS AGREEMENT AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED.

(b) It is expressly understood and agreed by the parties to this Agreement that:

(i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, any Bondholder or the Borrower as to the existence of a fact or state of affairs required under this Agreement to be noticed by the Issuer;

(ii) the Issuer shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by the Borrower or such other appropriate party; and

(iii) none of the provisions of this Agreement shall require the Issuer to expend or risk its own funds (apart from the proceeds of Bonds issued under the Indenture) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under this Agreement unless it first shall have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

(c) No provision, representation, covenant or agreement contained in this Agreement or in the Indenture, the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability (except to the extent of any loan repayments, revenues and receipts derived by the Issuer pursuant to this Agreement and other moneys held pursuant to the Indenture, other than in the Rebate Fund and the Expense Fund). No provision hereof shall be construed to impose a charge against the general credit of the Issuer, the State or any other political subdivision or public body of the State, or any personal or pecuniary liability upon any director, officer, agent or employee of the Issuer.

(d) All covenants, obligations and agreements of the Issuer contained in this Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, agent or employee of the Issuer in other than his official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or in the Indenture. No provision, covenant or agreement contained in this Agreement, the Indenture or the Bonds, or any obligation herein or therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in this Agreement or in any Bond or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any member of the governing body of the Issuer, its officers, counsel, financial advisor, or agents, as such, in his or her individual capacity, past, present, or future, or of any successor thereto, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any member of the governing board, officers, counsel, financial advisors, or agents, as such, in his or her individual capacity, past, present, or future, of the Issuer or of any successor thereto, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Issuer and the Trustee or the Borrower to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such director, officer, counsel, financial advisor, or agent, is, by the execution of the Bonds, this Agreement, and the Indenture, and as a condition of, and as part of the consideration for, the execution of the Bonds, this Agreement, and the Indenture, expressly waived and released.

Section 9.05. **Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower, the Trustee, the Holders of Bonds and their respective successors and assigns.

Section 9.06. **Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.07. **Amounts Remaining in Funds.** It is agreed by the parties hereto that any amounts remaining on deposit under the Indenture upon expiration or earlier termination of this Agreement, as provided in this Agreement, shall be used to pay the fees and expenses of the Trustee and the Issuer in accordance with the Indenture and any balance thereafter shall be paid to the Borrower pursuant to the provisions of the Indenture.

Section 9.08. **Amendments, Changes and Modifications.** Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise herein expressly provided, this Agreement may not be effectively amended, changed, modified, altered or

terminated without the written consent of the Trustee, in accordance with the provisions of the Indenture.

Section 9.09. **Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.10. **Applicable Law.** This Loan Agreement shall be governed exclusively by and construed in accordance with the internal laws of the State of Texas without regard to conflicts of laws principles, except to the extent that the laws of the United States of America may prevail.

Section 9.11. **Captions.** The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

Section 9.12. **Conflict with HUD-Insured Loan and HUD Regulations; Supremacy of Senior Lender Mortgage and HUD Regulatory Agreement.**

(a) The provisions hereof are subordinate and subject to the National Housing Act, HUD and GNMA regulations, related administrative requirements, and the Lender Mortgage, Lender Borrower Note, the HUD Regulatory Agreement and the other Lender Loan Documents. In the event of any conflict between the provisions of this Agreement and the provisions of any applicable HUD regulations, HUD Program Obligations (as defined in the Lender Loan Documents), GNMA statutory, regulatory or administrative requirements, or the Lender Loan Documents, the HUD regulations, HUD Program Obligations, the GNMA statutory, regulatory or administrative requirements, or the Lender Loan Documents, as applicable, shall control. Any ambiguity or inconsistency will be resolved in favor of, and pursuant to, the HUD Program Obligations, HUD and GNMA statutory, regulatory and administrative requirements and the terms of the Lender Loan Documents.

(b) Enforcement of this Agreement will not result in any claim against the Project, the undisbursed proceeds of the Lender's loan (the "*HUD-Insured Loan*"), any reserve or deposit required by HUD in connection with the HUD-Insured Loan or the rents or income from the Project (other than available Surplus Cash, as such term is defined in the HUD Regulatory Agreement or as otherwise permitted by HUD).

(c) The Borrower shall not be deemed to be in violation of this Agreement if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable HUD (and Section 8, if applicable) Regulations and related administrative requirements or the HUD Loan Documents.

(d) Any funds held by the Lender in connection with the Project for or on behalf of the Borrower shall be maintained separate and apart from the funds established and held by the Trustee and the various escrows and funds, if any, under the Indenture.

(e) No amendment to this Agreement shall conflict with the provisions of the National Housing Act, any applicable HUD regulations, related administrative requirements, the HUD Loan Documents, or any applicable GNMA regulations and related administrative requirements.

(f) This Agreement shall not be construed to restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between HUD and the Lender with respect to the Project.

(g) None of the Issuer, the Trustee or any owner of the Bonds has or shall be entitled to assert any claim against the Project, the undisbursed HUD-Insured Loan proceeds, any reserves or deposits required by HUD in connection with the HUD-Insured Loan or the rents or deposits or other income of the property other than “Surplus Cash” as defined in the HUD Regulatory Agreement.

(h) Nothing herein is intended to alter or conflict with the terms, conditions, and provisions of the HUD regulations, handbooks, administrative requirements, lender notices and the HUD Program Requirements in effect at the time of HUD’s endorsement of the Lender Borrower Note, or the documents required to be executed by the Borrower in connection with the endorsement of the Lender Borrower Note; and to the extent that they do so, the HUD regulations, administrative requirements, handbooks, lender notices, Program Obligations and documents shall control and this Agreement shall be amended or deemed amended so as not to alter or conflict with the aforesaid regulations, documents, administrative requirements, handbooks, notices or Program Obligations. This Section 9.12 shall terminate and be void upon termination of HUD-Insured Loan.

(i) Notwithstanding anything in the Indenture, this Agreement, the Note or the Bond Purchase Agreement to the contrary, in no event shall HUD have any claim to or lien upon the Trust Estate under the Indenture and funds held by the Trustee under the Indenture and pledged to secure the repayment of the Bonds. Further, nothing herein shall restrict the rights and obligations of the parties as they relate to the Bonds and the rights and obligations therein are not subordinated.

(j) The Borrower and the Issuer acknowledge that this Agreement, and all the Borrower’s obligations hereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provisions of this Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement), (B) funds that are not derived from (i) revenues of the Project (as defined in the FHA Mortgage), or (ii) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, or (C) any proceeds of the FHA Note (collectively, “Non-Project Sources”). No claims or actions shall be made (or payable) under this Agreement against the Project, the proceeds of the FHA Insured Mortgage Loan, the FHA Lender or the assets of the Borrower, except from Non-Project Sources. In addition, the rights and obligations of the parties under this Agreement and all other documents evidencing, implementing, or securing this Agreement (collectively, the “Subordinate Bond Documents”) are and shall be subordinated in all respects to the rights and obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of (i) this Agreement or the Subordinate Bond Documents and (ii) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control. The provisions of this Section 9.12 shall control over any inconsistent provisions in this Agreement or the Subordinate Bond Documents. This Agreement shall not be amended or modified without the prior written consent of HUD.

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Agreement to be executed in their respective official names and attested by their duly authorized officers, all as of the date first above written.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS, as Issuer

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to Board

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

Exhibit A

Project Description

The Borrower plans to use the proceeds of the Loan for the purpose of financing a portion of the costs of the acquisition, rehabilitation and equipping by the Borrower of an approximately 104-unit multifamily housing facility and related facilities to be known as Oso Bay Apartments and to be located at 7502 McArdle Road, Corpus Christi, Texas 78412.

Exhibit B

Form of Promissory Note

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

[\$14,000,000]

February [___], 2021

FOR VALUE RECEIVED, Oso Bay Apartments, LLC, a limited liability company duly formed and validly existing under the laws of the State of Texas (the “*Borrower*”), by this promissory note hereby promises to pay to the order of the Texas Department of Housing and Community Affairs (the “*Issuer*”) the principal sum of [**Fourteen Million**] Dollars, together with interest on the unpaid principal amount hereof, from the Closing Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Bonds. All such payments of principal and interest shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the designated corporate trust office (initially, in Houston, Texas) of Regions Bank, an Alabama banking corporation, or its successor as trustee under the Indenture.

The principal and interest shall be payable on the dates that principal and interest on the Bonds are payable, as provided in the Indenture and the Agreement.

This promissory note is the “*Note*” referred to in the Loan Agreement, dated as of [February] 1, 2021 (as the same may be amended, modified or supplemented from time to time, the “*Agreement*”), between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to Regions Bank, as trustee (the “*Trustee*”) under the Trust Indenture dated as of [February] 1, 2021 (as the same may be amended, modified or supplemented from time to time, the “*Indenture*”), between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of the Issuer’s Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “*Bonds*”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture and the Bonds are hereby incorporated as a part of this Note.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay reasonable costs of collection and reasonable attorneys’ fees in case of default on this Note.

This Note shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to conflict of laws principles.

So long as the Secretary of Housing and Urban Development or his/her successors or assigns, are the insurers or holders of the first mortgage on Oso Bay Apartments, FHA No. 115-35927, the total payment(s) due under this Note, and all other secondary debt instruments shall be payable and shall not cumulatively exceed 75% of available surplus cash. Non-project sources that are outside the Mortgaged Property may also be used to repay subordinate financing. The term surplus cash is defined in the Regulatory Agreement dated as of [_____] 1, 2021] between HUD and Oso Bay Apartments, LLC. The restriction on payment(s) imposed by this paragraph shall not excuse any default caused by the failure of the maker to pay the indebtedness evidenced by this Note.

[Signatures continue next page.]

BORROWER:

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

ENDORSEMENT

Pay to the order of Regions Bank, an Alabama banking corporation, without recourse, as Trustee under the Indenture referred to in the Note, as security for the Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Note.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS

By: _____
James B. "Beau" Eccles
Secretary to Board

Dated: _____, 2021

REGULATORY AND LAND USE RESTRICTION AGREEMENT

Among

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Issuer,

REGIONS BANK,
an Alabama banking corporation,
as Trustee,

and

OSO BAY APARTMENTS, LLC,
a Texas limited liability company,
as Borrower

Dated as of [February] 1, 2021

Relating to

[\$14,000,000]
Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021

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REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS REGULATORY AND LAND USE RESTRICTION AGREEMENT (as amended, modified or supplemented from time to time, this “Agreement” or this “Regulatory Agreement”) dated as of [February] 1, 2021 is among the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** (together with its successors and assigns, the “Issuer” or “Department”), a public and official agency of the State of Texas (the “State”), **REGIONS BANK**, an Alabama banking corporation, as trustee under the hereinafter defined Indenture (together with any successor trustee under the Indenture described below and their respective successors and assigns, the “Trustee”) and **OSO BAY APARTMENTS, LLC**, a Texas limited liability company (together with its permitted successors and assigns, the “Borrower” or “Owner”).

RECITALS

WHEREAS, pursuant to the Act (as hereinafter defined), the Issuer is authorized to issue the Bonds (as hereinafter defined) and to use the proceeds thereof to provide monies to aid in financing the acquisition, equipping and rehabilitation of residential rental property for dwelling units in the State; and

WHEREAS, the Borrower has requested the assistance of the Issuer in financing a multifamily residential rental housing development located on the real property described in Exhibit A hereto (as defined herein, the “Development Site”) and described in Exhibit B-1 hereto (as defined herein, the “Development Facilities” and, together with the Development Site, the “Development”), and, as a condition to such assistance, the Borrower has agreed to enter into this Regulatory Agreement, setting forth certain restrictions with respect to the Development; and

WHEREAS, the Issuer has determined to assist in the financing of the Development by issuing its Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 in the aggregate principal amount of \$[14,000,000] (the “Bonds”), and loaning the proceeds of such Bonds to the Borrower, upon the terms and conditions set forth in the Loan Agreement (as hereinafter defined); and

WHEREAS, in order for interest on the Bonds to be excludable from gross income for federal income tax purposes under the Code (as defined herein), and in order to comply with the Act, the use and operation of the Development must be restricted in certain respects; and

WHEREAS, the Owner has also obtained a loan (the “Mortgage Loan”) from Regions Bank, an Alabama banking corporation, as mortgage lender (the “Lender”) for the Development, and the Issuer has agreed to subordinate the terms of this Regulatory Agreement to the lien of the Mortgage Loan; and

WHEREAS, the Issuer, the Trustee and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, equipping, rehabilitation and operation of the Development and in order to ensure that the Development will be acquired, rehabilitated, used and operated in accordance with the Code and the Act.

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Trustee and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. In addition to terms defined above, capitalized terms have the respective meanings assigned to them in this Section 1 or as elsewhere defined in this

Regulatory Agreement, in the Indenture, in the Loan Agreement or in the Tax Exemption Agreement, unless the context in which they are used clearly requires otherwise:

“**Act**” means Chapter 2306, Texas Government Code, as amended from time to time.

“**Agreement**” or “**Regulatory Agreement**” means this Regulatory and Land Use Restriction Agreement, as it may be amended from time to time.

“**Annual Income**” means the anticipated annual income of a person (together with the anticipated annual income of all persons that intend to reside with such person in one Unit) calculated pursuant to Section 8 of the Housing Act, as required by Section 142(d) of the Code.

“**Available Unit**” means a Unit (except for any Unit reserved for any resident manager, security personnel or maintenance personnel that is reasonably required for the Development) that has been leased at least once after becoming available for occupancy; provided that (a) a residential unit that is unoccupied on the later of (i) the date the Development is acquired by the Borrower or (ii) the Closing Date is not an “Available Unit” and does not become an “Available Unit” until it has been leased for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an “Available Unit” and does not become an “Available Unit” until it has been leased for the first time after the renovations are completed.

“**Bond Counsel**” means any counsel nationally recognized as having an expertise in connection with the excludability of interest on obligations of states and local governmental units from gross income for federal income tax purposes and who is appointed by the Issuer, and initially means Bracewell LLP.

“**Closing Date**” means the date upon which the Bonds are issued and delivered in exchange for the proceeds representing the purchase price of the Bonds paid by the original purchasers thereof.

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

“**Compliance Monitoring Rules**” means the rules published by the Issuer in Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code.

“**Development**” means the Development Facilities and the Development Site.

“**Development Amenities**” means the amenities for which the Development was awarded points by the Issuer, pursuant to Section 2306.359 of the Texas Government Code, during the Private Activity Bond Program application scoring process, as more fully set forth in Exhibit B-2 hereto.

“**Development Facilities**” means the multifamily housing structures and related buildings and other improvements on the Development Site as more fully set forth in Exhibit B-1 hereto, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Development.

“**Development Site**” means the parcel or parcels of real property described in Exhibit A, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances appertaining thereunto.

“Eligible Tenants” means (a) individuals and families of low, very low and extremely low income, (b) families of moderate income (in each case in the foregoing clauses (a) and (b) as such terms are defined by the Issuer under the Act), and (c) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income; provided that all Low-Income Tenants are Eligible Tenants.

“Favorable Opinion of Bond Counsel” means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the excludability of interest payable on the Bonds from gross income for federal income tax purposes under existing law (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Bonds or other customary exceptions acceptable to the recipient(s) thereof).

“Housing Act” means the United States Housing Act of 1937, as amended, or a successor thereto.

“HUD” means the United States Department of Housing and Urban Development or its successors.

“HUD Regulatory Agreement” means the Regulatory Agreement for Multifamily Projects between Borrower and HUD with respect to the Development dated as of [February] 1, 2021, as the same may be supplemented, amended or modified from time to time.

“Indenture” means the Indenture of Trust of even date herewith between the Issuer and the Trustee, relating to the issuance of the Bonds, and any indenture supplemental thereto.

“Lender” has the meaning set forth in the Indenture.

“Lender Loan” has the meaning set forth in the Indenture.

“Loan” means the loan of the proceeds of the Bonds made by the Issuer to the Borrower as evidenced by the Note.

“Loan Agreement” means the Loan Agreement of even date herewith between the Issuer and the Borrower, as it may be amended, modified, supplemented or restated from time to time to the extent permitted by the Indenture.

“Loan Documents” means the Bond Mortgage, the Note, the Loan Agreement, this Regulatory Agreement, the Tax Exemption Agreement, and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Loan.

“Low-Income Tenant” means a tenant whose Annual Income is 60% or less of the Multifamily Tax Subsidy Program Income Limit, as determined under Sections 142(d)(2)(B) and (D) of the Code and in accordance with this Regulatory Agreement. If all the occupants of a Unit are students (as defined for the purposes of Section 152(f)(2) of the Code) no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants will not qualify as Low-Income Tenants unless such students meet the qualifications under Section 42(i)(3)(D) of the Code.

“Low-Income Unit” means a Unit that is included as a Unit satisfying the requirements of the Set Aside.

“Multifamily Tax Subsidy Program Income Limit” (or successor term) means the income limits provided by HUD pursuant to Section 142(d) of the Code.

“Multifamily Tax Subsidy Program Imputed Income Limitation” means the income limitation which would apply to individuals occupying the Unit if the number of individuals occupying the Unit were as follows: (i) in the case of a Unit which does not have a separate bedroom, 1 individual; or (ii) in the case of a Unit which has 1 or more separate bedrooms, 1.5 individuals for each separate bedroom.

“Note” has the meaning set forth in the Indenture.

“Persons with Special Needs” means persons who (a) are considered to be individuals having a disability under State or federal law, (b) are elderly, meaning 62 years of age or more or of an age specified by the applicable federal program, (c) are designated by the governing board of the Issuer as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (d) are legally responsible for caring for an individual described by clauses (a), (b) or (c) above and meet the income guidelines established by the governing board of the Issuer.

“Qualified Project Period” means, with respect to the Development, the period beginning on the first day on which 10% of the Units are occupied (which date may be the Closing Date) and ending on the latest of (a) the date that is 15 years after the date on which 50% of the Units are occupied (which date may be the Closing Date), (b) the first day on which no tax-exempt private activity bond (as that phrase is used in section 142(d)(2) of the Code) issued with respect to the Development is outstanding for federal income tax purposes, or (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Related Person” has the meaning set forth in section 144(a)(3) of the Code. A person is a “Related Person” to another person if the relationship between such persons would result in a disallowance of losses under sections 267 or 707(b) of the Code or such persons are members of the same controlled group of corporations (as defined in section 1563(a) of the Code, except that “more than 50 percent” is substituted for “at least 80 percent” each place it appears therein).

“Replacement Reserve” means the Reserve for Replacement account required to be established by the HUD Regulatory Agreement.

“Reserve for Replacement” has the meaning set forth in the HUD Regulatory Agreement.

“Security Instrument” means Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement from the Owner, as the grantor, in favor of Lender, as the beneficiary, as the same may be supplemented, amended or modified.

“Set Aside” means the requirement that at least 40% of the Available Units be occupied or held vacant for occupancy at all times by Low-Income Tenants.

“Sole Member” means Oso Bay Housing Partners, LP, a Texas limited partnership, as sole member and manager of the Borrower, and its permitted successors and assigns.

“State Conversion Date” means the date of the first amortization payment on the note relating to the Lender Loan.

“State Reserve Period” means, with respect to the Development, the period beginning on the State Conversion Date and ending on the earliest of the following dates: (a) the date of any involuntary change in ownership of the Development; (b) the date on which the Borrower suffers a total casualty loss with respect to the Development or the date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored; (c) the date on which the Development is demolished; (d) the date on which the Development ceases to be used as multifamily rental property; or (e) the end of the State Restrictive Period.

“State Restrictive Period” means, with respect to the Development, the period beginning on the first day on which the Borrower takes legal possession of the Development and ending on the latest of (a) the date that is 30 years after the first day of the State Restrictive Period, (b) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, and (c) the date on which any assistance provided with respect to the Development from the federal government terminates.

“Tax Exemption Agreement” means the Tax Exemption Certificate and Agreement of even date herewith among the Issuer, the Trustee and the Borrower, as in effect on the Closing Date and as it may thereafter be amended or supplemented or restated in accordance with its terms.

“Tenant Income Certification” means a certification form available on the Issuer’s website at the time of submission used to certify income and other matters executed by the household members of each Unit in the Development.

“Unit” means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Development; provided that, a unit will not fail to be treated as a Unit merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code).

“Unit Status Report” means the certified residential rental housing program compliance report with respect to the Development to be filed by the Borrower with the Issuer electronically through the filing system available on the Issuer’s website in the form available on the Issuer’s website at the time of submission of the report or in such other form as the Issuer may reasonably prescribe in writing to the Borrower pursuant to Section 4(e) hereof.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender include each other gender, and words of the singular number include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof are to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms are to be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and do not in any way modify or restrict any of the terms or provisions hereof and are not to be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent arises.

Section 1A. Acquisition, Equipping and Rehabilitation of the Development. The Borrower hereby represents, covenants and agrees as follows:

(a) The statements made in the various certificates delivered by the Borrower to the Issuer or the Trustee or both, including specifically the representations and expectations set forth in the Tax Exemption Agreement, are true and correct in all material respects as and when made.

(b) [Reserved].

(c) The Borrower will submit to the Issuer and the Trustee evidence of construction completion as required in the Loan Agreement, and attached as Exhibit C thereto, within 30 days of completion. The Borrower will also submit a request for final construction inspection to the Issuer, in the format prescribed by the Issuer as required pursuant to Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code. The Borrower further agrees to cause the architect of record to submit a certification that the Development was rehabilitated in compliance with all applicable laws and the engineer of record (if applicable) must submit a certification that the Development was rehabilitated in compliance with design requirements.

(d) The Borrower will take or not fail to take, as is applicable, all actions necessary to cause the proceeds of the Bonds to be applied in a manner consistent with the requirements of the Indenture, the Loan Agreement, the Tax Exemption Agreement and this Regulatory Agreement. The Borrower acknowledges that such requirements have been designed for the purpose of ensuring compliance with the provisions of the Act or the Code applicable to the Borrower and the Development.

(e) The Borrower is a qualified “housing sponsor” as defined in the Act.

(f) The Borrower will not seek an exemption from ad valorem taxation for the Development without prior written notice to the Issuer.

Section 2. Tax-Exempt Status of the Bonds. The Borrower will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds). With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees:

(a) That the Development will be owned, managed and operated as a “qualified residential rental project” within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period. In particular, the Borrower covenants and agrees, continuously during the Qualified Project Period, as follows:

(i) that the Development will be comprised of residential Units and facilities functionally related and subordinate thereto;

(ii) that each Unit will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other Units; provided that, a Unit will not fail to meet these requirements merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code);

(iii) that the land and the facilities that are part of the Development will be functionally related and subordinate to the Units comprising the Development and will be

of a character and size that is commensurate with the character and size of the Development;

(iv) that at no time will any of the Units be utilized (A) on a transient basis by being leased or rented for a period of less than six months (unless the Unit serves as a single room occupancy unit or transitional housing for the homeless (as described in Section 42(i)(3)(B) of the Code), in which case such lease may be on a month-to-month basis) or (B) as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, or trailer park or court used on a transient basis;

(v) that the Development will consist of one or more proximate buildings or structures, together with any functionally related and subordinate facilities containing one or more similarly constructed Units, all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous except for the interposition of a road, street, stream or similar property or their boundaries meet at one or more points, (B) will be owned by the same person for federal income tax purposes, and (C) will be financed pursuant to a common plan;

(vi) that substantially all of the Development will consist of similarly constructed Units together with functionally related and subordinate facilities for use by Development tenants at no additional charge, such as swimming pools, other recreational facilities, parking areas, and other facilities that are reasonably required for the Development, such as heating and cooling equipment, trash disposal equipment, and Units for resident managers, security personnel or maintenance personnel;

(vii) that at no time will any Unit in any building or structure in the Development that contains fewer than five Units be occupied by the Borrower;

(viii) that each Unit will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations and exceptions contained in this Regulatory Agreement, the Tax Exemption Agreement and the Loan Agreement) at all times during the longer of (A) the remaining term of the Bonds or (B) the Qualified Project Period, that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Persons with Special Needs, Low-Income Tenants and other Eligible Tenants as provided herein, and that at no time will any portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

(ix) that except, if applicable, during the 12-month "transition period" beginning on the Closing Date, as provided under Revenue Procedure 2004-39, 2004-2 C.B. 49, the Development will meet the Set Aside. For the purposes of this Section 2(a)(ix), 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, at which time the character of such Unit must be redetermined. No tenant qualifying as a Low-Income Tenant will be denied continued occupancy of a Unit because, after the most recent Tenant Income Certification, such tenant's Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Annual Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of the Set Aside, then such tenant will only continue to qualify

for so long as no Unit of comparable or smaller size in the same building (within the meaning of Section 42 of the Code) is rented to a tenant that does not qualify as a Low-Income Tenant;

(x) that the Borrower will obtain, complete and maintain on file (A) Tenant Income Certifications and supporting documentation from each Low-Income Tenant dated immediately prior to the initial occupancy of such Low-Income Tenant in the Development and (B) thereafter, annual certification regarding, at a minimum, information regarding household composition and student status in the form available on the Issuer's website; provided that, if any Units in the Development are ever made available to tenants who are not Low-Income Tenants, then the Borrower will obtain, complete and maintain annual Tenant Income Certifications in accordance with Section 142(d)(3)(A) of the Code. The Borrower will obtain such additional information as may be required in the future by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations that are tax-exempt private activity bonds described in Section 142(d) of the Code. The Borrower will make a diligent and good-faith effort to determine that the income information provided by an applicant in any certification is accurate by taking steps required under Section 142(d) of the Code pursuant to provisions of the Housing Act. As part of the verification, the Borrower will document income and assets in accordance with HUD Handbook 4350.3 and the Issuer's Compliance Monitoring Rules;

(xi) that, on or before each March 31, the Borrower will submit to the Secretary of the Treasury, with a copy provided to the Issuer, the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Development continues to meet the requirements of Section 142(d) of the Code; and

(xii) that the Borrower will prepare and submit the Unit Status Report in the form available on the Issuer's website at the time of such submission to the Issuer (via the electronic filing system available on the Issuer's website) in accordance with Section 4(e) hereof. The Borrower will retain all documentation required by this Section 2(a)(xii) until the date that is three years after the end of the Qualified Project Period.

(b) That the Borrower will maintain complete and accurate records pertaining to the Low-Income Units and will permit, at all reasonable times during normal business hours and upon reasonable notice, and subject to the rights of tenants in lawful possession, any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the Development Site to examine and inspect the Development and to inspect and photocopy the books and records of the Borrower pertaining to the Development, including those records pertaining to the occupancy of the Low-Income Units. The Borrower will retain all records maintained in accordance with this Section 2 until the date that is three years after the end of the Qualified Project Period.

(c) That, as of the Closing Date, at least 50% of the Units are occupied. The Borrower will provide to the Trustee and the Issuer on the Closing Date a certificate in the form attached hereto as Exhibit F certifying the dates on which (i) 10% of the Units were occupied, and (ii) 50% of the Units were occupied.

(d) That the Borrower will prepare and submit to the Issuer and the Trustee, within 60 days prior to the last day of the Qualified Project Period, a certificate setting forth the date on which the Qualified Project Period will end, which certificate must be in recordable form; however, failure to deliver such certificate shall not extend the Qualified Project Period.

Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer and the Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the Borrower in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Borrower, and which is required to be noticed, represented or certified by the Borrower hereunder or in connection with any filings, representations or certifications required to be made by the Borrower in connection with the issuance and delivery of the Bonds.

Section 3. Modification of Tax and State Restrictive Covenants. The Borrower, the Trustee and the Issuer hereby agree as follows:

(a) During the Qualified Project Period and the State Restrictive Period, to the extent any amendments to the Act or the Code, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Development more restrictive than those imposed by this Regulatory Agreement, this Regulatory Agreement will be deemed to be automatically amended to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as is necessary to document such automatic amendment hereof to be effective for the duration of such more restrictive requirements. In addition, this Regulatory Agreement will be amended to the extent required by, and in accordance with, the Loan Agreement.

(b) During the Qualified Project Period and the State Restrictive Period, to the extent that the Act, the Code, or any amendments thereto, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Development less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, the Trustee and the Borrower and upon receipt of a Favorable Opinion of Bond Counsel.

(c) All costs, including fees and out-of-pocket expenses actually incurred by the Issuer and the Trustee, in connection with compliance with the requirements of this Section will be paid by the Borrower and its successors in interest.

Section 4. Housing Development During the State Restrictive Period. The Issuer and the Borrower hereby recognize and declare their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer until the expiration of the State Restrictive Period.

To the same end, the Borrower hereby represents, covenants and agrees as follows during the State Restrictive Period:

(a) except for Units occupied or reserved for a resident manager, security personnel and maintenance personnel that are reasonably required for the Development, to assure that 100% of the Units are reserved for Eligible Tenants and in accordance with the Borrower's election under Section 1372.0321 of the Texas Government Code, 80% of the Units are reserved for tenants whose

combined Annual Income is not more than 60% of the Multifamily Tax Subsidy Program Income Limit;

(b) to assure that the provisions of Sections 2(a)(viii) and 2(a)(ix) hereof continue in full force and effect until the end of the State Restrictive Period;

(c) to obtain a Tenant Income Certification from each tenant in the Development (other than resident managers, security personnel and maintenance personnel) not later than the date of such tenant's initial occupancy of a Unit in the Development, and, if required as described in Section 2(a)(x) hereof, at least annually thereafter in the manner as described in Section 2(a)(x) hereof, and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than three years after the end of the State Restrictive Period;

(d) to obtain from each tenant in the Development (other than resident managers, security personnel and maintenance personnel), at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form provided by the Issuer to the Borrower from time to time that (i) such lease is subordinate to the Security Instrument and this Regulatory Agreement, (ii) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (iii) the family income and eligibility requirements of this Regulatory Agreement and the Loan Agreement are substantial and material obligations of tenancy in the Development, (iv) such tenant will comply promptly with all requests for information with respect to such requirements from the Borrower, the Trustee and the Issuer, and (v) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Development;

(e) to cause to be prepared and submitted to the Issuer (via the electronic filing system available on the Issuer's website) by the tenth calendar day of each January, April, July and October or other schedule as determined by the Issuer with written notice to the Borrower, a certified quarterly Unit Status Report in a form available on the Issuer's website at the time of submission or in such other form as the Issuer may reasonably prescribe in writing to the Borrower with the first quarterly report due on the first quarterly reporting date after leasing activity commences;

(f) to the extent legally permissible and upon reasonable notice to permit any duly authorized representative of the Issuer or the Trustee to inspect the books and records of the Borrower pertaining to the Development or the incomes of Development tenants, including but not limited to tenant files, during regular business hours and to make copies therefrom if so desired and file such reports as are necessary to meet the Issuer's requirements;

(g) that the Borrower is qualified to be a "housing sponsor" as defined in the Act and will comply with all applicable requirements of the Act, including submitting (via the electronic filing system available on the Issuer's website) the Annual Owner's Compliance Report to the Issuer in the form available on the Issuer's website at the time of submission by April 30 of each year, commencing April 30, 2023;

(h) to provide social services which must meet the minimum point requirement and be chosen from the list of Tenant Supportive Services attached hereto as Exhibit C in the manner provided in such Exhibit, or from any additional supportive services added to the Issuer's rules at any future date that are of similar value to the service it is intending to replace as agreed to in writing by the Issuer. The Borrower must maintain documentation satisfactory to the Issuer of

social services provided and such documentation will be reviewed during onsite visits beginning with the second onsite review and must be submitted to the Issuer upon request. The Borrower must provide the social services throughout the State Restrictive Period;

(i) to comply with Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code and other Issuer rules regarding affirmative marketing and written policies and procedures, as such requirements may be amended from time to time;

(j) to maintain the property in compliance with HUD's Uniform Physical Condition Standards and to provide regular maintenance to keep the Development sanitary, safe and decent and to comply with the requirements of Section 2306.186 of the Texas Government Code; provided, however, that the Issuer must first provide notice of any default or breach to the Borrower and the Lender, and the Borrower will have 30 days to cure such default or breach;

(k) to renew any available rental subsidies which are sufficient to maintain the economic viability of the Development pursuant to Section 2306.185(c) of the Texas Government Code;

(l) the Borrower is not a party to and will not enter into a contract for the Development with, a housing developer that (i) is on the Issuer's debarred list, including any parts of that list that are derived from the debarred list of HUD; (ii) breached a contract with a public agency; or (iii) misrepresented to a subcontractor the extent to which the Borrower has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Borrower's participation in contracts with the agency and the amount of financial assistance awarded to the Borrower by the agency;

(m) to cooperate fully with the Issuer with respect to its compliance and oversight requirements and to cause the manager of the Development to so comply;

(n) to ensure that Units intended to satisfy the Set Aside under **Error! Reference source not found.** hereof and the reservation of Units under Section 4(a) hereof will be distributed evenly throughout the Development and will include a reasonably proportionate amount of each type of Unit available in the Development;

(o) to ensure that the Development conforms to the federal Fair Housing Act; and

(p) to pay to the Issuer the Issuer Compliance Fee (as defined in the Indenture).

Section 4.A. Repairs and Maintenance Required by State Law. The Borrower will maintain the Replacement Reserve required by and created pursuant to the HUD Regulatory Agreement or a similar account for the longer of: (a) the period of time required pursuant to the HUD Regulatory Agreement, or (b) the State Reserve Period as required by Section 2306.186 of the Texas Government Code.

Section 4.B. Development Amenities. The Borrower hereby represents, covenants and agrees that the Development will include the Development Amenities as described in Exhibit B-2 attached hereto.

Section 5. Maximum Allowable Gross Rents. During the State Restrictive Period, the Owner hereby represents, covenants and agrees that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, the maximum monthly rent charged by the Owner for 80% of the Units shall not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding

sentence, the amount of the income limitation for any period shall not be less than such limitation applicable, taking into consideration the gross rent floor provided in accordance with Revenue Procedure 94-57. Such initial maximum allowable gross rents are set forth in Exhibit D attached hereto and will be annually redetermined by the Issuer and published on its website. The Owner agrees to comply with the Issuer's Compliance Monitoring Rules regarding utility allowances.

Section 6. Persons With Special Needs. The Borrower represents, covenants and warrants that during the State Restrictive Period, it will make at least 5% of the Units within the Development available for occupancy by Persons with Special Needs.

Section 7. Consideration. The Issuer has issued the Bonds to provide funds to make the Loan to finance the Development, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate, equip and operate the Development. In consideration of the issuance of the Bonds by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Development can be put on the terms and conditions set forth herein.

Section 8. Reliance. The Issuer, the Trustee and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all Persons interested in the legality and validity of the Bonds, and in the excludability of interest on the Bonds from gross income for federal income tax purposes under existing law. In performing their duties and obligations hereunder, the Borrower, the Issuer and the Trustee may rely upon statements and certificates of the Low-Income Tenants or Eligible Tenants and the Issuer and the Trustee may rely upon (i) statements and certifications by the Borrower; (ii) audits of the books and records of the Borrower pertaining to the Development; and (iii) with respect to the Trustee, any other information provided to the Trustee, pursuant to this Regulatory Agreement. In addition, the Issuer, the Borrower and the Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Issuer, the Borrower or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default by the Borrower exists under this Regulatory Agreement, the Trustee is not required to conduct any investigation into or review of the operations or records of the Borrower and may rely on any written report, notice or certificate or other information delivered to the Trustee, as required by this Regulatory Agreement, by any Person retained to review the Borrower's compliance with this Regulatory Agreement or by the Borrower or the Issuer with respect to the occurrence or absence of a default unless it has actual knowledge that the report, notice or certificate is erroneous or misleading.

Section 9. Development in Nueces County. The Borrower hereby represents that the Development is located entirely within Nueces County, Texas.

Section 10. Sale or Transfer of the Development or Change in Managing Member.

(a) The Borrower covenants and agrees not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (i) providing 30 days prior written notice to the Issuer, (ii) complying with any applicable provisions of this Regulatory Agreement, the Loan Agreement, the Tax Exemption Agreement and other Loan Documents and (iii) obtaining the prior written consent of the Issuer. Such consent of the Issuer will not be unreasonably withheld and will be given if the following conditions to the sale or other disposition are met or waived in writing by the Issuer: (A) there is delivered to the Trustee and the Issuer a written opinion of independent legal counsel reasonably satisfactory to the Trustee and the Issuer, addressed to the Trustee and the Issuer, concluding that the transferee has duly assumed all of the rights and obligations of the

Borrower under this Regulatory Agreement, the Loan Agreement, the Tax Exemption Agreement and the other Loan Documents and that each of the documents executed by the transferee in connection therewith has been duly authorized, executed and delivered by the transferee and is a valid and enforceable obligation of the transferee, subject to customary qualifications, (B) the Issuer receives a Favorable Opinion of Bond Counsel, with a copy to the Trustee and the Borrower, which opinion will be furnished at the expense of the Borrower or the transferee, (C) the Issuer receives a transfer fee equal to \$1,000, (D) the proposed purchaser or assignee executes any document requested by the Issuer with respect to assuming the obligations of the Borrower under this Regulatory Agreement, the Loan Agreement, the Tax Exemption Agreement and the other Loan Documents, (E) the Issuer has performed a previous participation review on the proposed purchaser or assignee or any affiliated party, the results of which are satisfactory to the Issuer in accordance with Title 10, Part 1, Chapter 1, Subchapter C, Section 1.301, Texas Administrative Code, and the Issuer does not further have any reason to believe the proposed purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements and instruments binding on such proposed purchaser or assignee relating to the Development, including but not limited to this Regulatory Agreement, the Loan Agreement, the Tax Exemption Agreement, the Security Instrument and other Loan Documents, (F) the transferee has met the requirements in Title 10, Part 1, Chapter 10, Subchapter E, Section 10.406, Texas Administrative Code, and (G) the Borrower or transferee have paid any and all fees or expenses of Bond Counsel incurred in association with its review and drafting of documents relating to the transfer. Notwithstanding anything to the contrary contained herein, the following shall be permitted and shall not require the prior written approval of the Issuer, (a) the transfer by the Investor Limited Partner of its non-Controlling interest in the Sole Member in accordance with the terms of the Organizational Documents of the Sole Member, (b) the removal of the general partner of the Sole Member in accordance with the Organizational Documents and the temporary replacement thereof with the Investor Limited Partner, the Investor Sponsor (as defined in the Loan Agreement), or any of their affiliates, (c) the transfer of ownership interests in the Investor Limited Partner, (d) upon the expiration of the tax credit compliance period, the transfer of interests of the Investor Limited Partner in the Sole Member to the general partner of the Sole Member, the Investor Sponsor, or any of their affiliates, and (e) any amendment to the Organizational Documents to memorialize the transfers of removal described above. For the purposes of the preceding sentence, "Control" or "Controlling" has the meaning given to such term in Title 10, Part 1, Subchapter A, Section 11.1, Texas Administrative Code. The foregoing provisions do not apply to transfer by foreclosure or deed in lieu of foreclosure or other similar involuntary transfers, but such provisions apply to any transfer subsequent to such involuntary transfers. The Borrower hereby expressly stipulates and agrees that any sale, transfer or other disposition of the Development in violation of this subsection will be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Upon any sale, transfer or other disposition of the Development in compliance with this Regulatory Agreement, the Borrower so selling, transferring or otherwise disposing of the Development will have no further liability for obligations under the Loan Agreement, this Regulatory Agreement or any other Loan Document arising after the date of such disposition. The foregoing notwithstanding, the duties of the Borrower as set forth in the Loan Agreement, this Regulatory Agreement or any other Loan Document with respect to matters arising prior to the date of such sale, transfer or other disposition will not terminate upon the sale, transfer or other disposition of the Development.

(b) No transfer of the Development will release the Borrower from its obligations under this Regulatory Agreement arising prior to the date of such transfer, but any such transfer in accordance with this Regulatory Agreement will relieve the Borrower of further liability for obligations under this Regulatory Agreement arising after the date of such transfer.

(c) The Borrower will not change the Sole Member or the general partner of the Sole Member by transfer, sale or otherwise without the prior written consent of the Issuer in accordance with Title 10, Part 1, Chapter 10, Subchapter E, Section 10.406, Texas Administrative Code. A change in the Sole Member or the general partner of the Sole Member includes any transfer of any controlling ownership interest in the Sole Member or the general partner of the Sole Member other than by death or incapacity.

Section 11. Term. This Regulatory Agreement and all and each of the provisions hereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section, will terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture; provided, however, that the provisions related to the Qualified Project Period that are not incorporated into the State Restrictive Period will terminate in their entirety at the end of the Qualified Project Period.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements set forth herein will terminate, without the requirement of any consent by the Issuer or the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal or State law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions hereof, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a “qualified residential rental project” that meets the requirements of the Code and State law including, but not limited to, the provisions set forth in Sections 1A through 6, 10, 11 and 12 of this Regulatory Agreement. The provisions of the preceding sentence will cease to apply and the requirements referred to therein will be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Development for federal income tax purposes or for the purposes of State law.

Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Trustee and the Borrower upon receipt of a Favorable Opinion of Bond Counsel.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments are not necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms. All costs, including fees and expenses, of the Issuer and the Trustee incurred in connection with the termination of this Regulatory Agreement will be paid by the Borrower and its successors in interest.

Section 12. Covenants to Run With the Land. The Borrower hereby subjects the Development (including the Development Site) to the covenants, reservations and restrictions set forth in this Agreement. The Issuer, the Trustee and the Borrower hereby declare that the covenants, reservations and restrictions set forth herein are covenants running with the land and will pass to and be binding upon the Borrower’s successors in title to the Development; provided, however, that upon the termination of this Regulatory Agreement said covenants, reservations and restrictions will expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Development or any portion thereof prior to the

termination of this Regulatory Agreement will 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 instrument.

No breach of any of the provisions of this Regulatory Agreement will impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Development or any portion thereof.

Section 13. Burden and Benefit. The Issuer, the Trustee and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Development is rendered less valuable thereby. The Issuer, the Trustee and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Development by Low-Income Tenants and Eligible Tenants and by furthering the public purposes for which the Bonds were issued.

Section 14. Uniformity; Common Plan. The covenants, reservations and restrictions hereof will apply uniformly to the entire Development in order to establish and carry out a common plan for the use, development and improvement of the Development Site.

Section 15. Default; Enforcement by the Trustee and Issuer. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured by the Borrower for a period of 60 days after written notice thereof has been given by the Issuer or the Trustee to the Borrower and the Investor Limited Partner at the Notice Addresses set forth in the Indenture at the Notice Address set forth in the Indenture, then the Trustee, acting on its own behalf or on behalf of the Issuer and after being indemnified as provided in the Indenture, will declare an "Event of Default" to have occurred hereunder; provided, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default will not constitute an Event of Default hereunder and will not be declared an Event of Default so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) the Borrower delivers to the Issuer and the Trustee a Favorable Opinion of Bond Counsel. The Issuer hereby agrees that any cure of any Event of Default hereunder made or tendered by the Investor Limited Partner shall be deemed to be cure by the Borrower, and shall be accepted or rejected by the Issuer on the same basis as if made or tendered by the Borrower.

During the existence of an Event of Default hereunder, the Trustee or the Issuer, each subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding, may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Development during regular business hours following reasonable notice; and
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer and the Trustee may obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder. In addition, if the Issuer succeeds in an action for specific performance of an obligation, covenant or agreement of the Borrower contained herein, it is entitled to the relief provided in Section 16(b) hereof to the extent provided in that provision.

All rights and remedies herein given or granted are cumulative, nonexclusive and in addition to any and all rights and remedies that the parties may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance provided for in this Section, promptly upon determining that a violation of this Regulatory Agreement has occurred, the Issuer will to the extent that it has actual knowledge thereof, by notice in writing, use its best efforts to inform the Trustee and the Borrower (provided that the failure to notify will not adversely affect the Issuer's or the Trustee's rights under this Regulatory Agreement) that a violation of this Regulatory Agreement has occurred.

It is specifically declared that this Regulatory Agreement or obligations hereunder may not be enforced by tenants or prospective tenants of the Development (except as described in Section 16 below) or, except as specifically provided in the Indenture, by the owners of the Bonds.

Section 16. Enforcement of Certain Provisions by Tenants and other Private Parties.

(a) During the existence of an Event of Default hereunder with respect to Sections 4(i), 4(j) and 5 hereof only, a tenant of the Development or any private party may, at its option by mandamus or other suit, including injunctive relief, require the Borrower to perform its obligations and covenants under Sections 4(i), 4(j) and 5 hereof.

(b) If the Issuer, a tenant of the Development, or any private party brings an action to enforce the obligations and covenants of the Borrower under Sections 4(i), 4(j) and 5 hereof, such party has the right to recover attorney's fees directly from the Borrower, without recourse to the Development, if such party is successful in an action seeking enforcement of the obligations and covenants of the Borrower hereunder. This is the only monetary relief a tenant of the Development or other private parties may receive under this Regulatory Agreement and any such recovery is subject to the provisions set forth in Section 15 above.

Section 17. The Trustee. The Trustee will act only as specifically provided herein, in the Indenture and in the Tax Exemption Agreement. Subject to the right of the Trustee to be indemnified as provided in the Indenture, the Trustee agrees to act as the agent of and on behalf of the Issuer when requested in writing by the Issuer to do so, and any act required to be performed by the Issuer as herein provided will be deemed taken if such act is performed by the Trustee. The Trustee is entering into this Regulatory Agreement solely in its capacity as Trustee under the Indenture, and the duties, powers, rights and obligations of the Trustee in acting hereunder will be subject to the provisions of the Indenture and the Tax Exemption Agreement, all of which are incorporated by reference herein. The incorporated provisions of the Indenture and the Tax Exemption Agreement are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture and the Tax Exemption Agreement.

Subject to the Trustee's rights under the Indenture, the Trustee will, at the direction of the Issuer, take reasonable actions to enforce compliance by the Borrower with the terms of this Regulatory Agreement. The Trustee may rely on certificates, reports or other information delivered to the Trustee, in

accordance with this Regulatory Agreement, without independent investigation and the Trustee's responsibility to review and monitor compliance hereunder will not extend beyond the Trustee's receipt of the certificates, reports, and other documents required to be submitted to the Trustee pursuant to this Regulatory Agreement.

The Trustee may resign or be removed only as provided in Sections 11.11 or 11.12, respectively, of the Indenture. Such resignation or removal will not be effective until a successor Trustee satisfying the requirements of the Indenture is appointed and has accepted its appointment. The Trustee's right to indemnification provided in the Loan Agreement will survive the resignation or removal of the Trustee and the termination of this Regulatory Agreement.

Upon discharge of the Indenture, the Borrower will pay to the Trustee a fee, in an amount mutually agreed upon by the Borrower and the Trustee at the time of such discharge, for the performance of the Trustee's duties under this Agreement through the date upon which all of the Bonds are to be paid in full. After the date upon which all of the Bonds have been paid in full, the Trustee shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 18. Recording and Filing. The Borrower will cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of Nueces County, Texas and in such other places as the Issuer or the Trustee may reasonably request. A file-stamped copy of this Regulatory Agreement and all amendments and supplements thereto will be delivered to the Trustee. The Borrower will pay all fees and charges incurred in connection with any such recording. This Regulatory Agreement is subject to and subordinate to all matters of record as of the date hereof.

Section 19. Reimbursement of Expenses. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture and the Tax Exemption Agreement, throughout the term of this Regulatory Agreement, the Borrower will continue to pay to the Issuer and the Trustee all fees and reimbursement for all expenses actually incurred thereby required to be paid to the Issuer and the Trustee by the Borrower pursuant to the Loan Agreement and the Tax Exemption Agreement.

Section 20. Governing Law. This Regulatory Agreement is governed by the laws of the State of Texas. The Trustee's rights, duties, powers and obligations hereunder are governed in their entirety by the terms and provisions of this Regulatory Agreement, the Loan Agreement, the Indenture and the Tax Exemption Agreement.

Section 21. Amendments. Subject to the provisions of Section 3 hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto, or their successors in title, and duly recorded in the real property records of Nueces County, Texas, and only upon receipt by the Issuer (with a copy to the Trustee and the Borrower) of a Favorable Opinion of Bond Counsel and an opinion of Bond Counsel that such action is not contrary to the provisions of the Act. In addition, for so long as the Loan is outstanding, this Regulatory Agreement may not be amended without HUD's prior written consent, with the exception of clerical errors or administrative correction of non-substantive matters, as set forth in Exhibit D hereto.

Section 22. Notices. Any notice required to be given hereunder to the Issuer, the Trustee, the Investor Limited Partner and the Borrower will be given in the manner and to the address (or facsimile numbers) set forth in the Indenture.

Section 23. Severability. If any provision of this Regulatory Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof will not in any way be affected or impaired thereby.

Section 24. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which constitute one and the same instrument, and each of which is deemed to be an original.

Section 25. Authorization to Act for Issuer. To the extent allowed by law, the Issuer hereby authorizes the Borrower to take on behalf of the Issuer all actions required or permitted to be taken by it hereunder, or under the Indenture and the Loan Agreement and to make on behalf of the Issuer all elections and determinations required or permitted to be made by the Issuer hereunder or under the Indenture and the Loan Agreement. In addition, the Issuer hereby authorizes the Borrower to exercise, on behalf of the Issuer, any election with respect to the Bonds pursuant to the Code or the Regulations, and the Issuer agrees to cooperate with the Borrower and execute any form of statement required by the Code or the Regulations to perfect any such election.

Section 26. Subordination and Incorporation of HUD Rider. Notwithstanding anything to the contrary herein, the HUD Rider to Restrictive Covenants attached hereto as Exhibit E is hereby incorporated herein for all purposes.

IN WITNESS WHEREOF, the Issuer, the Trustee and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS**, as Issuer

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to the Board

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

On this the _____ day of _____, 2021 personally appeared James B. "Beau" Eccles, Secretary to the Governing Board of the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas, who acknowledged that he executed the foregoing instrument for the purposes therein contained and in the capacity stated on behalf of said entity.

Notary Public Signature

My Commission expires: _____

(Personalized Seal)

REGIONS BANK, as Trustee

By: _____
Name: Gregory Pulley
Title: Assistant Vice President

ACKNOWLEDGMENT

STATE OF _____ §
 §
COUNTY OF _____ §

On this the _____ day of _____, 2021 personally appeared Gregory Pulley, an Assistant Vice President of Regions Bank, an Alabama banking corporation, who acknowledged that he executed the foregoing instrument for the purposes therein contained and in the capacity stated on behalf of said entity.

Notary Public Signature

My Commission expires: _____

(Personalized Seal)

EXHIBIT A

PROPERTY DESCRIPTION

[TO COME FROM BORROWER]

EXHIBIT B-1

DESCRIPTION OF DEVELOPMENT

Borrower: Oso Bay Apartments, LLC, a Texas limited liability company

Development: The Development is a 104-unit affordable, multifamily housing development known as Oso Bay Apartments, located at 7502 McArdle Road, Corpus Christi, Nueces County, TX 78412. It consists of eight (8) residential apartment buildings with approximately 84,792 net rentable square feet. The unit mix will consist of:

32	one-bedroom/one-bath units
56	two-bedroom/one-and-one-half-bath units
16	three-bedroom/two-bath units
<hr/>	
104	Total Units

Unit sizes will range from approximately 654 square feet to approximately 1,048 square feet.

EXHIBIT B-2

DEVELOPMENT AMENITIES

“Development Amenities” means the amenities for which the Development was awarded points by the Issuer, pursuant to Section 2306.359 of the Texas Government Code, during the Private Activity Bond Program pre-application scoring process.

Development Common Amenities must include at least fourteen (14) points selected from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of amenities from each section. The Borrower may change, from time to time, the amenities offered; however, the overall points must remain the same. The tenant must be provided written notice of the elections made by the Borrower.

(i) Community Space for Resident Supportive Services

(I) Except in Applications where more than 10% of the units in the proposed Development are Supportive Housing SRO Units, an Application may qualify to receive half of the points required under 10 TAC §11.101(b)(5)(A)(i)-(vi) by electing to provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site. To receive the points the Applicant must commit to all of items (-a-) - (-c-) of this subclause.

(-a-) Space and Design. The educational space for the HQ Pre-K program must be provided on the Development Site and must be a suitable and appropriately designed space for educating children that an independent school district or open-enrollment charter school can utilize to establish and operate a HQ Pre-K program. This space includes at a minimum a bathroom and large closet in the classroom space; appropriate design considerations made for the safety and security of the students; including limited and secure ingress and egress to the classroom space; and satisfaction of the requirements of all applicable building codes for school facilities. The Applicant must provide in the Application a copy of the current school facility code requirements applicable to the Development Site and Owner and Architect certifications that they understand the associated space and design requirements reflected in those code requirements. The Application must also include acknowledgement by all lenders, equity providers and partners that the Application includes election of these points.

(-b-) Educational Provider. The Applicant must enter into an agreement, addressing all items as described in subitems (-1-) - (-5-) below, and provide evidence of such agreement to the Department on or before submission of the Cost Certification. Lack of evidence of such agreement by the deadline will be cause for rescission of the Carryover Agreement or Determination Notice, as applicable.

(-1-) The agreement must be between the Owner and any one of the following: a school district; open- enrollment charter school; or Education Service Center. Private schools and private childcare providers, whether nonprofit or for profit, are not eligible parties, unless the private school or private childcare provider has entered into a partnership with a school district or open-enrollment charter school

to provide a HQ Pre-K program in accordance with Texas Education Code Chapter 29, Subchapter E-1.

(-2-) The agreement must reflect that at the Development Site the educational provider will provide a HQ Pre-K program, in accordance with Texas Education Code Chapter 29, Subchapter E-1, at no cost to residents of the proposed Development and that is available for general public use, meaning students other than those residing at the Development may attend.

(-3-) Such agreement must reflect a provision that the option to operate the HQ Pre-K program in the space at the Development Site will continue to be made available to the school or provider until such time as the school or provider wishes to withdraw from the location. This provision will not limit the Owner's right to terminate the agreement for good cause.

(-4-) Such agreement must set forth the responsibility of each party regarding payment of costs to use the space, utility charges, insurance costs, damage to the space or any other part of the Development, and any other costs that may arise as the result of the operation of the HQ Pre-K program.

(-5-) The agreement must include provision for annual renewal, unless terminated under the provisions of item (-c-).

(-c-) If an education provider who has entered into an agreement becomes defunct or elects to withdraw from the agreement and provision of services at the location, as provided for in subitem (-b-)(-3-) of this subclause, the Owner must notify the Texas Commissioner of Education at least 30 days prior to ending the agreement to seek out any other eligible parties listed in subitem (-b-)(-1-) of this subclause above. If another interested open-enrollment charter school or school district is identified by the Texas Commissioner of Education or the Owner, the Owner must enter into a subsequent agreement with the interested open-enrollment charter school or school district and continue to offer HQ Pre-K services. If another interested provider cannot be identified, and the withdrawing provider certifies to the Department that their reason for ending the agreement is not due to actions of the Owner, the Owner will not be considered to be in violation of its commitment to the Department. If the Owner is not able to find a provider, they must notify the Commissioner annually of the availability of the space.

(II) Multifunctional learning and care center(s) or conference room(s) with the appropriate furnishings to deliver the Resident Supportive Services pertaining to classes or care for children and selected by the Development Owner. The room(s) devoted to meeting this requirement must equal 15 square feet times the total number of Units, but need not exceed 2,000 square feet in total. This space must be separate from any other community space but may include a full kitchen. The room(s) must include storage space, such as closets or cabinetry (4 points);

(III) Multifunctional learning and care center(s) or conference room(s) with the appropriate furnishings to deliver the Resident Supportive Services pertaining to classes or care for adults and selected by the Development Owner. The room(s) devoted to meeting this requirement must equal 10 square feet times the total number of Units, but need not exceed 1,000 square feet in total. This space must be separate from any other community space but may include a full kitchen. The room(s) must include storage space, such as closets or

cabinetry (2 points);

(IV) Service provider office in addition to leasing offices (1 point);

(ii) Safety

(I) Controlled gate access for entrance and exit areas, intended to provide access that is limited to the Development's tenancy (1 point);

(II) Secured Entry (applicable only if all Unit entries are within the building's interior) (1 point);

(III) Twenty-four hour, seven days a week monitored camera/security system in each building. Monitoring may be on-site or off-site (2 points);

(IV) Twenty-four hour, seven days a week recorded camera / security system in each building (1 point);

(V) The provision of a courtesy patrol service that, at a minimum, answers after-hour resident phone calls regarding noise and crime concerns or apartment rules violations and that can dispatch to the apartment community a courtesy patrol officer in a timely manner (3 points);

(iii) Health/ Fitness / Play

(I) Accessible walking/jogging path, equivalent to the perimeter of the Development or a length that reasonably achieves the same result, separate from a sidewalk and in addition to required accessible routes to Units or other amenities (1 point);

(II) Furnished fitness center. Equipped with a variety of fitness equipment (at least one item for every 40 Units). Choose from the following: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, multi-functional weight bench, stair-climber, dumbbell set, or other similar equipment. Equipment shall be commercial use grade or quality. Fitness center must be located indoors or be a designated room with climate control and allow for after-hours access. (1 point);

(III) Furnished fitness center. Equipped with a variety of fitness equipment (at least one item for every 20 Units). Choose from the following: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, multi-functional weight bench, stair-climber, dumbbell set, or other similar equipment. Equipment shall be commercial use grade or quality. Fitness center must be located indoors or be a designated room with climate control and allow for after-hours access. (2 points);

(IV) One Children's Playscape Equipped for five to 12 year olds, or one Tot Lot (2 points). Must be covered with a shade canopy or awning, intended to keep equipment cool, and provide shade and ultraviolet protection. This item can only be selected if clause (V) of this subparagraph is not selected; or

(V) Two Children's Playscapes Equipped for five to 12 year olds, two Tot Lots, or one of each (4 points). Must be covered with a shade canopy or awning, intended to keep equipment cool, and provide shade and ultraviolet protection. This item can only be

selected if clause (IV) of this subparagraph is not selected;

(VI) Horseshoe pit; putting green; shuffleboard court; pool table; ping pong table; or similar equipment in a dedicated location accessible to all residents to play such games (1 point);

(VII) Swimming pool (3 points);

(VIII) Splash pad/water feature play area (1 point);

(IX) Sport Court or field (including, but not limited to, Tennis, Basketball, Volleyball, Soccer or Baseball Field) (2 points);

(iv) Design / Landscaping

(I) Full perimeter fencing that contains the parking areas and all amenities (excludes guest or general public parking areas) (2 points);

(II) Enclosed community sun porch or covered community porch/patio (1 point);

(III) Dog Park area that is fully enclosed (the perimeter fencing may be used for part of the enclosure) and intended for tenant owned dogs to run off leash (requires that the Development allow dogs) (1 point);

(IV) Shaded rooftop or structural viewing deck of at least 500 square feet (2 points);

(V) Porte-cochere (1 point);

(VI) Lighted pathways along all accessible routes (1 point);

(VII) a resident-run community garden with annual soil preparation and mulch provided by the Owner and access to water (which may be subject to local water usage restrictions) (1 point);

(v) Community Resources

(I) Gazebo, covered pavilion, or pergola with sitting area (seating must be provided) (1 point);

(II) Community laundry room with at least one washer and dryer for every 40 Units (2 points);

(III) Barbecue grill and picnic table with at least one of each for every 50 Units (1 point). Grill must be permanently installed (no portable grills);

(IV) Business center with workstations and seating internet access, 1 printer and at least one scanner which may be integrated with the printer, and either 2 desktop computers or laptops available to check-out upon request (2 points);

(V) Furnished Community room (2 points);

- (VI) Library with an accessible sitting area (separate from the community room) (1 point);
- (VII) Activity Room stocked with supplies (Arts and Crafts, board games, etc.) (2 points);
- (VIII) Community Dining Room with full or warming kitchen furnished with adequate tables and seating (3 points);
- (IX) Community Theater Room equipped with a 52 inch or larger screen or projection with surround sound equipment; DVD player or a streaming service at no cost to residents; and seating (3 points);
- (X) High-speed Wi-Fi of 10 Mbps download speed or more with coverage throughout the clubhouse or community building (1 point);
- (XI) High-speed Wi-Fi of 10 Mbps download speed or more with coverage throughout the Development (2 points);
- (XII) Bicycle parking that allows for, at a minimum, one bicycle for every five Units, within reasonable proximity to each residential building that allows for bicycles to be secured with lock (lock not required to be provided to tenant) (1 point);
- (XIII) Package Lockers. Automated Package Lockers provided at a location within the complex that can be accessed by residents 24/7 and at no charge to the resident. To qualify, there would need to be at least one locker for every eight residential units (2 points);
- (XIV) Recycling Service (includes providing a storage location and service for pick-up) (1 point);
- (XV) Community car vacuum station (1 point).

Unit, Development Construction and Energy and Water Efficiency Features. The Development must include at least nine (9) points selected from the following list. At least two (2) points must be selected from clause (iii) Energy and Water Efficiency Features. The development must maintain the points associated with those amenities by maintaining the amenity selected or providing substitute amenities with equal or higher point values.

(i) Unit Features

- (I) Covered entries (0.5 point);
- (II) Nine foot ceilings in living room and all Bedrooms (at minimum) (1 point);
- (III) Microwave ovens (0.5 point);
- (IV) Self-cleaning or continuous cleaning ovens (0.5 point);
- (V) Storage room or closet, of approximately 9 square feet or greater, separate from and in addition to Bedroom, entryway or linen closets and which does not need to be in the Unit but must be on the Property site (0.5 point);
- (VI) Covered patios or covered balconies (0.5 point);

(VII) High Speed Internet service to all Units (can be wired or wireless; required equipment for either must be provided) (1 point);

(VIII) Built-in (recessed into the wall) shelving unit (0.5 point);

(IX) Breakfast Bar (a space, generally between the kitchen and dining area, that includes an area for seating although actual seating such as bar stools does not have to be provided) (0.5 point);

(X) Walk-in closet in at least one Bedroom (0.5 point);

(XI) 48" upper kitchen cabinets (1 point);

(XII) Kitchen island (0.5 points);

(XIII) Kitchen pantry with shelving (may include the washer/dryer unit for Rehabilitation Developments only) (0.5 point);

(XIV) Natural stone or quartz countertops in kitchen and bath (1 point);

(XV) Double vanity in at least one bathroom (0.5 point); and

(XVI) Hard floor surfaces in over 50% of unit NRA (0.5 point).

(ii) Development Construction Features

(I) Covered parking (may be garages or carports, attached or freestanding) and include at least one covered space per Unit (1.5 points);

(II) Thirty year roof (0.5 point);

(III) Greater than 30% stucco or masonry (includes stone, cultured stone, and brick but excludes cementitious and metal siding) on all building exteriors; the percentage calculation may exclude exterior glass entirely (2 points);

(IV) Electric Vehicle Charging Station (0.5 points);

(V) An Impact Isolation Class (IIC) rating of at least 55 and a Sound Transmission Class (STC) rating of 60 or higher in all Units, as certified by the architect or engineer of record (3 points); and

(VI) Green Building Features. Points under this item are intended to promote energy and water conservation, operational savings and sustainable building practices. Four (4) points may be selected from only one of the categories described in items (-a-)-(-d-) of this subclause. If the Development involves scattered sites, there must be green building features incorporated into each site in order to qualify for these points.

(-a-) Enterprise Green Communities. The Development must incorporate all mandatory and optional items applicable to the construction type (i.e. New Construction, Rehabilitation, etc.) as provided in the most recent version of the

Enterprise Green Communities Criteria found at
<http://www.greencommunitiesonline.org>.

(-b-) Leadership in Energy and Environmental Design (LEED). The Development must incorporate, at a minimum, all of the applicable criteria necessary to obtain a LEED Certification, regardless of the rating level achieved (i.e., Certified, Silver, Gold or Platinum).

(-c-) ICC/ASHRAE - 700 National Green Building Standard (NGBS). The Development must incorporate, at a minimum, all of the applicable criteria necessary to obtain a NGBS Green Certification, regardless of the rating level achieved (i.e. Bronze, Silver, Gold, or Emerald).

(-d-) 2018 International Green Construction Code.

(iii) Energy and Water Efficiency Features

(I) Energy-Star or equivalently rated refrigerator with icemaker (0.5 point);

(II) Energy-Star or equivalently rated laundry equipment (washers and dryers) for each individual Unit; must be front loading washer and dryer in required accessible Units (2 points);

(III) Recessed LED lighting or LED lighting fixtures in kitchen and living areas (1 point);

(IV) Energy-Star or equivalently rated ceiling fans in all Bedrooms (0.5 point);

(V) EPA WaterSense or equivalent qualified toilets in all bathrooms (0.5 point);

(VI) EPA WaterSense or equivalent qualified showerheads and faucets in all bathrooms (0.5 point);

(VII) 15 SEER HVAC, or in Region 13, an efficient evaporative cooling system. For Rehabilitation (excluding Reconstruction) where such systems are not being replaced as part of the scope of work, a radiant barrier in the attic is provided, (1 point);

(VIII) 16 SEER HVAC, for New Construction or Rehabilitation (1.5 points); and

(IX) A rainwater harvesting/collection system or locally approved greywater collection system (0.5 points).

EXHIBIT C

TENANT SUPPORTIVE SERVICES

The tenant supportive services to be provided must include at least eight (8) points selected from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of services from each section. The Borrower may change, from time to time, the services offered; however, the overall points as selected at Application must remain the same. Should the Department's rules in subsequent years provide difference services than those listed below, the Borrower may be allowed to select services listed therein upon written consent from the Issuer, and any services selected must be of similar value to the service the Borrower is intending to replace. The services provided should be those that will directly benefit the Target Population of the Development. Tenants must be provided written notice of the elections made by the Borrower.

(A) Transportation Supportive Services

- (i) shuttle, at least three days a week, to a grocery store and pharmacy or a major, big-box retailer that includes a grocery store and pharmacy, OR a daily shuttle, during the school year, to and from nearby schools not served by a school bus system for children who live at the Development (3.5 points);
- (ii) monthly transportation to community/social events such as mall trips, community theatre, bowling, organized tours, etc. (1 point);

(B) Children Supportive Services

- (i) provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site meeting the requirements of 10 TAC §11.101(b)(5)(C)(i)(I). (Half of the points required under 10 TAC §11.101(b)(7));
- (ii) Twelve hours of weekly, organized, on-site services provided to K-12 children by a dedicated service coordinator or third-party entity. Services include after-school and summer care and tutoring, recreational activities, character building programs, mentee opportunities, test preparation, and similar activities that promote the betterment and growth of children and young adults (3.5 points);

(C) Adult Supportive Services

- (i) Four hours of weekly, organized, on-site classes provided to an adult audience by persons skilled or trained in the subject matter being presented, such as English as a second language classes, computer training, financial literacy courses, health education courses, certification courses, GED preparation classes, resume and interview preparatory classes, general presentations about community services and resources, and any other course, class, or presentation that may equip residents with new skills that they may wish to develop (3.5 points);
- (ii) annual income tax preparation (offered by an income tax prep service) or IRS-certified VITA (Volunteer Income Tax Assistance) program (offered by a qualified individual) that also emphasizes how to claim the Earned Income Tax Credit (1 point);
- (iii) contracted career training and placement partnerships with local worksource offices, culinary programs, or vocational counseling services; may include resident training programs that train and hire residents for job opportunities inside the development in areas like leasing, tenant services, maintenance, landscaping, or food and beverage operation (2 points);

(iv) external partnerships for provision of weekly substance abuse meetings at the Development Site (1 point);

(D) Health Supportive Services

(i) food pantry consisting of an assortment of non-perishable food items and common household items (i.e. laundry detergent, toiletries, etc.) accessible to residents at least on a monthly basis or upon request by a resident. While it is possible that transportation may be provided to a local food bank to meet the requirement of this resident service, the resident must not be required to pay for the items they receive at the food bank (2 points);

(ii) annual health fair provided by a health care professional (1 point);

(iii) weekly exercise classes (offered at times when most residents would be likely to attend) (2 points);

(iv) contracted onsite occupational or physical therapy services for Elderly Developments or Developments where the service is provided for Persons with Disabilities and documentation to that effect can be provided for monitoring purposes (2 points);

(E) Community Supportive Services

(i) partnership with local law enforcement or local first responders to provide quarterly on-site social and interactive activities intended to foster relationships with residents (such activities could include playing sports, having a cook-out, swimming, card games, etc.) (2 points);

(ii) Notary Services during regular business hours (§2306.6710(b)(3)) (1 point);

(iii) twice monthly arts, crafts, and other recreational activities (e.g. Book Clubs and creative writing classes) (1 point);

(iv) twice monthly on-site social events (i.e. potluck dinners, game night, sing-a-longs, movie nights, birthday parties, holiday celebrations, etc.) (1 point);

(v) specific service coordination services offered by a qualified Owner or Developer, qualified provider or through external, contracted parties for seniors, Persons with Disabilities or Supportive Housing (3 points);

(vi) weekly home chore services (such as valet trash removal, assistance with recycling, furniture movement, etc., and quarterly preventative maintenance including light bulb replacement) for Elderly Developments or Developments where the service is provided for Persons with Disabilities and documentation to that effect can be provided for monitoring purposes (2 points);

(vii) any of the programs described under Title IV-A of the Social Security Act (42 U.S.C. §§601, et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of unplanned pregnancies; and encourages the formation and maintenance of two-parent families (1 point);

(viii) a part-time resident services coordinator with a dedicated office space at the Development or a contract with a third-party to provide the equivalent of 15 hours or more of weekly resident supportive services at the Development (2 points);

(ix) provision, by either the Development Owner or a community partner, of an education tuition- or savings-match program or scholarships to residents who may attend college (2 points).

EXHIBIT D

INITIAL MAXIMUM RENTS

The maximum monthly rent charged by the Borrower for 80% of the Units will not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding sentence, the amount of the income limitation for any period shall not be less than such limitation applicable, taking into consideration the gross rent floor provided in accordance with Revenue Procedure 94-57.

The following rents, including utilities allowances, are based on the 2020 Multifamily Tax Subsidy Program Income Limits that were issued April, 2020, and are adjusted annually. A utility allowance must be deducted from these rents to determine maximum allowable rents.

A. 60% rent limits:

<u>Bedroom Size</u>	<u>Rent Limit</u>
Efficiency	\$856
1-Bedroom	\$917
2-Bedroom	\$1,101

EXHIBIT E

HUD RIDER TO RESTRICTIVE COVENANTS

This HUD RIDER TO RESTRICTIVE COVENANTS (“Rider”) is made as of [February] 1, 2021, by OSO BAY APARTMENTS, LLC, a Texas limited liability company (“Borrower”) and TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (“Issuer”).

WHEREAS, Borrower has obtained financing from Regions Bank, an Alabama banking corporation (“Lender”) for the benefit of the project known as Oso Bay Apartments (the “Project”), which loan is secured by a Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (“Security Instrument”) dated as of [February] 1, 2021, and to be recorded in the Official Public Records of Nueces County, Texas (“Records”) and is insured by the United States Department of Housing and Urban Development (“HUD”);

WHEREAS, Issuer has issued its Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”) and will make a loan funded with proceeds of the Bonds to Borrower to enable Borrower to finance a portion of the costs of the Project;

WHEREAS, in connection with the issuance of the Bonds, Borrower, Issuer and Regions Bank entered into a Regulatory and Land Use Restriction Agreement, dated as of [February] 1, 2021 (the “Regulatory Agreement”) with respect to the Project located on land more particularly described in Exhibit A attached thereto;

WHEREAS, HUD requires as a condition of its insuring Lender’s financing to the Project, that the lien and covenants of the Regulatory Agreement be subordinated to the lien, covenants, and enforcement of the Security Instrument; and

WHEREAS, Issuer has agreed to subordinate the Regulatory Agreement to the lien of the Security Instrument in accordance with the terms of this Rider.

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

(a) In the event of any conflict between any provision contained elsewhere in the Regulatory Agreement and any provision contained in this Rider, the provision contained in this Rider shall govern and be controlling in all respects as set forth more fully herein.

(b) The following terms shall have the following definitions:

“Code” means the Internal Revenue Code of 1986, as amended.

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

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

“Lender” means Regions Bank, an Alabama banking corporation, its successors and assigns.

“Mortgage Loan” means the mortgage loan made by Lender to the Borrower pursuant to the Mortgage Loan Documents with respect to the Project.

“Mortgage Loan Documents” means the Security Instrument, the HUD Regulatory Agreement and all other documents required by HUD or Lender in connection with the Mortgage Loan.

“National Housing Act” means the National Housing Act of 1934, as amended.

“Program Obligations” has the meaning set forth in the Security Instrument.

“Residual Receipts” has the meaning specified in the HUD Regulatory Agreement.

“Security Instrument” means the mortgage or deed of trust from Borrower in favor of Lender, as the same may be supplemented, amended or modified.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

(c) Notwithstanding anything in the Regulatory Agreement to the contrary, the provisions thereof are expressly subordinate to (i) the Mortgage Loan Documents, including without limitation, the Security Instrument, and (ii) Program Obligations (the Mortgage Loan Documents and Program Obligations are collectively referred to herein as the “HUD Requirements”). Borrower covenants that it will not take or permit any action that would result in a violation of the Code, HUD Requirements or Regulatory Agreement. In the event of any conflict between the provisions of the Regulatory Agreement and the provisions of the HUD Requirements, HUD shall be and remains entitled to enforce the HUD Requirements. Notwithstanding the foregoing, nothing herein limits Issuer’s ability to enforce the terms of the Regulatory Agreement, provided such terms do not conflict with statutory provisions of the National Housing Act or the regulations related thereto. The Borrower represents and warrants that to the best of Borrower’s knowledge the Regulatory Agreement impose no terms or requirements that conflict with the National Housing Act and related regulations.

(d) In the event of foreclosure (or deed in lieu of foreclosure), the Regulatory Agreement (including without limitation, any and all land use covenants and/or restrictions contained herein) shall terminate with the exception of the requirements of Section 11 of the Regulatory Agreement requiring that any outstanding Bonds be retired in full.

(e) Borrower and Issuer acknowledge that Borrower’s failure to comply with the covenants provided in the Regulatory Agreement does not and shall not serve as a basis for default under the HUD Requirements, unless a default also arises under the HUD Requirements.

(f) Except for Issuer’s reporting requirement, in enforcing the Regulatory Agreement the Issuer will not file any claim against the Project, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Security Instrument or HUD Regulatory Agreement, or the rents or other income from the Project other than a claim against:

- i. Available Surplus Cash, if the Borrower is a for-profit entity;
- ii. Available distributions of Surplus Cash and Residual Receipts authorized for release by HUD, if the Borrower is a limited distribution entity; or
- iii. Available Residual Receipts authorized by HUD, if the Borrower is a non-profit entity.

(g) For so long as the Mortgage Loan is outstanding, Borrower and Issuer shall not further amend the Regulatory Agreement, with the exception of clerical errors or administrative correction of non-substantive matters, without HUD's prior written consent.

(h) Subject to the HUD Regulatory Agreement, Issuer may require Borrower to indemnify and hold Issuer harmless from all loss, cost, damage and expense arising from any claim or proceeding instituted against Issuer relating to the subordination and covenants set forth in the Regulatory Agreement, provided, however, that Borrower's obligation to indemnify and hold Issuer harmless shall be limited to available Surplus Cash and/or Residual Receipts of Borrower.

(i) Notwithstanding anything to the contrary contained herein, it is not the intent of any of the parties hereto to adversely affect the exclusion of interest on the Bonds or any portion thereof related to any potential conflicts between the HUD Requirements and the Regulatory Agreement. Borrower represents and warrants that to the best of Borrower's knowledge the HUD Requirements impose no requirements which may be inconsistent with full compliance with the Regulatory Agreement. The acknowledged purpose of the HUD Requirements is to articulate requirements imposed by HUD, consistent with its governing statutes, and the acknowledged purpose of the Regulatory Agreement is to articulate requirements imposed by Section 142 of the Code. In the event an apparent conflict between the HUD Requirements and the Restrictive Covenant arises, the parties and HUD will work in good faith to determine which federally imposed requirement is controlling. It is the primary responsibility of the Borrower, with advice of counsel, to determine that it will be able to comply with the HUD Requirements and its obligations under the Regulatory Agreement. In the event that it is determined that a HUD requirement is controlling and renders compliance with any requirement imposed under Section 142 of the Code not feasible, the tax-exempt status of the Bonds may be jeopardized, and the Borrower expressly acknowledges and agrees that the Issuer assumes no liability or responsibility for that risk and that Borrower will take, at its own expense, any alternate action requested by Issuer to preserve the tax-exempt status of the Bonds.

EXHIBIT F



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
Leo Vasquez, *Chair*
Leslie Bingham, *Vice Chair*
Paul A. Braden, *Member*
Ajay Thomas, *Member*
Sharon Thomason, *Member*

**Multi Family Mortgage Revenue Bond
Qualified Project Period**

The Texas Department of Housing and Community Affairs require the information in Sections A and B below to compute the Qualified Project Period for Mortgage Revenue Bond properties. Please complete the form as the appropriate dates are identified. Upload this form in TDHCA's Compliance Monitoring Tracking System (CMTS) to the attention of Sussette Kenney immediately after the property reaches the 50% Occupancy Date.

Section A

Property Name	
Address	
Contact Name	
Contact Phone #	

Section B

Initial Bond Closing Date	
Date First Unit Occupied	
10% Occupancy Date	
50% Occupancy Date	
50% Occupancy Date + 15 years	

Signature _____ Date _____

Printed Name _____ Title _____



Promissory Note

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

[\$14,000,000]

February [___], 2021

FOR VALUE RECEIVED, Oso Bay Apartments, LLC, a limited liability company duly formed and validly existing under the laws of the State of Texas (the "*Borrower*"), by this promissory note hereby promises to pay to the order of the Texas Department of Housing and Community Affairs (the "*Issuer*") the principal sum of [**Fourteen Million**] Dollars, together with interest on the unpaid principal amount hereof, from the Closing Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Bonds. All such payments of principal and interest shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the designated corporate trust office (initially, in Houston, Texas) of Regions Bank, an Alabama banking corporation, or its successor as trustee under the Indenture.

The principal and interest shall be payable on the dates that principal and interest on the Bonds are payable, as provided in the Indenture and the Agreement.

This promissory note is the "Note" referred to in the Loan Agreement, dated as of [February] 1, 2021 (as the same may be amended, modified or supplemented from time to time, the "*Agreement*"), between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to Regions Bank, as trustee (the "*Trustee*") under the Trust Indenture dated as of [February] 1, 2021 (as the same may be amended, modified or supplemented from time to time, the "*Indenture*"), between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of the Issuer's Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the "*Bonds*"), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture and the Bonds are hereby incorporated as a part of this Note.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay reasonable costs of collection and reasonable attorneys' fees in case of default on this Note.

This Note shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to conflict of laws principles.

So long as the Secretary of Housing and Urban Development or his/her successors or assigns, are the insurers or holders of the first mortgage on Oso Bay Apartments, FHA No. 115-

35927, the total payment(s) due under this Note, and all other secondary debt instruments shall be payable and shall not cumulatively exceed 75% of available surplus cash. Non-project sources that are outside the Mortgaged Property may also be used to repay subordinate financing. The term surplus cash is defined in the Regulatory Agreement dated as of [_____] 1, 2021] between HUD and Oso Bay Apartments, LLC. The restriction on payment(s) imposed by this paragraph shall not excuse any default caused by the failure of the maker to pay the indebtedness evidenced by this Note.

[Signatures continue next page.]

BORROWER:

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SUBORDINATE MULTIFAMILY DEED OF TRUST,
SECURITY AGREEMENT AND FIXTURE FILING

from

OSO BAY APARTMENTS, LLC,
Grantor,

to

[____],
Trustee,

for the benefit of
REGIONS BANK

and

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
together, Grantee

Dated as of [February] 1, 2021

Relating to:

[\$14,000,000]

Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments), Series 2021

THIS SECURITY INSTRUMENT IS TO BE FILED AND INDEXED IN THE REAL ESTATE RECORDS AND IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS UNDER THE NAMES OF GRANTOR AS "DEBTOR" AND GRANTEE AS "SECURED PARTY." THIS INSTRUMENT SHALL ALSO BE EFFECTIVE FROM THE DATE OF ITS RECORDING AS A FINANCING STATEMENT FILED AS A FIXTURE FILING WITH RESPECT TO ALL GOODS CONSTITUTING PART OF THE PROPERTY WHICH ARE OR ARE TO BECOME FIXTURES.

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**SUBORDINATE MULTIFAMILY DEED OF TRUST,
SECURITY AGREEMENT AND FIXTURE FILING**

This SUBORDINATE MULTIFAMILY DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING, dated as of [February] 1, 2021 (as the same may be amended, modified or supplemented from time to time, this “**Deed of Trust**”), by OSO BAY APARTMENTS, LLC, a Texas limited liability company (together with its successors and assigns, “**Grantor**”), having its principal office at [c/o **Vitus Group, LLC, 1700 Seventh Avenue, Suite 2000, Seattle, WA 98101**], to [_____] and her successors and assigns (the “**Trustee**”), for the benefit of REGIONS BANK, as trustee (together with any successor trustee under the Indenture described below and their respective successors and assigns, the “**Bond Trustee**”), an Alabama banking corporation, having offices at 3773 Richmond Avenue, Suite 1100, Houston, Texas 77046 and TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (the “**Issuer**” and, together with the Bond Trustee, the “**Grantee**”), a public and official agency of the State of Texas having offices at 221 East 11th Street, Austin, TX 78701.

W I T N E S S E T H:

WHEREAS, the Issuer is authorized by the provisions of Chapter 2306, Texas Government Code, as amended (the “**Act**”), to issue one or more series of its revenue bonds and loan the proceeds thereof to finance residential rental housing facilities for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, by proceedings adopted pursuant to and in accordance with the provisions of the Act, the Issuer has authorized the issuance of its Multifamily Housing Revenue Bonds (Oso Bay Apartments), Series 2021, in the original aggregate principal amount of \$[14,000,000] (the “**Bonds**”) pursuant to a Trust Indenture between the Issuer and the Bond Trustee dated as of the date hereof (as the same may be modified, amended or supplemented from time to time, the “**Indenture**”); and

WHEREAS, Grantor proposes to borrow an amount equal to a portion of the aggregate principal amount of the Bonds (the “**Loan**”) from the Issuer pursuant to that certain Loan Agreement dated as of [February] 1, 2021 by and among the Issuer and the Grantor (as the same may be amended, modified or supplemented from time to time, the “**Loan Agreement**”); and

WHEREAS, Grantor has executed and delivered to the Issuer, and the Issuer has assigned to the Bond Trustee, that certain promissory note dated [February] 1, 2021 (as the same may be amended, modified or supplemented from time to time, the “**Note**”), which evidences the portion of the amount of the Bonds corresponding to the aggregate principal amount of the Loan (the “**Loan Amount**”) being \$[14,000,000] and being made pursuant to the Loan Agreement; and

WHEREAS, the proceeds of the Loan will be utilized by Grantor to pay the costs of acquiring, equipping and rehabilitating a multifamily rental housing development known as Oso Bay Apartments (the “**Development**”); and

WHEREAS, the Note provides that the Loan matures on the final maturity date of the Bonds, being [September 1, 2024] (the “**Maturity Date**”), upon which date all of the outstanding and unpaid principal and interest under the Note will be due and payable; and

WHEREAS, the Issuer requires that this Deed of Trust be executed and delivered as a condition to making the Loan and as security for the Grantor’s obligations under the Loan Agreement and the Note.

GRANTING CLAUSES

NOW, THEREFORE, in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, in order to secure the payment of the Indebtedness (as hereinafter defined), together with the interest thereon, at the rates and payable at the time and in the manner specified in the Bond Mortgage Loan Documents (as hereinafter defined), and any other sums payable under the Bond Mortgage Loan Documents; and to secure the performance and observance of all the provisions of the Bond Mortgage Loan Documents, including, without limitation, the repayment to Grantee of the Loan and any other sums advanced by Grantee hereunder or under any other Bond Mortgage Loan Document, Grantor hereby grants, bargains, sells, warrants, conveys, assigns, sets over and confirms to Trustee, in trust for the benefit of Grantee, with power of sale, and grants to Grantee a security interest and lien in, all of the following (all of which is hereinafter collectively referred to as the “**Mortgaged Property**”):

I. All of the real property located in Nueces County, Texas and more fully described on Exhibit A attached hereto (the “**Land**”) including all and singular, the easements, rights, privileges, tenements, hereditaments and appurtenances (including air rights) thereunto belonging or in any way appertaining thereto, and the reversion and the remainder thereof; and all of the estate, right, title, interest, claim or demand of Grantor therein and in and to any land lying in the bed of any street, road or avenue, open or proposed, thereof, either at law or in equity, in possession or expectancy, now or hereafter acquired and in all strips and gores therein or adjoining thereto, the air space and right to use said air space thereinabove and all rights of ingress and egress by motor vehicles to parking facilities thereon or therein;

II. All (i) buildings and other improvements and additions thereto now erected or hereafter constructed or placed upon the Land or any part thereof (the “**Improvements**”); (ii) the name or names, if any, as may now or hereafter be used for each Improvement or otherwise in connection with the Land, and the books and records and good will associated therewith, and all licenses, permits, and approvals in connection with the construction and operation of the Improvements; and (iii) refrigerators, dishwashers, air conditioners, microwave ovens, washers, dryers, exercise equipment, lawn care equipment, pool equipment and furniture, devices, apparatus, interior improvements, appurtenances, heating, electrical, mechanical, lighting, plumbing, ventilating, air conditioning, refrigerating, incinerating and elevator equipment and systems, stoves, ranges, vacuum cleaning systems, call systems, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors, machinery, pipes, appliances, fittings, fixtures, equipment and building materials of every kind and nature whatsoever now or hereafter attached to or placed in or upon the Land or the Improvements, or any part thereof, or used or procured for use in connection with the operation of the Land or the Improvements or

any business conducted thereon (except for fixtures and personal property that are at any time the property of Space Tenants, as hereinafter defined), all of the foregoing items set forth in this clause (iii), except as aforesaid, hereinafter collectively called the “**Equipment**”;

III. All of Grantor’s right, title, and interest in and to all screens, awnings, shades, blinds, curtains, draperies, carpets, rugs, furniture, furnishings, decorations, chattels and other personal property now or hereafter in, on or at said Land (except for trade fixtures, furniture and furnishings that are at any time the property of Space Tenants), all of the foregoing, except as aforesaid, hereinafter collectively called the “**Furnishings**”;

IV. All unearned premiums, accrued, accruing or to accrue under insurance policies now or hereafter obtained, or caused to be obtained, by Grantor and all proceeds of the conversion, voluntary or involuntary, of the Mortgaged Property or any part thereof into cash or liquidated claims, including, without limitation, proceeds of casualty insurance, title insurance or any other insurance maintained on the Land, the Improvements, the Equipment or the Furnishings or any part of any thereof (collectively, “**Proceeds**”) and all awards and other compensation (collectively “**Awards**”) heretofore and hereafter made to the present and all subsequent owners of the Land, the Improvements, the Equipment or the Furnishings or any part of any thereof by any governmental or other lawful authorities for the taking by eminent domain, condemnation or otherwise, of all or any part thereof or any easement or other right therein, including Awards for any change of grade of streets, all of which Proceeds and Awards are hereby assigned to Grantee;

V. If applicable pursuant to Section 4.1 hereof, all of the rents, issues, income, receipts, revenues, benefits and profits of the Mortgaged Property (collectively, the “**Rents**”), including all leases, subleases, occupancy agreements, licenses, franchises and appurtenances now or hereafter entered into covering any part of the Mortgaged Property, including all interest of Grantor as landlord in and to any of the same, including, without limitation, the interest of Grantor in and to all cash, promissory notes and securities deposited thereunder and the right to receive and collect the Rents and any other sums payable thereunder, all of which are hereby assigned to Grantee;

VI. All of Grantor’s right, title, and interest in and to all rights under any easement or related agreements and all royalties and rights appertaining to the use and enjoyment of the Land, including, without limitation, alley, vault, drainage, mineral, ditch, reservoir, water, oil and gas rights, if any, together with any and all other rights, privileges and interests appurtenant thereto or used in connection with the Land or the Improvements, whether existing now or hereafter acquired;

VII. All of Grantor’s right, title, and interest in and to all construction contracts, subcontracts, architectural agreements, labor, material and payment bonds, guarantees and warranties, plans and specifications, and permits and approvals relating to the construction of the Improvements, whether now or hereafter existing;

VIII. All of Grantor’s right, title, and interest in and to all books, records and good will associated with the Land and the Improvements, all logos, trademarks and tradenames used in connection with the Land and Improvements, all management contracts now in effect or

hereafter entered into, and all extensions, renewals and replacements thereof, and all permits, licenses and approvals for the operation of the Improvements;

IX. Upon foreclosure under this Deed of Trust, all tax credits or abatement certificates under Federal, State or local law arising out of or related to the Mortgaged Property and all of the Grantor's title and interest in and to any instrument, document or agreement relating thereto, including, without limitation, any regulatory agreement relating to the leasing of individual units comprising the Mortgaged Property; and

X. All of Grantor's right, title, and interest in and to all extensions, improvements, betterments, substitutions and replacements of, and all additions and appurtenances to, the Land, the Improvements, the Equipment and the Furnishings, hereafter acquired by or released to Grantor or constructed, assembled or placed on the Land, and all conversions of the security constituted thereby immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by Grantor, shall become subject to the lien of this Deed of Trust as fully and completely, and with the same effect, as though now owned by Grantor and specifically described herein.

TO HAVE AND TO HOLD the Mortgaged Property, together with all rights, hereditaments and appurtenances in any wise appertaining or belonging thereto, unto Trustee, its substitutes or its successors and assigns, forever for the uses set forth herein, and Grantor hereby binds itself and its successors and assigns to warrant and forever defend the Mortgaged Property unto Trustee, its substitutes or successors and assigns, against the claim or claims of all Persons claiming or to claim the same or any part thereof.

ARTICLE I

CERTAIN DEFINITIONS

In addition to other definitions contained herein, the following terms shall have the meanings set forth below, unless the context of this Deed of Trust otherwise requires. All other capitalized terms used herein which are defined in either the Indenture or the Loan Agreement, and not defined herein, shall have the respective meanings ascribed thereto in the Indenture or Loan Agreement, unless otherwise expressly provided or unless the context otherwise requires.

(a) "Bond Mortgage Loan Documents" shall mean this Deed of Trust, the Note, the Loan Agreement, the Regulatory Agreement and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Loan, or any portion thereof.

(b) "Default Rate" shall mean a per annum rate of interest equal to the lower of (a) 12% per annum, or (b) the Maximum Amount.

(c) "Development" shall have the meaning ascribed to such term in the Indenture and in the recitals to this Deed of Trust.

(d) "Due and Payable" shall mean (i) when used with reference to the principal of, premium or interest on the Indebtedness, or when referring to any and all other sums secured by

this Deed of Trust or any other of the Bond Mortgage Loan Documents, due and payable, whether at the monthly or other date of payment or at the date of maturity specified in the Note, this Deed of Trust or other Bond Mortgage Loan Documents; or by acceleration or call for prepayment by Grantee as provided in the Note, hereunder or in the other Bond Mortgage Loan Documents, and (ii) when used with reference to Impositions, the last day upon which any such charge may be paid without penalty or interest and without becoming a lien upon the Mortgaged Property.

(e) “Environmental Laws” shall mean and include each and every federal, state or local statute, regulation or ordinance or any judicial or administrative decree, policy, guidance or decision, whether now existing or hereafter enacted, promulgated or issued, governing or relating to the protection of the environment, natural resources and human health and safety, with respect to any Hazardous Substances (as hereinafter defined), Environmentally Sensitive Areas (as hereinafter defined), drinking water, groundwater, wetlands, landfills, open dumps, storage tanks, underground storage tanks, solid waste, waste water, storm water run-off, waste emissions, wells or radon.

(f) “Environmentally Sensitive Area” shall mean (i) a wetland or other “water of the United States” for purposes of the Clean Water Act or other similar area regulated under any State Environmental Law, (ii) a floodplain or other flood hazard area as defined pursuant to any applicable State Environmental Law, (iii) a portion of the coastal zone for purposes of the Federal Coastal Zone Management Act, or (iv) any other area, development of which is specifically restricted under applicable Environmental Laws by reason of its physical characteristics or prior use.

(g) “Event of Default” shall mean each of the events and circumstances described as such in Section 6.1 hereof.

(h) “First Mortgage Loan Documents” means, collectively, the First Mortgage and the other documents governing, securing, or evidencing the Lender Loan.

(i) “Governmental Authority” means any federal, state, county, municipal or local government or any department, commission, board, legislature or office thereof, having or claiming jurisdiction over the Mortgaged Property.

(j) “Hazardous Substances” shall mean each and every element, compound, chemical mixture, contaminant, pollutant, material, waste or other substance which is defined, determined or identified as hazardous or toxic under any Environmental Law, including, without limitation, asbestos, asbestos-containing materials, poly-chlorinated biphenyls, urea foam formaldehyde insulation, radon and lead-based paint.

(k) “Impositions” shall mean all duties, taxes, water and sewer rents, rates and charges, assessments (including, but not limited to, all assessments for public improvement or benefit), charges for public utilities, excises, levies, licenses and permit fees and other charges, ordinary or extraordinary, whether foreseen or unforeseen, of any kind and nature, whatsoever, which prior to or during the term of this Deed of Trust will have been or may be laid, levied, assessed or imposed upon or become due and payable out of or in respect of, or become a lien

on, the Mortgaged Property or any part thereof or appurtenances thereto, or which are levied or assessed against the rent and income received by Grantor from the Space Leases (as hereinafter defined) by virtue of any present or future law, order or ordinance of the United States of America or of any state, county or local government or of any department, office of bureau thereof or of any other Governmental Authority.

(l) “Indebtedness” shall mean and include the portion of the Loan Amount attributable to the Loan together with all interest thereon, as evidenced by the Note and the Loan Agreement, any other payments due to Grantee under this Deed of Trust, the Note or any other Bond Mortgage Loan Document, all costs of collection in connection with the Loan, and all other sums, charges, obligations and liabilities of Grantor due or to become due at any time to Grantee under this Deed of Trust, the Note or any other Bond Mortgage Loan Document.

(m) “Land” shall mean that certain parcel of land more particularly described in Exhibit A annexed hereto and incorporated herein, including all and singular, the easements, rights, privileges, tenements, hereditaments and appurtenances (including air rights) thereunto belonging or in any way appertaining thereto, and the reversion and the remainder thereof; and all of the estate, right, title, interest, claim or demand of Grantor therein and in and to any land lying in the bed of any street, road or avenue, open or proposed, thereof, either at law or in equity, in possession or expectancy, now or hereafter acquired and in all strips and gores therein or adjoining thereto, the air space and right to use said air space thereinabove and all rights of ingress and egress by motor vehicles to parking facilities thereon or therein.

(n) “Lender Loan” shall have the meaning set forth in the Indenture.

(o) “Maximum Amount” shall mean the maximum amount permitted to be charged under applicable usury laws or other applicable laws relating to the payment of interest from time to time in effect including, without limitation, Chapter 1204 of the Texas Government Code.

(p) “Permitted Encumbrances” shall mean, collectively, the mortgage on the Development securing the Lender Loan (the “**First Mortgage**”), the HUD Regulatory Agreement, the Regulatory Agreement, those liens, easements, rights of way, covenants, restrictions, encumbrances and other matters affecting title to the Mortgaged Property set forth in Schedule B of the mortgagee policy of title insurance insuring this Deed of Trust (or commitment to issue such policy in existence as of the date of this Deed of Trust) and any other liens, easements, rights of way, covenants, restrictions, encumbrances and other matters affecting title to the Mortgaged Property approved in writing by the Grantee.

(q) “Person” shall mean any natural person, firm, partnership, limited liability company, association, corporation, trust, or public body.

(r) “Space Lease” shall mean any lease, sublease, license, concession agreement or any other form of agreement, however denominated, granting the right to use and occupy the Mortgaged Property, or any portion thereof, and all renewals, extensions, modifications, amendments and other agreements affecting the same.

(s) “Space Tenant” shall mean the tenant or other user or occupant of part or all of the Mortgaged Property under any Space Lease.

(t) “Spill” shall mean any release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, storing, escaping, leaching, dumping, or discarding, burying, abandoning, or disposing into the environment.

(u) “State” shall mean the state in which the Land is located.

(v) “Threat of Spill” shall mean a substantial likelihood of a Spill which requires action to prevent or mitigate damage to the environment which may result from such Spill.

ARTICLE II

PARTICULAR COVENANTS OF GRANTOR

Grantor covenants and agrees as follows:

SECTION 2.1. Payment of Indebtedness. Grantor shall duly and punctually pay to Grantee or the Bond Trustee, as assignee of Grantee, as and when Due and Payable, the Indebtedness.

SECTION 2.2. Warranty of Title. Grantor warrants that (a) it is the lawful owner of fee title to the Land; (b) it has good, marketable, insurable and indefeasible fee simple title to the Land and to the remainder of the Mortgaged Property; (c) the Mortgaged Property is free and clear of all deeds of trust, deeds to secure debt, mortgages, liens, charges and encumbrances whatsoever except for the Permitted Encumbrances; (d) except as provided in Section 4.1 hereof, Grantor has not heretofore assigned the Rents; (e) it will maintain and preserve the lien and priority of this Deed of Trust until the Indebtedness has been paid in full and all other obligations owing to Grantee by Grantor in connection with the Loan have been satisfied; (f) it has good right and lawful authority to mortgage and assign the Mortgaged Property as provided in and by this Deed of Trust; and (g) except for the Permitted Encumbrances, it will warrant and defend the same against any and all claims and demands whatsoever.

SECTION 2.3. No Defaults. Grantor represents and warrants that no Event of Default or event which, with the giving of notice or passage of time, would constitute an Event of Default exists under the provisions of this Deed of Trust, the Note, the other Bond Mortgage Loan Documents or in the performance of any of the terms, covenants, conditions or warranties hereof or thereof on the part of Grantor to be performed or observed.

SECTION 2.4. To Pay Impositions. Grantor will pay or cause to be paid before past due all Impositions levied upon the Mortgaged Property or any part thereof and, within fifteen (15) days after the payment thereof, will deliver to Grantee receipts evidencing the payment or bonding of all such Impositions. Notwithstanding the foregoing, if by law, any Imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance thereof), Grantor shall have the right, provided that no Event of Default shall then exist under this Deed of Trust or any other of the Bond Mortgage Loan Documents, to exercise such option and to cause to be paid or to pay the same (and any accrued interest on the

unpaid balance of such Imposition) in installments, as they fall due, and before any fine, penalty, further interest or cost may be added thereto. Notwithstanding anything to the contrary set forth in this Deed of Trust and/or the other Bond Mortgage Loan Documents, Grantor, at its own expense, may contest by appropriate legal proceedings, conducted diligently and in good faith, the amount or validity of any Imposition.

SECTION 2.5. To Maintain Priority of Lien. Grantor will maintain this Deed of Trust as a valid lien on the Mortgaged Property, and Grantor will not, directly or indirectly, create or suffer or permit to be created or to stand against the Mortgaged Property or any portion thereof, or against the Rents therefrom, and will promptly discharge, any lien or charge whatsoever other than the Permitted Encumbrances, whether prior to, upon a parity with, or junior to the lien of this Deed of Trust; provided, however, that nothing herein contained shall require Grantor to pay or cause to be paid any Imposition prior to the time the same shall become past due. Grantor will keep and maintain the Mortgaged Property, and every part thereof, free from all liens of Persons supplying labor and materials in connection with the construction, alteration, repair, improvement or replacement of the Improvements, the Equipment or the Furnishings. If any such liens shall be filed against the Mortgaged Property, or any part thereof, Grantor shall immediately release or discharge the same of record, by payment, bonding or otherwise, or otherwise provide security satisfactory to Grantee in Grantee's sole discretion, within fifteen (15) days after the filing thereof. In the event that Grantor fails to make payment of or bond over, such liens, Grantee may make payment thereof, and any amounts paid by Grantee as a result thereof, together with interest thereon at the Default Rate from the date of payment by Grantee, shall be immediately due and payable by Grantor to Grantee and until paid, shall be added to and become a part of the Indebtedness, and shall have the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the lien of this Deed of Trust. Grantor shall deliver to Grantee, upon request, all receipts or other satisfactory evidence of the payment of taxes, assessments, charges, claims, liens or any other item which, if unpaid, may cause any such lien to be filed against the Mortgaged Property.

SECTION 2.6. To Pay Recording Fees, Taxes and Other Charges. Grantor will pay all filing, registration or recording fees, and all costs and expenses of Grantee, including without limitation, reasonable attorneys' fees actually incurred and disbursements, title insurance premiums, search fees and survey costs, incident to or in connection with the preparation, execution, delivery or acknowledgment of this Deed of Trust, any supplement hereto, any security instrument with respect to any collateral relating to the Loan and any instrument of further assurance, and all federal, state, county and municipal stamp taxes and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Note, this Deed of Trust, any supplement hereto, any security instrument with respect to any collateral relating to the Loan, the other Bond Mortgage Loan Documents, or any instrument of further assurance.

SECTION 2.7. Maintenance of Mortgaged Property; Covenants Against Waste; Inspection by Grantee. Grantor will not commit or permit waste on the Mortgaged Property and will keep and maintain at its own expense the Improvements, the Equipment and the Furnishings in a condition and state of repair such that each of the same shall meet or surpass the requirements of any applicable Governmental Authority and customary standards in the general

area set by buildings of similar type, age and function for attractiveness of appearance, cleanliness and general soundness of condition, but in any event consistent with multifamily housing projects of a similar type and purpose. Grantor shall do all such further maintenance and repair work as may be required under the Space Leases and applicable law. Grantor will neither do nor permit to be done anything to the Mortgaged Property that may impair the value thereof or which may violate any covenant, condition or restriction affecting the same, or any part thereof, or permit any change therein or in the condition or use thereof which could increase the danger of fire or other hazard arising out of the construction or operation thereof. The Improvements shall not be removed or demolished (except for tenant improvements), without the prior written consent of Grantee. The Equipment and Furnishings shall not be removed without the prior written consent of the Grantee, except where appropriate replacements free of superior title, liens or claims are immediately made having a value at least equal to the value of the items removed. Subject to the terms of Article IV of this Deed of Trust, Grantee and its authorized employees and agents, may enter and inspect the Mortgaged Property at any time upon advance notice during usual business hours, and Grantor shall, within fifteen (15) business days after demand by Grantee (or immediately upon demand in case of emergency), commence such repairs, replacements, renewals or additions, or perform such items of maintenance, to the Mortgaged Property as the Grantee may, in its sole reasonable discretion, require in order to cause the Mortgaged Property to comply with the above standards, shall diligently make the same and shall complete the same as promptly as practicable.

SECTION 2.8. After-Acquired Property. All right, title and interest of Grantor in and to all improvements, betterments, renewals, substitutes and replacements of, and all additions, accessions and appurtenances to, the Mortgaged Property hereafter acquired, constructed, assembled or placed by Grantor on the Land, and all conversions of the security constituted thereby, immediately upon such acquisition, construction, assembly, placement or conversion, as the case may be, and in each such case without any further mortgage, conveyance or assignment or other act of Grantor, shall become subject to the lien of this Deed of Trust as fully and completely, and with the same effect, as though now owned by Grantor and specifically described in the Granting Clauses hereof, but at any time and at all times Grantor, on demand, will execute, acknowledge and deliver to Grantee any and all such further assurances, mortgages, conveyances or assignments thereof as Grantee may require in its sole discretion for the purpose of expressly and specifically subjecting the same to the liens and security interests of this Deed of Trust.

SECTION 2.9. Further Assurances. Grantor shall, at its sole cost and without expense to Grantee, on demand, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, transfers and assurances as Grantee shall from time to time require in its sole discretion for better assuring, conveying, assigning, transferring, confirming and perfecting unto Grantee the property and rights hereby conveyed, mortgaged or assigned or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound in writing to convey, mortgage or assign to Grantee, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust, or for filing, registering or recording this Deed of Trust.

SECTION 2.10. Status of Grantor. Grantor shall not without the prior written consent of Grantee: (a) change its name; (b) change its state of organization through dissolution, merger,

transfer of assets or otherwise; or (c) change its type of organization through conversion, reorganization or otherwise.

SECTION 2.11. Recorded Instruments. Grantor will promptly perform and observe, or cause to be performed and observed, all of the terms, covenants and conditions of all instruments of record affecting the Mortgaged Property. Grantor shall do or cause to be done all things required to preserve intact and unimpaired and to renew any and all rights-of-way, easements, grants, appurtenances, privileges, licenses, franchises and other interests and rights in favor of or constituting any portion of the Mortgaged Property. Other than Permitted Encumbrances, Grantor will not, without the prior written consent of the Grantee, initiate, join in or consent to any private restrictive covenant or other public or private restriction as to the use of the Mortgaged Property other than the Extended Low-Income Housing Commitment described in Section 8.6 hereof. Grantor shall, however, and shall cause all Space Tenants to, comply with all lawful restrictive covenants and zoning ordinances and other public or private restrictions affecting the Mortgaged Property and other laws and ordinances of any Governmental Authority affecting the Mortgaged Property.

SECTION 2.12. Environmental Provisions. Grantor hereby represents, warrants and covenants that:

2.12.1. (a) no condition, activity or conduct exists on or in connection with the Mortgaged Property which constitutes a violation of any Environmental Laws; (b) there has been no Spill or Threat of Spill of any Hazardous Substances on, upon, into or from the Mortgaged Property nor, to Grantor's knowledge, a Spill which, through soil or groundwater migration, could reasonably be expected to come to be located on the Mortgaged Property; (c) there are no existing or closed underground or aboveground storage tanks on the Mortgaged Property; (d) there are no existing or closed sanitary landfills, solid waste disposal sites, or hazardous waste treatment, storage or disposal facilities on or affecting the Land; (e) no written notice has been issued to Grantor by any agency, authority, or unit of government that Grantor has been identified as a potentially responsible party under any Environmental Laws; (f) no portion of the Mortgaged Property constitutes an Environmentally Sensitive Area; (g) to Grantor's knowledge, there exists no investigation, action, proceeding, or claim by any Governmental Authority or by any third party which could result in any liability, penalty, sanction, or judgment under any Environmental Laws with respect to any condition, use or operation of the Mortgaged Property; (h) there has been no claim by any party that any use, operation, or condition of the Mortgaged Property has caused any nuisance or any other liability or adverse condition on any other property; and (i) Grantor need not obtain any permit or approval for any part of the Development and need not notify any federal, state or local governmental authority having jurisdiction of the Development regarding any part of the Development pursuant to any Environmental Laws.

2.12.2. Grantor shall: (a) comply with and cause all activities at the Mortgaged Property to comply with all Environmental Laws; (b) not store or dispose of (except in compliance with all Environmental Laws pertaining thereto), nor Spill or allow the Spill of any Hazardous Substances on the Property; (c) neither directly nor indirectly transport or arrange for the transport of any Hazardous Substances (except in compliance with all Environmental Laws pertaining thereto); (d) neither install nor permit to be installed any temporary or permanent

tanks for storage of any liquid or gas above or below ground except after obtaining written permission from the Grantee to do so and in compliance with Environmental Laws; and (e) comply with all terms and conditions of all permits, authorizations, approvals, waivers, judgments or decrees or notices from Governmental Authorities issued or sent pursuant to Environmental Laws.

2.12.3. Grantor, promptly upon the written request of Grantee from time to time (but no more frequently than once per calendar year) shall provide Grantee, at Grantor's sole cost and expense, with an environmental site assessment or environmental audit report, or an update of such an assessment or report, all in scope, form and content reasonably satisfactory to the Grantee.

2.12.4. In the event of any Spill or Threat of Spill affecting the Mortgaged Property, whether or not the same originates or emanates from the Mortgaged Property or any contiguous real estate, or if Grantor or the Mortgaged Property otherwise shall fail to comply with any of the requirements of Environmental Laws, Grantee may at its election, but without the obligation so to do, give such notices, cause such work to be performed at the Mortgaged Property and take any and all other actions as Grantee shall reasonably deem necessary or advisable in order to remedy said Spill or the conditions constituting a Threat of Spill or cure said failure of compliance and any amounts paid as a result thereof, together with interest thereon at the Default Rate from the date of payment by Grantee, shall be immediately due and payable by Grantor to Grantee and until paid shall be added to and become a part of the Indebtedness and shall have the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the lien of this Deed of Trust.

2.12.5. Grantor covenants and agrees to conduct representative radon sampling in the Improvements on the Land following construction and/or rehabilitation of the Development to determine whether indoor radon levels are below the United States Environmental Protection Agency's recommended threshold of 4.0pCi/L. In the event that said radon sampling results reveal indoor radon levels in excess of 4.0pCi/L, Grantor covenants and agrees to implement radon mitigation techniques to reduce or prevent the build-up or migration of radon in the Improvements on the Land. In the event that radon mitigation is required to be implemented, Grantor further covenants and agrees to conduct radon sampling in the Improvements on the Land following such implementation to confirm that the radon mitigation techniques have succeeded in reducing or preventing the build-up of radon in the Improvements on the Land to below the United States Environmental Protection Agency's recommended threshold of 4.0pCi/L. In the event that such radon sampling results reveal that levels of radon in the Improvements on the Land are still in excess of the above-referenced United States Environmental Protection Agency threshold, Grantor covenants and agrees to undertake any additional measures necessary to reduce radon levels in the Improvements on the Land and bring the Mortgaged Property into compliance with applicable Environmental Laws.

2.12.6. The Grantor shall comply with the Environmental Laws and regulations with respect to on-site wetlands, to the extent applicable, including, but not limited to obtaining, complying with and maintaining any wetland permits, wetland permit requirements, development restrictions, setback and/buffers, habitat protection and mitigation requirements.

2.12.7. The Grantor shall handle any subsurface contamination encountered at the Land during the course of construction or rehabilitation in accordance with a site-specific Health and Safety Plan developed in accordance with Environmental Laws and other applicable federal, state and local laws, rules and regulations, and any such contamination shall be remediated and disposed of in accordance with Environmental Laws and other applicable federal, state and local laws, rules and regulations.

SECTION 2.13. Mold Coverage. In the event that Grantor is covered by a commercial general liability insurance policy which contains an exclusion for loss or damage caused by mold, dangerous fungi, bacterial or microbial matter, contamination or pathogenic organisms that reproduce through the release of spores or the splitting of cells (collectively, “**Mold**”) or a property insurance policy which contains an exclusion for loss or damage caused by Mold, in connection with another covered peril (e.g., Mold in connection with water damage caused by a storm or fire), Grantor shall demonstrate to the satisfaction of Grantee that such insurance without the aforementioned exclusions is not available at ordinary and customary insurance rates and either: (i) Grantor shall demonstrate to the satisfaction of Grantee that the potential risk for loss or damage caused by Mold, fungus, moisture, microbial contamination or pathogenic organisms at the Mortgaged Property is minimal because of precautionary measures or techniques to be utilized in the construction or rehabilitation of the Improvements, including without limitation, the use of vapor barriers or other liners to limit the growth and reproduction of Mold; or (ii) Grantor shall implement a moisture management and control program (the “**Moisture Management Program**”) for the Improvements at the Mortgaged Property to prevent the occurrence of Mold, at, on or under the Mortgaged Property, which Moisture Management Program shall include, at a minimum: (a) periodic inspections of the Improvements at the Mortgaged Property for Mold, (b) removing or cleaning up any Mold in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by Grantee, and (c) in the event that the Mold identified at the Improvements at the Mortgaged Property cannot be removed or cleaned from any impacted building materials (e.g., porous materials such as carpeting, certain types of ceiling materials, etc.) and/or equipment, removing all such impacted building materials and/or equipment from the Mortgaged Property, all in accordance with the procedures set forth in the United States Environmental Protection Agency’s (“**EPA**”) guide entitled “Mold Remediation in Schools and Commercial Buildings”, EPA No. 402-K-01-001, dated March 2001, and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by Grantee. Grantor further covenants and agrees that, in connection with any mold remediation undertaken by or on behalf of Grantor hereunder, the source (e.g., leaking pipe, water damage, water infiltration, etc.) of any Mold at the Improvements at the Mortgaged Property shall be promptly identified and corrected to prevent the occurrence or re-occurrence of any Mold.

ARTICLE III

CASUALTY AND CONDEMNATION

SECTION 3.1. Net Proceeds.

3.1.1. If any of the Improvements, Equipment or Furnishings shall be damaged or destroyed, in whole or part, by fire or other casualty, Grantor shall give prompt notice thereof to Grantee. The Grantee is hereby authorized and empowered by Grantor, to settle, adjust or compromise in a commercially reasonable manner any and all claims for loss, damage or destruction under any policy of insurance.

3.1.2. Subject to the provisions of the First Mortgage Loan Documents, any Proceeds received as payment for any loss under any insurance policies required to be maintained by Grantor in accordance with this Section shall be paid over to the Bond Trustee for deposit into the appropriate fund under the Indenture. For the purposes of this Deed of Trust, “**Net Proceeds**” shall mean any Proceeds actually received by the Bond Trustee as payment for any loss, less all costs and expenses, including, without limitation, all reasonable architects’, attorneys’, engineers’ and other consultants’ and professionals’ fees actually incurred and disbursements incurred by Grantee or Grantor in connection with the casualty in question. Subject to the conditions set forth in Section 3.3 hereof, Grantee shall cause such Net Proceeds either to be (a) applied to the redemption of the Bonds, (b) applied to the costs to repair, rebuild or replace the damaged Improvements, Equipment or Furnishings that were subject to the applicable casualty upon such terms and conditions as the Grantee shall determine in its sole discretion, or (c) released to Grantor upon such terms and conditions as the Grantee may determine in its sole discretion and accompanied by a Favorable Opinion of Bond Counsel to the effect that such release does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes and is not in contravention of State law.

3.1.3. In the event of the happening of any casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen (including any casualty for which insurance was not obtainable), resulting in damage to or destruction of the Mortgaged Property or any part thereof, if Grantee elects to apply any Net Proceeds received by it in connection with such casualty towards the restoration of the Mortgaged Property (as provided in Section 3.3 hereof), Grantor shall promptly, whether or not the Net Proceeds, if any, shall be sufficient for the purpose, commence and diligently continue to restore, repair and rebuild the Mortgaged Property as nearly as possible to its value, condition and character immediately prior to such damage or destruction.

SECTION 3.2. Net Awards.

3.2.1. Grantor shall promptly notify Grantee if Grantor shall become aware of the threat or institution of any proceeding or negotiations for the taking of the Mortgaged Property, or any part thereof, whether for permanent or temporary use and occupancy in condemnation or by the exercise of the power of eminent domain or by agreement of interested parties in lieu of such condemnation (all the foregoing herein called a “**taking**”); and shall keep Grantee currently advised, in detail, as to the status of such proceedings or negotiations and will

promptly give to Grantee copies of all notices, pleadings, judgments, determinations and other papers received or delivered by Grantor therein. Grantee shall have the right to appear and participate therein and may be represented by counsel of its choice. Grantor will not, without the Grantee's prior written consent, enter into any agreement for the taking of the Mortgaged Property, or any part thereof, with anyone authorized to acquire the same by eminent domain or in condemnation.

3.2.2. In the event of any such taking, the awards payable in connection therewith are hereby assigned to Grantee and shall be paid to Bond Trustee for deposit into the appropriate fund under the Indenture. For the purposes of this Deed of Trust, "**Net Awards**" shall mean any awards actually received by Bond Trustee less all costs and expenses, including, without limitation, all reasonable architects', attorneys', engineers' and other consultants' and professionals' fees actually incurred and disbursements incurred by Grantee or Grantor in connection with the taking in question. Subject to the conditions set forth in Section 3.3, Grantee shall cause such Net Awards either to be (a) applied to the redemption of the Bonds, (b) applied to the costs to repair, rebuild or replace the Improvements, Equipment or Furnishings that were subject to the taking, upon such terms and conditions as the Grantee shall determine in its sole discretion, or (c) released to Grantor upon such terms and conditions as the Grantee may determine in its sole reasonable discretion and accompanied by a Favorable Opinion of Bond Counsel to the effect that such release does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes and is not in contravention of State law.

3.2.3. In the event of the happening of any permanent taking, provided that Grantee elects to apply any Net Awards received by it in connection with such taking towards the restoration of the Mortgaged Property (as provided in Section 3.3 hereof), Grantor shall promptly, whether or not the Net Awards, if any, shall be sufficient for the purpose, commence and diligently continue to restore, repair and rebuild the portion of the Mortgaged Property not subject to the taking as nearly as possible to its value, condition and character immediately prior to such taking.

SECTION 3.3. Application of Net Proceeds and Net Awards. Notwithstanding any provision hereof to the contrary, in the event the Improvements, Equipment or Furnishings are damaged or destroyed by fire or other casualty or in the event of a temporary or partial taking in condemnation of a portion of the Land or Improvements, then the Grantee shall make the Net Awards or Net Proceeds, as the case may be, payable in connection therewith available, at intervals and in amounts in accordance with the provisions of the Indenture and the Loan Agreement, to pay for or to reimburse Grantor for costs and expenses actually incurred by Grantor in the repair and restoration of the Mortgaged Property or to be released to Grantor, provided each of the following conditions is fully satisfied:

(a) the Net Awards or Net Proceeds, as the case may be, are paid to Grantee and deposited into the appropriate fund under the Indenture;

(b) if restoration is contemplated, any plans, specifications, construction contracts, architect's agreements and all other material agreements relating to the restoration shall be approved by the Grantee in writing;

(c) if restoration is contemplated, the Net Awards or Net Proceeds, as the case may be, are in the judgment of the Grantee sufficient to complete the restoration, or, in the event of an insufficiency, Grantor deposits into the appropriate account under the Indenture cash in an amount equal to the insufficiency;

(d) no Event of Default under the Bonds, the Indenture or the Bond Mortgage Loan Documents shall have occurred and be continuing that will not be cured by the contemplated restoration;

(e) if restoration is contemplated, the Grantee determines, in its sole reasonable discretion, that the Improvements, Equipment and Furnishings are capable of being fully restored by the earlier of (i) the date which is 12 months from the occurrence of the loss or damage and (ii) the Maturity Date;

(f) if restoration is contemplated a release of lien with respect to all restoration work theretofore performed is delivered to Grantee from all contractors and materialmen;

(g) Grantee shall receive an official search or a certificate of title from a title insurance company acceptable to it showing that there has not been filed any vendor's, mechanic's, laborer's or materialman's statutory or other lien affecting the Mortgaged Property which has not been bonded or satisfied and discharged of record, except such as will be discharged upon payment of the amount then requested to be disbursed;

(h) upon completion of restoration or upon release of Net Proceeds or Net Awards, the Development will be in compliance with the Regulatory Agreement; and

(i) Grantor shall deliver to Grantee, a Favorable Opinion of Bond Counsel (as defined in the Indenture) with respect to the restoration of the Development with the Net Awards or Net Proceeds or the release of Net Awards or Net Proceeds to Grantor, as the case may be.

Upon completion of the restoration, as certified by an inspecting engineer selected by the Grantee, any excess Net Awards or Net Proceeds, as the case may be, and accrued interest thereon (if any) shall be, at the option of the Grantee, (a) disbursed to Grantor or (b) applied to the redemption of Bonds; provided, however, that any excess Net Awards or Net Proceeds shall be applied to the redemption of Bonds unless Grantor shall deliver to Grantee a Favorable Opinion of Bond Counsel (as defined in the Indenture) with respect to the alternative proposed application of such Net Proceeds or Net Awards. Notwithstanding anything to the contrary set forth in this Deed of Trust, Net Proceeds and Net Awards shall be treated as set forth in the First Mortgage Loan Documents.

ARTICLE IV

ASSIGNMENT OF SPACE LEASES AND RENT

SECTION 4.1. Assignment of Space Leases and Rents. Contemporaneously with the execution of this Deed of Trust, Grantor has assigned its interests in the Space Leases and Rents

to the Lender in the First Mortgage to secure the payment of the Lender Loan. In the event of the payment of the Lender Loan and release of the First Mortgage without the release of this Deed of Trust, Grantor hereby grants, conveys, assigns, transfers and sets over to Grantee to be effective as of the date of the release of the First Mortgage, the Space Leases now or hereafter entered into by Grantor with respect to all or any part of the Mortgaged Property, and all renewals, extensions, subleases or assignments thereof and all other occupancy agreements (written or oral), by concession, license or otherwise, together with all of the Rents and proceeds arising therefrom and from the Mortgaged Property pursuant to and in accordance with the provisions of Chapter 64 of the Texas Property Code.

ARTICLE V

SECURITY AGREEMENT UNDER UNIFORM COMMERCIAL CODE

SECTION 5.1. Security Agreement. It is the intent of the parties hereto that this Deed of Trust shall constitute a Security Agreement within the meaning of the Uniform Commercial Code of the State (the "UCC") with respect to so much of the Mortgaged Property as is considered or as shall be determined to be of the type in which a security interest can be created under Article 9 of the UCC, together with all replacements thereof, substitutions therefor or additions thereto (the "Collateral"), and that a security interest shall attach thereto for the benefit of Grantee to secure the Indebtedness and all other sums and charges which may become due hereunder or under the Bond Mortgage Loan Documents. Grantor hereby authorizes Grantee to file financing and continuation statements and amendments thereto with respect to the Collateral without the signature of Grantor, if same is lawful; otherwise Grantor agrees to execute such financing and continuation statements and amendments thereto as Grantee may request. If there shall exist an Event of Default under this Deed of Trust, Grantee, pursuant to the appropriate provisions of the UCC, shall have the option of proceeding as to both real and personal property in accordance with its rights to both real and personal property, in which event the default provisions of the UCC shall not apply. The parties agree that, in the event Grantee shall elect to proceed with respect to the Collateral separately from the real property, unless a greater period shall then be mandated by the UCC, ten (10) days' notice of the sale of the Collateral shall be reasonable notice. The expenses of retaking, holding, preparing for sale, selling and the like incurred by Grantee shall be assessed against Grantor and shall include, but shall not be limited to, reasonable attorneys' fees, disbursements and other legal expenses incurred by Grantee. Grantor agrees that it will not remove or permit to be removed from the Mortgaged Property any of the Collateral without the prior written consent of Grantee, unless appropriate replacements free of superior title, liens or claims are immediately made having a value at least equal to the value of the items removed. All replacements, renewals and additions to the Collateral shall be and become immediately subject to the security interest of this Deed of Trust and the provisions of this Article. Grantor warrants and represents that all Collateral now is, and that replacements thereof, substitutions therefor or additions thereto, unless Grantee otherwise consents in writing, shall be free and clear of liens, encumbrances or security interests of others created after the date hereof other than Permitted Encumbrances.

From the date of its recording, this Deed of Trust shall be effective as a financing statement filed as a fixture filing with respect to all goods constituting part of the Collateral

which are or are to become fixtures related to the real estate described herein. For this purpose, the following information is set forth:

A. Name and Address of Debtor:

Oso Bay Apartments, LLC
c/o Vitus Group, LLC
1700 Seventh Avenue, Suite 2000
Seattle, WA 98101
Attention: Samantha Cullen
Telephone: 206-832-1326

B. Name and Address of Secured Party:

Regions Bank
3773 Richmond Avenue, Suite 1100
Houston, Texas 77046
Attn: Corporate Trust

Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701
Attn: Director of Multifamily Bonds

C. This document covers goods which are or are to become fixtures.

D. State of Debtor's Organization and Organizational Identification No.:
State: Texas
I.D. No.:0803767908

E. This filing is made in connection with a public finance transaction as described in Sections 9.515(b) and 9.102(a)(68) of the UCC.

SECTION 5.2. Construction Mortgage. This Deed of Trust shall constitute a "construction mortgage" within the meaning of Section 9.334(h) of the UCC to the extent that it secures an obligation incurred for the construction of improvements on the Land.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.1. Events of Default Defined. The entire amount of the Indebtedness shall become due, at the option of Grantee, subject to any prepayment premium or penalty provided for in the Loan Agreement, if any, upon the happening of any of the following events (each, individually, an "**Event of Default**" and collectively, "**Events of Default**"):

6.1.1. if Grantor shall fail or neglect to comply with or otherwise perform, keep or observe any term, provision, condition, covenant, warranty or representation contained in

this Deed of Trust that is required to be complied with or otherwise performed, kept or observed by Grantor, and the continuation of such failure or neglect for a period of 30 days after written notice thereof shall have been given to the Borrower and the Investor Member by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected by not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice; or

6.1.2. if an “Event of Default” as defined in any of the Bond Mortgage Loan Documents shall have occurred and is continuing beyond any applicable notice and cure periods.

6.1.3. Grantee hereby agrees that any cure of a default or an Event of Default hereunder or under any of the other Financing Documents made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Grantor, and shall be accepted or rejected by the Grantee on the same basis as if made or tendered by the Grantor.

SECTION 6.2. Remedies. If any Event of Default has occurred and its continuing beyond any applicable notice and cure periods hereunder, Grantee may, without notice, presentment, demand or protest, notice of intent to accelerate, or notice of acceleration, all of which are hereby expressly waived by Grantor to the extent permitted by applicable law, take such action as Grantee deems advisable, to protect and enforce its rights in and to the Mortgaged Property, including, but without limiting the generality of the foregoing, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such manner as Grantee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Grantee hereunder, under the other Bond Mortgage Loan Documents, or at law or in equity:

6.2.1. declare the entire amount of the Indebtedness, together with all accrued and unpaid interest thereon, to be immediately due and payable, and upon such declaration such amounts shall become and be immediately due and payable, anything in the Note, this Deed of Trust or the other Bond Mortgage Loan Documents to the contrary notwithstanding;

6.2.2. after such proceedings as may be required by any applicable law or ordinance and subject to the provisions of Section 8.7 hereof regarding the subordination of this Deed of Trust to the First Mortgage, either in person, or by its agents or attorneys, or by a court-appointed receiver, enter into and upon all or any part of the Mortgaged Property and each and every part thereof and exclude Grantor, its agents and servants wholly therefrom; and having and holding the same, use, operate, manage and control the Mortgaged Property and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or the receiver; and upon every such entry, Grantee, at the expense of the Mortgaged Property, from time to time, either by purchase repairs or construction, may maintain and restore the Mortgaged Property and, likewise, may make all necessary or proper repairs, renewals and replacements and such alterations, betterments, additions and improvement thereto and thereon as it may deem advisable; and in every such case Grantee shall have the right to manage and operate the Mortgaged Property and to carry on the business thereof and exercise all rights and

powers of Grantor as Grantor's attorney-in-fact, or otherwise as it shall deem best; and Grantee shall be entitled to collect and receive all Rents and after deducting the expenses of conducting the business thereof and all maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and amounts necessary to pay for Impositions, insurance and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as just and reasonable compensation for the services of Grantee and for all attorneys, counsel, agents, clerks, servants and other employees or professionals engaged or employed by it, Grantee shall apply the moneys arising as aforesaid, first to the payment of the Indebtedness, whether or not then matured; next, to the payment of any other sums required to be paid by Grantor under this Deed of Trust; and the balance, if any, shall be turned over to Grantor or such other Person as may be lawfully entitled thereto; or

6.2.3. with or without entry, personally or by its agents or attorneys insofar as applicable:

(a) foreclose this Deed of Trust in accordance with the laws of the State and the provisions hereof, for the entire Indebtedness or for any portion of the Indebtedness or any other sums secured hereby which are then due and payable, subject to the continuing lien of this Deed of Trust for the balance of the Indebtedness not then due, and for such purposes Grantor grants to Trustee for the benefit of Grantee a continuing power of sale of the Mortgaged Property; or

(b) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Note, this Deed of Trust or any other Bond Mortgage Loan Document, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as Grantee shall elect.

SECTION 6.3. Foreclosure; No Marshaling of Assets; One Tract; Appointment of Receiver.

6.3.1. Grantee may foreclose this Deed of Trust either by judicial action or by non-judicial foreclosure through the Trustee. In the case of a foreclosure sale, all of the Mortgaged Property may be sold in one parcel, notwithstanding that the proceeds of such sale exceed or may exceed the Indebtedness. Moreover, Grantee shall not be required to proceed hereunder before proceeding against any other security, shall not be required to proceed against other security before proceeding hereunder, and shall not be precluded from proceeding against any or all of any security in any order or at the same time. In the event that this Deed of Trust is foreclosed, Grantor hereby waives and releases any right to have the Mortgaged Property or any part thereof marshaled, and Grantor and Grantee have jointly agreed that the Mortgaged Property is one project and one tract for all purposes legal, economic and all other. Grantor for itself, its successors and assigns irrevocably waives any right it may have in the event of foreclosure to request that the Mortgaged Property be sold as separate tracts pursuant to any applicable law or statute.

6.3.2. Grantee, in any action to foreclose this Deed of Trust or otherwise upon the occurrence and during the continuance of an Event of Default, shall be entitled (and, to the extent permitted under the laws of the State, without notice, without regard to the adequacy of any security for the Indebtedness and without regard to the solvency of any Person liable for the payment thereof) to the appointment of a receiver of the Mortgaged Property and the Rents, if the assignment of Rents pursuant to Section 4.1 hereof is then effective.

6.3.3. Grantor agrees, to the full extent that it may lawfully do so, that in any foreclosure or other action brought by Grantee hereunder, it will not at any time insist upon or plead or in any way take advantage of any appraisal, valuation, stay, extension, redemption or moratorium law now or hereafter in force and effect so as to prevent, hinder or delay the enforcement of the provisions of this Deed of Trust or any right or remedies Grantee may have hereunder or by law.

6.3.4. If Grantor shall default hereunder and Grantee shall elect to accelerate the Indebtedness, Grantor, within five (5) days after demand, will pay over to Grantee, or any receiver appointed in connection with the foreclosure of this Deed of Trust, any and all amounts then held as security deposits under all Space Leases if the assignment of Space Leases pursuant to Section 4.1 hereof is then effective.

6.3.5. Upon the acceleration of the Indebtedness or upon an Event of Default beyond any applicable notice and cure periods under the Note or Event of Default hereunder, and in addition to all other rights of Grantee provided herein or by law, Grantor shall, on demand of Grantee, surrender possession of the Mortgaged Property to Grantee; and Grantor hereby consents that Grantee may exercise any or all of the rights specified herein. Grantor hereby irrevocably appoints Grantee attorney-in-fact, which appointment shall be coupled with an interest, of Grantor for such purposes. In the event that Grantor is an occupant of the Mortgaged Property, it agrees to vacate and surrender the possession of that portion of the Mortgaged Property which it occupies to Grantee immediately upon the acceleration of the Indebtedness or any Event of Default hereunder; and if Grantor remains in possession, such possession shall be as tenant of Grantee, and Grantor shall pay monthly, in advance, to Grantee or to any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of any portion of the Mortgaged Property occupied by Grantor, and upon the failure of Grantor to make any such payment, Grantor may be evicted by summary proceedings or otherwise. In case of the appointment of a receiver of the Rents, the covenants of this subsection may be enforced by such receiver.

6.3.6. GRANTOR HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY.

SECTION 6.4. Remedies Cumulative; No Waiver; Etc.

6.4.1. No remedy herein conferred upon or reserved to Grantee is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission of Grantee to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein; and every

power and remedy given by this Deed of Trust to Grantee may be exercised from time to time as often as may be deemed expedient by Grantee. Nothing in this Deed of Trust, in the Note or in any other Bond Mortgage Loan Document shall affect the obligation of Grantor to perform its obligations under the Bond Mortgage Loan Documents, including its obligation to pay the principal of and interest on the Note in the manner and at the time and place therein expressed.

6.4.2. A waiver in one or more instances of any of the terms, covenants, conditions or provisions hereof, of the Note or of any other Bond Mortgage Loan Document shall apply to the particular instance or instances and at the particular time or times only, and no such waiver shall be deemed a continuing waiver, but all of the terms, covenants, conditions and other provisions of this Deed of Trust, of the Note and of the other Bond Mortgage Loan Documents shall survive and continue to remain in full force and effect; and no waiver shall be effective unless in writing, dated and signed by Grantee.

6.4.3. Grantor hereby waives and renounces all homestead and similar exemption rights with respect to the Mortgaged Property provided for by the Constitution and the laws of the United States and the State as against the collection of the Note, or any part thereof, or the Bond Mortgage Loan Documents; and Grantor agrees that where, by the terms of this Deed of Trust or the Note and the other Bond Mortgage Loan Documents secured hereby, a day is named or a time fixed for the payment of any sum of money or the performance of any agreement, the day and time stated enters into the consideration and is of the essence of the whole agreement between Grantor and Grantee.

SECTION 6.5. No Merger. It is the intention of the parties hereto that if Grantee shall at any time hereafter acquire title to all or any portion of the Mortgaged Property, then and until the Indebtedness has been paid in full, the interest of Grantee hereunder and the lien of this Deed of Trust shall not merge or become merged in or with the estate and interest of Grantee as the holder and owner of title to all or any portion of the Mortgaged Property and that, until such payment, the estate of Grantee in the Mortgaged Property and the lien of this Deed of Trust and the interest of Grantee hereunder shall continue in full force and effect to the same extent as if Grantee had not acquired title to all or any portion of the Mortgaged Property. If, however, Grantee shall consent in writing to such merger or such merger shall nevertheless occur without its consent, then this Deed of Trust shall attach to and cover and be a lien upon the fee title or any other estate, title or interest in the premises demised under the leasehold estate acquired by the fee owner and the same shall be considered as granted, released, assigned, transferred, pledged, and set over to Grantee and the lien hereof spread to cover such estate with the same force and effect as though specifically herein granted, released, assigned, transferred, pledged, set over and spread.

ARTICLE VII

PROVISIONS OF GENERAL APPLICATION

SECTION 7.1. Modifications. No change, amendment, modification, cancellation or discharge hereof, or of any part hereof, shall be valid unless in writing, dated and signed by the party against whom such change, amendment, modification, cancellation or discharge is sought to be enforced.

SECTION 7.2. Notices. Except for notices of foreclosure that shall be sent as required by law, all notices, demands, requests, consents, approvals, certificates or other communications hereunder (hereinafter collectively called the “**Notices**”) shall be sufficiently given if given in accordance with the provisions of Section 8.3 of the Loan Agreement.

SECTION 7.3. Grantee’s Rights to Perform Grantor’s Covenants. If Grantor shall fail to pay or cause payment to be made to Grantee in accordance with the terms of this Deed of Trust, or to perform or observe any other term, covenant, condition or obligation required to be performed or observed by Grantor under this Deed of Trust, the Note or any other Bond Mortgage Loan Document, and an Event of Default then exists, without limiting any other provision of this Deed of Trust, and without waiving or releasing Grantor from any obligation or default hereunder, without notice to Grantor, Grantee (or any receiver of the Mortgaged Property) shall have the right, but not the obligation, to make any such payment, or to perform any other act or take any appropriate action, including, without limitation, entry on the Mortgaged Property and performance of work thereat, as it, in its sole discretion, may deem necessary to cause such other term, covenant, condition or obligation to be performed or observed on behalf of Grantor or to protect the security of this Deed of Trust. All monies expended by Grantee in exercising its rights under this Section (including, but not limited to, legal expenses and disbursements), together with interest thereon at the Default Rate from the date of each such expenditure, shall be paid by Grantor to Grantee forthwith upon demand by Grantee, secured by this Deed of Trust and added to and deemed part of the Indebtedness with the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the lien of this Deed of Trust.

If Grantor fails to maintain any insurance which is required by any of the Bond Mortgage Loan Documents, Grantee may obtain the same, but must secure the insurance only in its own name and may insure only its interest in the Mortgaged Property, and in connection with Grantee securing any such insurance, the following notice is given and delivered pursuant to §307.052 of the Texas Finance Code:

NOTICE:

(A) GRANTOR IS REQUIRED TO: (i) KEEP THE PROPERTY INSURED AGAINST DAMAGE IN THE AMOUNT EQUAL TO GRANTOR’S INDEBTEDNESS TO GRANTEE; (ii) PURCHASE THE INSURANCE FROM AN INSURER THAT IS AUTHORIZED TO DO BUSINESS IN THE STATE OF TEXAS OR AN ELIGIBLE SURPLUS LINES INSURER; AND (iii) NAME THE GRANTEE AS THE PERSON TO BE PAID UNDER THE POLICY IN THE EVENT OF LOSS;

(B) GRANTOR MUST, IF REQUIRED BY GRANTEE, DELIVER TO GRANTEE A COPY OF THE POLICY AND PROOF OF THE PAYMENT OF THE PREMIUMS; AND

(C) IF GRANTOR FAILS TO MEET ANY REQUIREMENT LISTED IN CLAUSE (A) OR (B) ABOVE, GRANTEE MAY OBTAIN COLLATERAL

PROTECTION INSURANCE ON BEHALF OF GRANTOR AT GRANTOR'S EXPENSE.

SECTION 7.4. Additional Sums Payable by Grantor. All sums which, by the terms of this Deed of Trust or the Note or the other Bond Mortgage Loan Documents secured hereby, or by the instruments executed and delivered by Grantor to Grantee as additional security for this Deed of Trust, the Note and the other Bond Mortgage Loan Documents, are payable by Grantor to Grantee shall, together with the interest thereon provided for herein or in the Note or the other Bond Mortgage Loan Documents, be secured by this Deed of Trust and added to and deemed part of the Indebtedness and shall have the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the lien of this Deed of Trust, whether or not the provision which obligates Grantor to make any such payment to Grantee specifically so states.

SECTION 7.5. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge or describe the scope or intent of this Deed of Trust or the construction of any provision hereof.

SECTION 7.6. Successors and Assigns. The covenants and agreements contained in this Deed of Trust shall run with the land and bind Grantor, the heirs, executors, administrators, principals, legal representatives, successors and assigns of Grantor and each Person constituting Grantor and all subsequent owners, encumbrancers and Space Tenants of the Mortgaged Property, or any part thereof, and shall inure to the benefit of Grantee, its successors and assigns and all subsequent beneficial owners of this Deed of Trust.

SECTION 7.7. Gender and Number. Wherever the context of this Deed of Trust so requires, the neuter gender includes the masculine or feminine gender and the singular number includes the plural.

SECTION 7.8. Severability. In case any one or more of the provisions contained in this instrument shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, but this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been included.

SECTION 7.9. Subrogation. Should the proceeds of the Loan be used directly or indirectly to pay off, discharge, or satisfy, in whole or in part, any prior lien or encumbrance upon the Mortgaged Property or any part thereof, then Grantee shall be subrogated to such other lien or encumbrance and to any additional security held by the holder thereof and shall have the benefit of the priority of all of the same.

SECTION 7.10. Incorporation of the Bond Mortgage Loan Documents. This Deed of Trust and the Note secured hereby have been executed and delivered to secure monies advanced or to be advanced to Grantor to be used in accordance with the Bond Mortgage Loan Documents, the provisions of which, including, but not limited to, the usury saving provisions in the Note and the Loan Agreement, as the same may be amended, modified or supplemented from time to time, are incorporated herein by reference with the same force and effect as if herein fully set forth.

SECTION 7.11. Controlling Law. This Deed of Trust shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas.

ARTICLE VIII

SPECIAL PROVISIONS

SECTION 8.1. Foreclosure—Power of Sale. Grantee may request Trustee to proceed with foreclosure under the power of sale which is hereby conferred, such foreclosure to be accomplished in accordance with the following provisions:

8.1.1. Trustee is hereby authorized and empowered, and it shall be Trustee's special duty, upon such request of Grantee, to sell the Mortgaged Property, or any part thereof, at public auction to the highest bidder for cash, with or without having taken possession of same. Any such sale (including notice thereof) shall comply with the applicable requirements, at the time of the sale, of Chapter 51 of the Texas Property Code, as amended, or, if and to the extent the statutes within said Chapter 51 are not then in force, with the applicable requirements, at the time of the sale, of the successor statute or statutes, if any, governing sales of Texas real property under powers of sale conferred by deeds of trust. If there is no statute in force at the time of the sale governing sales of Texas real property under powers of sale conferred by deeds of trust, such sale shall comply with applicable law, at the time of the sale, governing sales of Texas real property under powers of sale conferred by deeds of trust.

8.1.2. Subject to any applicable requirements at the time of sale governing sales of Texas real property under the powers of sale conferred by deeds of trust, at any time during the bidding, the Trustee may require a bidding party (A) to disclose its full name, state and city of residence, occupation, and specific business office location, and the name and address of the principal the bidding party is representing (if applicable), and (B) to demonstrate reasonable evidence of the bidding party's financial ability (or, if applicable, the financial ability of the principal of such bidding party), as a condition to the bidding party submitting bids at the foreclosure sale. If any such bidding party (the "**Questioned Bidder**") declines to comply with the Trustee's requirement in this regard, or if such Questioned Bidder does respond but the Trustee deems the information or the evidence of the financial ability of the Questioned Bidder (or, if applicable, the principal of such bidding party) to be inadequate, then the Trustee may continue the bidding with reservation; and in such event (1) the Trustee shall be authorized to caution the Questioned Bidder concerning the legal obligations to be incurred in submitting bids, and (2) if the Questioned Bidder is not the highest bidder at the sale, or if having been the highest bidder the Questioned Bidder fails to deliver the cash purchase price payment promptly to the Trustee, all bids by the Questioned Bidder shall be null and void. The Trustee may determine that a credit bid is in the best interest of Grantor and Grantee, and elect to sell the Mortgaged Property for credit or for a combination of cash and credit; provided, however, (i) the Trustee shall have no obligation to accept any bid except an all cash bid and (ii) the Trustee shall be required to accept the highest bid. In the event the Trustee requires a cash bid and cash is not delivered within a reasonable time after conclusion of the bidding process, as specified by the Trustee, but in no event later than 3:45 p.m. local time on the day of sale, then said contingent sale shall be null and void, the bidding process may be recommenced provided that it is recommenced within the time frame set forth in the Notice of Sale given pursuant to Section

51.002 of the Texas Property Code, and any subsequent bids or sale shall be made as if no prior bids were made or accepted.

8.1.3. In addition to the rights and powers of sale granted under the preceding provisions of this subsection, if an Event of Default shall have occurred hereunder, Grantee may at once or at any time thereafter while an Event of Default is continuing, without declaring the entire Indebtedness to be due and payable, orally or in writing direct Trustee to enforce this trust and to sell the Mortgaged Property subject to such unmatured Indebtedness and to the rights, powers, liens, security interests, and assignments securing or providing recourse for payment of such unmatured Indebtedness, in the same manner, all as provided in the preceding provisions of this subsection. Sales made without acceleration of the unmatured balance of the Indebtedness may be made hereunder whenever an Event of Default shall have occurred and be continuing hereunder, without exhausting the power of sale granted hereby, and without affecting in any way the power of sale granted under this subsection, the unmatured balance of the Indebtedness or the rights, powers, liens, security interests, and assignments securing or providing recourse for payment of the Indebtedness.

8.1.4. Sale of a part of the Mortgaged Property shall not exhaust the power of sale, but sales may be made from time to time until the Indebtedness is paid in full. It is intended by each of the foregoing provisions of this subsection that Trustee may, after any request or direction by Grantee, sell not only the Land and the Improvements, but also the Equipment and Furnishings and other interests constituting a part of the Mortgaged Property or any part thereof, along with the Land and the Improvements or any part thereof, as a unit and as a part of a single sale, or may sell at any time or from time to time any part or parts of the Mortgaged Property separately from the remainder of the Mortgaged Property. It shall not be necessary to have present or to exhibit at any sale any of the Mortgaged Property.

8.1.5. After any sale under this subsection, Trustee shall make good and sufficient deeds, assignments, and other conveyances to the purchaser or purchasers thereunder in the name of Grantor, conveying the Mortgaged Property or any part thereof so sold to the purchaser or purchasers with general warranty of title by Grantor. It is agreed that in any deeds, assignments or other conveyances given by Trustee, any and all statements of fact or other recitals therein made as to the identity of Grantee, the occurrence or existence of any Event of Default, the notice of intention to accelerate, or acceleration of, the maturity of the Indebtedness, the request to sell, notice of sale, time, place, terms and manner of sale, and receipt, distribution, and application of the money realized therefrom, the due and proper appointment of a substitute Trustee, and without being limited by the foregoing, any other act or thing having been duly done by or on behalf of Grantee or by or on behalf of Trustee, shall be taken by all courts of law and equity as prima facie evidence that such statements or recitals state true, correct, and complete facts and are without further question to be so accepted, and Grantor does hereby ratify and confirm any and all acts that Trustee may lawfully do in the premises by virtue hereof.

8.1.6. The following shall be the basis for the finder of fact's determination of the fair market value of the Mortgaged Property as of the date of the foreclosure sale in proceedings governed by Sections 51.003, 51.004 and 51.005 of the Texas Property Code (as amended from time to time): (i) the Mortgaged Property shall be valued in an "as is" condition as of the date of the foreclosure sale, without any assumption or expectation that the Mortgaged

Property will be repaired or improved in any manner before a resale of the Mortgaged Property after foreclosure; (ii) the valuation shall be based upon an assumption that the foreclosure purchaser desires a resale of the Mortgaged Property for cash promptly (but no later than twelve (12) months) following the foreclosure sale; (iii) all reasonable closing costs customarily borne by the seller in commercial real estate transactions should be deducted from the gross fair market value of the Mortgaged Property, including, without limitation, brokerage commissions, title insurance, a survey of the Mortgaged Property, tax proration, attorneys' fees, and marketing costs; (iv) the gross fair market value of the Mortgaged Property shall be further discounted to account for any estimated holding costs associated with maintaining the Mortgaged Property pending sale, including, without limitation, utilities expenses, property management fees, taxes and assessments (to the extent not accounted for in (ii) and/or (iii) above), and other maintenance, operational and ownership expenses; and (v) any expert opinion testimony given or considered in connection with a determination of the fair market value of the Mortgaged Property must be given by persons having at least five (5) years' experience in appraising property similar to the Mortgaged Property and who have conducted and prepared a complete written appraisal of the Mortgaged Property taking into consideration the factors set forth above.

SECTION 8.2. Non-Recourse. The monetary obligations of the Grantor under this Deed of Trust shall be non-recourse to the Grantor to the extent provided in Section 9.03 of the Loan Agreement.

SECTION 8.3. Concerning the Trustee.

8.3.1. Trustee shall not be required to take any action toward the execution and enforcement of the trust hereby created or to institute, appear in, or defend any action, suit, or other proceeding in connection therewith where, in Trustee's opinion, such action would be likely to involve Trustee in expense or liability, unless requested so to do by a written instrument signed by Grantee and unless Trustee is tendered security and indemnity satisfactory to Trustee against any and all cost, expense, and liability arising therefrom and if such request is made and such security and indemnity is tendered, the Trustee shall act in accordance with Grantee's request. Trustee shall not be responsible for the execution, acknowledgment, or validity of the Bond Mortgage Loan Documents, or for the proper authorization thereof, or for the sufficiency of the lien and security interest purported to be created hereby, and Trustee makes no representation in respect thereof or in respect of the rights, remedies, and recourses of Grantee.

8.3.2. With the approval of Grantee, Trustee shall have the right to take any and all of the following actions: (i) to select, employ, and advise with counsel (who may be, but need not be, counsel for Grantee) upon any matters arising hereunder, including the preparation, execution, and interpretation of the Bond Mortgage Loan Documents, and shall be fully protected in relying as to legal matters on the advice of counsel, (ii) to execute any of the trusts and powers hereof and to perform any duty hereunder either directly or through his agents or attorneys, (iii) to select and employ, in and about the execution of his duties hereunder, suitable accountants, engineers and other experts, agents and attorneys in fact, either corporate or individual, not regularly in the employ of Trustee, and Trustee shall not be answerable for any act, default, negligence, or misconduct of any such accountant, engineer or other expert, agent or attorney in fact, if selected with reasonable care and approved by the Grantee, or for any error of judgment or act done by Trustee in good faith and in accordance with the terms hereof, or be

otherwise responsible or accountable under any circumstances whatsoever, except for Trustee's gross negligence or bad faith or failure to act in accordance with the terms hereof, and (iv) any and all other lawful action as Grantee may instruct Trustee to take to protect or enforce Grantee's rights hereunder. Trustee shall not be personally liable in case of entry by Trustee, or anyone entering by virtue of the powers herein granted to Trustee, upon the Mortgaged Property for debts contracted for or liability or damages incurred in the management or operation of the Mortgaged Property. Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by Trustee hereunder, believed by Trustee in good faith to be genuine. Trustee shall be entitled to reimbursement for actual, out-of-pocket expenses reasonably incurred by Trustee in the performance of Trustee's duties hereunder and to reasonable compensation for such of Trustee's services hereunder as shall be rendered. Grantor will, from time to time, pay the compensation due to Trustee hereunder and reimburse Trustee for, and save Trustee harmless against, any and all liability and expenses which may be incurred by Trustee in the performance of Trustee's duties.

8.3.3. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by applicable law) and Trustee shall be under no liability for interest on any moneys received by Trustee hereunder.

8.3.4. Trustee may resign by the giving of notice of such resignation in writing or verbally to Grantee. If Trustee shall die, resign, or become disqualified from acting in the execution of this trust, or if, for any reason, Grantee shall prefer to appoint a substitute Trustee or multiple substitute Trustees, or successive substitute Trustees or successive multiple substitute Trustees, to act instead of the aforementioned Trustee, Grantee shall have full power to appoint a substitute Trustee (or, if preferred, multiple substitute Trustees) in succession who shall succeed (and if multiple substitute Trustees are appointed, each of such multiple substitute Trustees shall succeed) to all the estates, rights, powers, and duties of the aforementioned Trustee. Such appointment may be executed by any authorized agent of Grantee, and if such Grantee be a corporation and such appointment be executed in its behalf by any officer of such corporation, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation. Grantor hereby ratifies and confirms any and all acts which the aforementioned Trustee, or Trustee's successor or successors in this trust, shall do lawfully by virtue hereof. If multiple substitute Trustees are appointed, each of such multiple substitute Trustees shall be empowered and authorized to act alone without the necessity of the joinder of the other multiple substitute Trustees, whenever any action or undertaking of such substitute Trustees is requested or required under or pursuant to this Deed of Trust or applicable law.

8.3.5. Should any deed, conveyance, or instrument of any nature be required from Grantor by any Trustee or substitute Trustee to more fully and certainly vest in and confirm to the Trustee or substitute Trustee such estates, rights, powers, and duties, then, upon request by the Trustee or substitute Trustee, any and all such deeds, conveyances and instruments shall be made, executed, acknowledged, and delivered and shall be caused to be recorded and/or filed by Grantor.

8.3.6. Any substitute Trustee appointed pursuant to any of the provisions hereof shall, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its or his predecessor in the rights hereunder with like effect as if originally named as Trustee herein; but nevertheless, upon the written request of Grantee or of the substitute Trustee, the Trustee ceasing to act shall execute and deliver any instrument transferring to such substitute Trustee, upon the trusts herein expressed, all the estates, properties, rights, powers, and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such Trustee to the substitute Trustee so appointed in the Trustee's place.

8.3.7. By accepting or approving anything required to be observed, performed, or fulfilled or to be given to Trustee or Grantee pursuant to the Bond Mortgage Loan Documents, including without limitation, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal, or insurance policy, neither Trustee nor Grantee shall be deemed to have warranted, consented to, or affirmed the sufficiency, legality, effectiveness, or legal effect of the same, or of any term, provision, or condition thereof, and such acceptance or approval thereof shall not be or constitute any warranty or affirmation with respect thereto by Trustee or Grantee.

SECTION 8.4. Indemnity. GRANTOR SHALL INDEMNIFY, DEFEND, PROTECT AND HOLD HARMLESS GRANTEE AND TRUSTEE, THEIR RESPECTIVE PARENTS, SUBSIDIARIES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS FROM AND AGAINST AND DOES HEREBY RELEASE GRANTEE AND TRUSTEE FROM ANY AND ALL LIABILITY, DAMAGE, LOSS, COST, OR EXPENSE (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), ACTION, PROCEEDING, CLAIM OR DISPUTE INCURRED OR SUFFERED BY THE FOREGOING PARTIES SO INDEMNIFIED WHETHER OR NOT AS THE RESULT OF THE NEGLIGENCE OR GROSS NEGLIGENCE (BUT NOT THE WILLFUL MISCONDUCT, FRAUD OR BAD FAITH) OF ANY PARTY SO INDEMNIFIED, WHETHER VOLUNTARILY OR INVOLUNTARILY INCURRED OR SUFFERED, IN RESPECT OF THE FOLLOWING:

(i) ANY LITIGATION CONCERNING THIS DEED OF TRUST, THE OTHER BOND MORTGAGE LOAN DOCUMENTS OR THE MORTGAGED PROPERTY, OR ANY INTEREST OF GRANTOR OR GRANTEE THEREIN, OR THE RIGHT OF OCCUPANCY THEREOF BY GRANTOR OR GRANTEE, WHETHER OR NOT ANY SUCH LITIGATION IS PROSECUTED TO A FINAL, NON APPEALABLE JUDGMENT;

(ii) ANY DISPUTE, INCLUDING DISPUTES AS TO THE DISBURSEMENT OF PROCEEDS OF THE NOTE NOT YET DISBURSED, AMONG OR BETWEEN ANY OF THE CONSTITUENT PARTIES OR OTHER PARTNERS OR VENTURERS OF GRANTOR IF GRANTOR IS A GENERAL OR LIMITED PARTNERSHIP, OR AMONG OR BETWEEN ANY EMPLOYEES, OFFICERS, DIRECTORS, SHAREHOLDERS, MEMBERS OR MANAGERS OF GRANTOR IF GRANTOR IS A CORPORATION OR LIMITED LIABILITY COMPANY, OR

AMONG OR BETWEEN ANY MEMBERS, TRUSTEES OR OTHER RESPONSIBLE PARTIES IF GRANTOR IS AN ASSOCIATION, TRUST OR OTHER ENTITY;

(iii) ANY ACTION TAKEN OR NOT TAKEN BY GRANTEE OR TRUSTEE WHICH IS ALLOWED OR PERMITTED UNDER THIS DEED OF TRUST OR ANY OF THE OTHER BOND MORTGAGE LOAN DOCUMENTS RELATING TO GRANTOR, THE MORTGAGED PROPERTY, ANY CONSTITUENT PARTIES OR OTHERWISE IN CONNECTION WITH THE BOND MORTGAGE LOAN DOCUMENTS, INCLUDING WITHOUT LIMITATION, THE PROTECTION OR ENFORCEMENT OF ANY LIEN, SECURITY INTEREST OR OTHER RIGHT, REMEDY OR RECOURSE CREATED OR AFFORDED BY THIS DEED OF TRUST OR THE OTHER BOND MORTGAGE LOAN DOCUMENTS;

(iv) ANY ACTION BROUGHT BY GRANTEE OR TRUSTEE AGAINST GRANTOR UNDER THIS DEED OF TRUST OR THE OTHER BOND MORTGAGE LOAN DOCUMENTS, WHETHER OR NOT SUCH ACTION IS PROSECUTED TO A FINAL, NON APPEALABLE JUDGMENT; AND

(v) ANY AND ALL LOSS, DAMAGE, COSTS, EXPENSE, ACTION, CAUSES OF ACTION, OR LIABILITY (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS) DIRECTLY OR INDIRECTLY ARISING FROM OR ATTRIBUTABLE TO THE USE, GENERATION, MANUFACTURE, PRODUCTION, STORAGE, RELEASE, THREATENED RELEASE, DISCHARGE, DISPOSAL, OR PRESENCE OF A HAZARDOUS SUBSTANCE ON, IN, UNDER OR ABOUT THE MORTGAGED PROPERTY, WHETHER KNOWN OR UNKNOWN AT THE TIME OF THE EXECUTION HEREOF, INCLUDING WITHOUT LIMITATION (A) ALL FORESEEABLE CONSEQUENTIAL DAMAGES OF ANY SUCH USE, GENERATION, MANUFACTURE, PRODUCTION, STORAGE, RELEASE, THREATENED RELEASE, DISCHARGE, DISPOSAL, OR PRESENCE, AND (B) THE COSTS OF ANY REQUIRED OR NECESSARY ENVIRONMENTAL INVESTIGATION OR MONITORING, ANY REPAIR, CLEANUP, OR DETOXIFICATION OF THE MORTGAGED PROPERTY, AND THE PREPARATION AND IMPLEMENTATION OF ANY CLOSURE, REMEDIAL, OR OTHER REQUIRED PLANS.

GRANTEE AND/OR TRUSTEE MAY EMPLOY AN ATTORNEY OR ATTORNEYS TO PROTECT OR ENFORCE ITS RIGHTS, REMEDIES AND RECOURSES UNDER THIS DEED OF TRUST AND THE OTHER BOND MORTGAGE LOAN DOCUMENTS, AND TO ADVISE AND DEFEND GRANTEE AND/OR TRUSTEE WITH RESPECT TO ANY SUCH ACTIONS AND OTHER MATTERS. GRANTOR SHALL REIMBURSE GRANTEE AND/OR TRUSTEE FOR THEIR RESPECTIVE REASONABLE ATTORNEYS' FEES AND EXPENSES (INCLUDING EXPENSES AND COSTS FOR EXPERTS) IMMEDIATELY UPON RECEIPT OF A WRITTEN DEMAND THEREFOR, WHETHER ON A MONTHLY OR OTHER TIME INTERVAL, AND WHETHER OR NOT AN ACTION IS ACTUALLY COMMENCED OR CONCLUDED. ALL OTHER REIMBURSEMENT AND INDEMNITY OBLIGATIONS HEREUNDER

SHALL BECOME DUE AND PAYABLE WHEN ACTUALLY INCURRED BY GRANTEE AND/OR TRUSTEE. ANY PAYMENTS NOT MADE WITHIN TEN (10) DAYS AFTER WRITTEN DEMAND THEREFOR SHALL BEAR INTEREST AT THE DEFAULT RATE FROM THE DATE OF SUCH DEMAND UNTIL FULLY PAID. THE PROVISIONS OF THIS SECTION 8.4 SHALL SURVIVE REPAYMENT OF THE INDEBTEDNESS AND PERFORMANCE OF THE OBLIGATIONS, THE RELEASE OF THE LIEN OF THIS DEED OF TRUST, ANY FORECLOSURE (OR ACTION IN LIEU OF FORECLOSURE), THE TRANSFER BY GRANTOR OF ANY OR ALL OF ITS RIGHT, TITLE AND INTEREST IN OR TO THE PROPERTY AND THE EXERCISE BY GRANTEE OF ANY AND ALL REMEDIES SET FORTH HEREIN OR IN THE OTHER BOND MORTGAGE LOAN DOCUMENTS.

SECTION 8.5. Purpose of Loan. This Deed of Trust is given pursuant to the Bond Mortgage Loan Documents and secures Grantor's obligations to pay the Indebtedness as described herein and as advanced under the Bond Mortgage Loan Documents, to pay the costs of acquiring, renovating, improving and equipping the Development, among other purposes set forth in the Bond Mortgage Loan Documents.

SECTION 8.6. Extended Low-Income Housing Commitment. The Grantor and Grantee agree that the lien of this Deed of Trust shall be subordinate to any extended low-income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) (the "**Extended Use Agreement**") recorded against the Mortgaged Property; provided that such Extended Use Agreement, by its terms, must terminate upon foreclosure under this Deed of Trust or upon a transfer of the Mortgaged Property by instrument in lieu of foreclosure or comparable conversion of the Loan, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. The Grantor acknowledges and agrees that any default, Event of Default, or breach (however such terms may be defined) under the Extended Use Agreement that continues after the expiration of all notice, grace, and cure periods, or such longer time provided by the holder of the Extended Use Agreement, shall be an Event of Default under this Deed of Trust and that any costs, damages or other amounts, including reasonable attorneys' fees, incurred by the Grantee as a result of an Event of Default by the Grantor and any amounts paid to cure any default under the Extended Use Agreement, shall be an obligation of the Grantor and become a part of the Indebtedness secured by this Deed of Trust.

SECTION 8.7. Subordination. The liens and security interests hereby granted and conveyed by Grantor to Grantee against the Mortgaged Property are subordinate to the First Mortgage and shall remain subordinate to the First Mortgage regardless of the frequency or manner of renewal, extension, change or alteration of the First Mortgage or the Lender Loan secured by the First Mortgage. By its acceptance of this Deed of Trust, the Grantee agrees to the subordination of this Deed of Trust to the First Mortgage and to the foregoing provisions and to the provisions of the Subordination Agreement attached hereto as Exhibit B and incorporated herein for all purposes.

SECTION 8.8. Entire Agreement. THIS INSTRUMENT, THE NOTE AND THE OTHER BOND MORTGAGE LOAN DOCUMENTS CONTAIN THE FINAL, ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO RELATING TO THE SUBJECT

MATTER HEREOF AND THEREOF AND ALL PRIOR AGREEMENTS, WHETHER WRITTEN OR ORAL, RELATIVE HERETO AND THERETO WHICH ARE NOT CONTAINED HEREIN OR THEREIN ARE SUPERSEDED AND TERMINATED HEREBY, AND THIS INSTRUMENT, THE NOTE AND THE OTHER BOND MORTGAGE LOAN DOCUMENTS MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMOUNT THE PARTIES HERETO.

[Signature Page Follows]

IN WITNESS WHEREOF, the Grantor has duly executed this Deed of Trust as of the day and year first above written.

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

ACKNOWLEDGMENT

STATE OF _____

COUNTY _____

On this the _____ day of _____, 2021 personally appeared David P. Cole, Executive Vice President of Commonwealth Multifamily Housing Corporation, a Pennsylvania 501(c)3, the sole member of Oso Affordable Housing LLC, a Texas limited liability company, the general partner of Oso Bay Housing Partners, LP, a Texas limited partnership, the sole member and manager of Oso Bay Apartments, LLC, a Texas limited liability company, who acknowledged that he executed the foregoing instrument for the purposes therein contained and in the capacity stated on behalf of said entity.

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

Notary Public, State of _____

Notary's Name (Printed): _____

Notary Seal:

EXHIBIT A
LEGAL DESCRIPTION

[TO COME FROM BORROWER].

EXHIBIT B
SUBORDINATION AGREEMENT

[TO COME]

ASSIGNMENT OF DEED OF TRUST DOCUMENTS

This Assignment of Deed of Trust Documents (“Assignment”) is dated as of [February] 1, 2021 from the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (the “Assignor”), to REGIONS BANK, as Trustee (the “Assignee”) under the Trust Indenture (the “Indenture”) dated as of [February] 1, 2021, between the Assignor as Issuer and the Assignee as Trustee.

RECITALS

Oso Bay Apartments, LLC, a Texas limited liability company (the “Owner”), as Borrower, has:

(i) entered into with the Assignor a Loan Agreement dated as of [February] 1, 2021 (said Loan Agreement with all further supplements and amendments thereto is herein referred to as the “Loan Agreement”), evidencing indebtedness in the aggregate principal amount of \$[14,000,000] (the “Loan”);

(ii) executed and delivered to the Assignor the Promissory Note dated [February] 1, 2021 (said Note together with all further supplements and amendments thereto is herein referred to as the “Note”) in the principal amount of \$[14,000,000] and made to the order of the Assignor as Payee, further evidencing the Loan; and

(iii) executed and delivered to the Assignor the Subordinate Multifamily Deed of Trust, Security Agreement and Fixture Filing dated as of [February] 1, 2021 (the “Mortgage”) made to a mortgage trustee for the benefit of the Assignor and the Assignee, securing the Note, and to be recorded in the Deed Records of Nueces County, Texas, and relating to the real estate described in **Exhibit A** hereto.

The documents identified in (i), (ii) and (iii) above, together with all financing and continuation statements to perfect the liens and security interests granted thereby, are collectively referred to herein as the “Deed of Trust Documents.”

The Assignor desires to assign and transfer to the Assignee all its right, title and interest in and to the Deed of Trust Documents, excluding the Reserved Rights, and the Assignee desires to acquire Assignor’s right, title and interest as aforesaid under the Deed of Trust Documents in accordance with the terms hereof. The Assignee is joining in the execution of this Assignment in order to evidence its acceptance hereof.

The Owner is joining in the execution of this Assignment in order to evidence its consent hereto and in order to agree that the Deed of Trust Documents shall be effective to secure the obligations of the Owner to the Assignee as more fully set forth therein and herein.

AGREEMENT

For and in consideration of the premises, the sum of \$10.00, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Section 1. Definitions. All words and phrases defined in the Indenture have the same meanings in this Assignment, which definitions are incorporated herein by reference, unless a different definition is set forth in this Assignment.

Section 2. Assignment. The Assignor sells, assigns and sets over and transfers to the Assignee all the right, title and interest of the Assignor in, to and under the Deed of Trust Documents, excluding any Reserved Rights, and Assignee accepts such assignment and assumes Assignor's obligations under the Deed of Trust Documents. This Assignment is made and shall be without recourse, warranty or representation of the Assignor.

Section 3. Miscellaneous. In case any one or more of the provisions contained in this Assignment are invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not be affected or impaired thereby.

This Assignment may be executed in any number of counterparts, each executed counterpart constituting an original, but all counterparts together constituting only one instrument.

It is the intention of the parties hereto that this Assignment and the rights and obligations of the parties hereunder shall be governed, construed and enforced in accordance with the laws of the State of Texas, without reference to the conflicts of laws principles of the State of Texas.

(SIGNATURE PAGES FOLLOW)

IN WITNESS WHEREOF, the undersigned have executed this Assignment of Deed of Trust Documents as of the date first above written.

ASSIGNOR:

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: _____

Name: James B. "Beau" Eccles

Title: Secretary to the Board

Address: P.O. Box 13941
Austin, Texas 78711-3941

Attention: Director of Multifamily Bonds

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

The foregoing instrument was acknowledged before me this ____ day of _____, 2021, by James B. "Beau" Eccles, Secretary to the Governing Board of the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas, on behalf of said agency.

Notary Public's Signature

(PERSONALIZED SEAL)

ASSIGNEE:

REGIONS BANK, as Trustee

By: _____
Name: _____
Title: _____

Address: _____
Attention: _____

ACKNOWLEDGMENT

STATE OF _____ §
 §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this ____ day of _____, 2021,
by _____, a _____ of Regions Bank, an Alabama banking corporation, on behalf
of said corporation.

Notary Public's Signature

(PERSONALIZED SEAL)

[Signature Page for Assignment of Deed of Trust Documents]

The undersigned, being the Owner referred to in the foregoing Assignment of Deed of Trust Documents, hereby acknowledges receipt and acceptance thereof and consents and agrees to the assignment made therein and to the terms and provisions thereof.

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing Corporation
a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

ACKNOWLEDGMENT

STATE OF _____

COUNTY _____

On this the _____ day of _____, 2021 personally appeared David P. Cole, Executive Vice President of Commonwealth Multifamily Housing Corporation, a Pennsylvania 501(c)3, the sole member of Oso Affordable Housing LLC, a Texas limited liability company, the general partner of Oso Bay Housing Partners, LP, a Texas limited partnership, the sole member and manager of Oso Bay Apartments, LLC, a Texas limited liability company, who acknowledged that he executed the foregoing instrument for the purposes therein contained and in the capacity stated on behalf of said entity.

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

Notary Public, State of _____
Notary's Name (Printed): _____

Notary Seal:

EXHIBIT A

LEGAL DESCRIPTION

[TO COME FROM BORROWER]

BOND PURCHASE AGREEMENT

\$14,000,000

**Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021**

_____, 2021

Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711

Oso Bay Apartments, LLC
c/o Vitus Group, LLC
1700 Seventh Avenue, Suite 2000
Seattle, Washington 98101

Ladies and Gentlemen:

Colliers Securities LLC (the “Underwriter”), on its own behalf and not as your fiduciary or agent for you, and in its capacity as underwriter of the Bonds (as hereinafter defined), offers to enter into the following agreement (the “Bond Purchase Agreement”) with the Texas Department of Housing and Community Affairs (the “Issuer”) and Oso Bay Apartments, LLC, a Texas limited liability company (the “Borrower”), which, upon acceptance of this offer, will be binding upon the Issuer, the Borrower and the Underwriter. This offer is made subject to the Issuer’s and the Borrower’s acceptance on or before 5:00 p.m., Central time, today; if this offer is not timely accepted, it will thereafter be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower. If and when accepted by the Issuer and the Borrower in writing, this Bond Purchase Agreement shall constitute the agreement of the Underwriter to purchase the Bonds on the terms and subject to the conditions herein set forth.

The above-captioned bonds are referred to herein as the “Bonds.” Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture (as such term is hereinafter defined) or the Bond Loan Agreement. The Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement and this Bond Purchase Agreement, to the extent related to the Issuer, are hereinafter collectively referred to as the “Issuer Documents.” The Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, the Continuing Disclosure Agreement, the Remarketing Agreement and this Bond Purchase Agreement, to the extent related to the Borrower, are hereinafter collectively referred to as the “Borrower Documents.” The Indenture, the Tax Exemption Agreement, the Continuing Disclosure Agreement and the Regulatory Agreement, to the extent related to the Trustee, are hereinafter collectively referred to as the “Trustee Documents.”

Section 1. Purchase and Sale of the Bonds.

Subject to the terms and conditions and in reliance on the representations and warranties herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter on the Closing Date (as such term is hereinafter defined), all (but not less than all) of the Bonds for a purchase price of ___% of the principal amount of the Bonds. Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer and Borrower understand, and hereby confirm, that

the Underwriter is not acting as a fiduciary of the Issuer or the Borrower, but rather is acting solely in its capacity as Underwriter. The parties acknowledge that the structure, terms and timing of the transaction have been determined by the Underwriter and the Borrower and presented to the Issuer for approval.

The Bonds will be subject to mandatory tender on September 1, 2022 (the “Initial Mandatory Tender Date”), will mature on September 1, 2024 and bear interest at the rate of ___% per annum from the Closing Date to the Initial Mandatory Tender Date. The Borrower agrees to pay the Underwriter \$_____ (which does not include Underwriter’s Counsel fee) in connection with the purchase of the Bonds (the “Underwriting Fee”), [plus an additional \$_____ to reimburse the Underwriter for certain fees and expenses,] in addition to the other expenses stipulated in Section 8 herein (together with the Underwriting Fee, the “Fees”). The Fees are payable on the Closing Date. Payment of the Fees is solely the obligation of the Borrower, and the Issuer shall have no liability with respect thereto.

The Bonds shall be as described in, and shall be issued pursuant to, a Trust Indenture, dated as of March 1, 2021 (the “Indenture”), between the Issuer and Regions Bank, as trustee (the “Trustee”). The Bonds shall be issued pursuant to a resolution adopted by the Issuer on [January 14], 2021 (the “Resolution”) and the provisions of Chapter 2306, Texas Government Code, as amended (the “Act”), and Chapter 1371, Texas Government Code, as amended.

The proceeds of the Bonds will be used by the Issuer to provide funding for a loan (the “Bond Loan”) to the Borrower. The Bond Loan will be evidenced by a Promissory Note (the “Note”). The Issuer and the Borrower will enter into a Loan Agreement (the “Bond Loan Agreement”) and the Issuer, the Borrower, and the Trustee will enter into a Regulatory and Land Use Restriction Agreement (the “Regulatory Agreement”) and a Tax Exemption Certificate and Agreement (the “Tax Exemption Agreement”), in each case regarding the operation of the Project. The Bonds will be secured by collateral held under the Indenture. The disbursement of any Bond proceeds pursuant to the Indenture and the Bond Loan Agreement will be conditioned upon, among other things, the prior receipt by the Trustee and deposit in the Collateral Fund of an equal amount of funds by Regions Bank (the “Lender”) in accordance with the Indenture and pursuant to a (i) Funding Agreement, dated as of March 1, 2021, among the Lender, the Borrower, the Issuer and the Trustee (the “Funding Agreement”), and (ii) Loan Disbursement Procedures Agreement, dated as of March 1, 2021, among [the Lender, the Issuer and the Trustee] (the “Loan Disbursement Procedures Agreement,” and together with the Funding Agreement, the “Disbursement Agreement”).

THE BONDS, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER SECURED BY THE TRUST ESTATE, ARE AND WILL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE (EXCEPT TO THE EXTENT PAID OUT OF MONEYS ATTRIBUTABLE TO PROCEEDS OF THE BONDS OR THE INCOME FROM THE TEMPORARY INVESTMENT THEREOF), AND ARE AND WILL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME MAY BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THE INDENTURE AND IN THE BOND LOAN AGREEMENT. THE BONDS AND THE OBLIGATION TO PAY INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, DO NOT NOW AND WILL NEVER CONSTITUTE A DEBT OR AN OBLIGATION OF THE STATE OF TEXAS (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREFOR. THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE

STATE OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR ANY OTHER FEDERAL GOVERNMENTAL AGENCY AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES.

It shall be a condition (a) to the obligations of the Issuer to sell and deliver the Bonds to the Underwriter, and (b) to the obligations of the Underwriter with respect to the Bonds, to purchase and accept delivery of and to pay for the Bonds, that the entire aggregate principal amount of the Bonds to be sold and delivered by the Issuer in accordance with this Section 1 shall be sold and delivered simultaneously by the Issuer and be purchased, accepted and paid for simultaneously by the Underwriter.

The Borrower and the Issuer acknowledge that the Underwriter, without regard to priority, may allocate the Bonds between customer orders and orders that could be considered to be from “related accounts” for purposes of MSRB Rule G-11. The Issuer and the Borrower hereby agree to the Underwriter’s allocation of the Bonds to the orders that the Underwriter received during the order period for the Bonds, regardless of priority between customer accounts and those accounts that could be considered “related accounts.”

The Project will utilize a mortgage loan (the “Lender Loan”) insured by the Federal Housing Administration (“FHA”) under Section 221(d)(4) of the National Housing Act of 1934, as amended, and applicable regulations promulgated thereunder. In connection with the Lender Loan, the Borrower will execute a Note (Multistate) (the “Lender Borrower Note”). The Borrower’s repayment obligations under the Lender Borrower Note will be secured by a first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (Texas) (the “Lender Mortgage”) on the Project. The Borrower will also execute a Regulatory Agreement for Multifamily Projects required by FHA (the “HUD Regulatory Agreement”) with respect to the Project in order to provide for, among other things, a reserve fund for replacements as well as escrows for taxes, insurance and mortgage insurance premiums, which will be held by the Lender. In the event of conflict between the provisions of the Lender Borrower Note, the Lender Mortgage, the HUD Regulatory Agreement and certain other documents required by FHA or the Lender (collectively, the “Lender Loan Documents”) and the Indenture, the Bond Loan Agreement, the Note, the Bond Mortgage, or the Regulatory Agreement, the Lender Loan Documents will control. Neither the owners of the Bonds nor the Trustee will have rights under the Lender Loan Documents.

Section 2. Official Statement.

(a) Prior to the date hereof, the Borrower and the Issuer shall have provided to the Underwriter the Preliminary Official Statement related to the Bonds (the “Preliminary Official Statement”), that each of the Borrower and the Issuer hereby deem final as of its date, except for certain omissions in connection with the pricing of the Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”). The Underwriter has received such Preliminary Official Statement prior to the execution of this Bond Purchase Agreement for the purpose of marketing and pricing the Bonds.

(b) With its acceptance hereof, the Issuer will deliver, at the Borrower’s expense, to the Underwriter on the earlier of the Closing Date or the date which is seven (7) business days after the date hereof (or within such shorter period as may be requested by the Underwriter in order to accompany any confirmation that requests payment from any customer to comply with paragraph (b)(4) of the Rule, Rule

G-32 and all other applicable rules of the Municipal Securities Rulemaking Board), copies of the final Official Statement (the “Official Statement”) in an amount mutually agreed upon, dated the date hereof, together with all supplements and amendments thereto, as shall have been accepted by the Underwriter, signed on behalf of the Borrower.

The Issuer hereby ratifies and consents to the use of the Official Statement by the Underwriter in conjunction with the public offering and pricing of the Bonds.

(c) The Borrower and the Issuer agree with the Underwriter that if between the date of this Bond Purchase Agreement and the date which is the earlier of (i) 90 days from the “end of the underwriting period,” as determined in subparagraph (d) below, or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the end of the underwriting period, as to the Issuer, any event shall occur which would or might cause the information supplied by or concerning the Issuer, or as to the Borrower, any event shall occur which would or might cause the information supplied by or concerning the Borrower contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer or the Borrower, as applicable, shall notify the Underwriter thereof, and if in the reasonable opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer and the Borrower shall cooperate with the Underwriter in supplementing or amending the Official Statement, the printing of which will be at the Borrower’s expense, in such form and manner and at such time or times as may be reasonably called for by the Underwriter.

(d) Unless otherwise notified in writing by the Underwriter on or prior to the Closing Date, the Issuer and the Borrower can assume that the “end of the underwriting period” for the Bonds for all purposes of the Rule is the Closing Date. In the event such notice is given in writing by the Underwriter, the Underwriter agrees to notify the Issuer and the Borrower in writing following the occurrence of the “end of the underwriting period” (as defined in the Rule) for the Bonds identified in such notice. The “end of the underwriting period” as used herein shall mean the Closing Date or such later date as to which notice is given by the Underwriter in accordance with the preceding sentence.

(e) On or prior to the Closing Date, the Underwriter shall file, or cause to be filed, the Official Statement with the Municipal Securities Rulemaking Board (“MSRB”) through Electronic Municipal Market Access (“EMMA”).

(f) In order to assist the Underwriter in complying with the Rule, the Borrower will undertake, pursuant to a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) to provide annual financial information and notices of the occurrence of specified events. The form of the Continuing Disclosure Agreement is attached to the Official Statement.

Section 3. Representations, Warranties and Covenants of the Issuer.

The Issuer represents and warrants as of the date hereof to the Underwriter and the Borrower as follows:

(a) The Issuer is a public and official agency of the State, and has full legal right, power and authority (i) to enter into the Issuer Documents, (ii) to adopt the resolution dated [January 14], 2021 authorizing the issuance of the Bonds (the “Resolution”), (iii) to issue, sell and deliver the Bonds as provided herein and in the Indenture, (iv) to authorize the Trustee under the

Indenture to use the proceeds of the Bonds to make the Bond Loan to provide for the acquisition, rehabilitation and equipping of the Project, and (v) to carry out the transactions on its part contemplated by the Issuer Documents, as they may be amended or supplemented from time to time by the Issuer.

(b) The information in the Official Statement under the headings “THE ISSUER” and “NO LITIGATION – The Issuer” (insofar as the information under such captions applies to the Issuer) (together, the “Issuer Information”) was, on the date thereof, and is, on the date hereof, true and correct and did not, on the date thereof, and does not, on the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(c) By adopting the Resolution, the Issuer has duly authorized and approved the delivery and use of the Official Statement (but by such authorization and approval, the Issuer makes no representations as to the accuracy or sufficiency of its contents, except as provided herein), has duly authorized and approved the execution and delivery of and the performance by the Issuer of the obligations on its part contained in the Issuer Documents, has duly authorized and approved the issuance, execution and delivery of, and the performance by the Issuer of its obligations under, the Bonds and has duly authorized and approved the consummation by it of all other transactions on its part contemplated by the Issuer Documents. The Resolution has been duly adopted by the Issuer, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(d) The Issuer is not in breach of or default under any applicable law or administrative regulation of the State or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject which would impair in any material respect the performance of its obligations under the Issuer Documents.

(e) The execution and delivery by the Issuer of the Bonds and the Issuer Documents, compliance with the provisions of each thereof and the consummation of the transactions contemplated thereby will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject; provided, however, that the Issuer makes no representation or warranty with respect to compliance with applicable state securities or Blue Sky laws or the registration of the Bonds or the Lender Borrower Note under the Securities Act of 1933, as amended, or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(f) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations under the Issuer Documents have been obtained or will be obtained on or before the Closing Date; provided, however, that the Issuer makes no representation or warranty with respect to compliance with applicable state securities or Blue Sky laws or the registration of the Bonds or the Lender Borrower Note under the Securities Act of 1933, as amended, or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(g) There is no action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, pending, or to the actual

knowledge of the Issuer threatened in writing, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (i) the use of the Official Statement or the use of the proceeds of the Bonds to make the Bond Loan, (ii) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (iii) the tax-exempt status of the interest on the Bonds or the accuracy or completeness of the Official Statement, (iv) the execution and delivery of the Issuer Documents or the Bonds, or (v) the power of the Issuer to carry out the transactions contemplated by the Bonds, the Official Statement or any of the Issuer Documents.

(h) The Bonds, when issued, authenticated and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding special, limited obligations of the Issuer, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights generally and further subject to the exercise of judicial discretion in accordance with general principles of equity, and entitled to the benefits of the Indenture.

(i) The Issuer Documents will constitute valid, legal and binding limited obligations of the Issuer, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally and further subject to the exercise of judicial discretion in accordance with general principles of equity.

(j) Any certificate signed by any official of the Issuer and delivered to the Underwriter shall be deemed to be a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(k) To the best of its knowledge, neither the Issuer nor anyone acting with its authorization on its behalf (other than the Underwriter) has, directly or indirectly, offered for sale or solicited any offer to acquire the Bonds or any security the offering of which would be deemed for purposes of the Securities Act of 1933, as amended, to be part of the offering of the Bonds contemplated hereby.

(l) The Bonds are special, limited obligations of the Issuer payable solely from the Trust Estate established under the Indenture and from no other revenues or assets of the Issuer. The Bonds do not constitute an indebtedness or obligation of the State, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power which is available to pay the Bonds.

The Issuer covenants with the Underwriter as follows:

(m) The Issuer is and will be at the Closing Date duly organized and validly existing as a public and official agency duly organized and existing under the constitution and laws of the State with the power and authority under the constitution and laws of the State, to issue the Bonds and to execute, deliver and perform its obligations hereunder and under the Bond Loan Agreement and the Indenture, to pledge the property described in the Indenture to be pledged thereby in the manner and to the extent therein set forth; all actions required for the issuance of the Bonds and the execution and delivery of, and the performance of its obligations under, this Bond Purchase Agreement and under the Bond Loan Agreement, the Indenture and the Bonds have been, or as of the Closing Date will have been, duly and effectively taken; this Bond

Purchase Agreement has been and the Bond Loan Agreement and the Indenture will, as of the Closing Date, have been duly executed, issued and delivered; and the Bonds will, as of the Closing Date, have been duly authorized, executed, issued and delivered.

(n) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or, to the best knowledge of the Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Loan Agreement, or this Bond Purchase Agreement or (ii) the tax-exempt status of interest on the Bonds.

(o) The execution and delivery by the Issuer of the Bonds, the Indenture, the Bond Loan Agreement and this Bond Purchase Agreement and the performance by the Issuer of its obligations thereunder (i) do not violate applicable provisions of the constitution, statutory laws or regulations of the State, (ii) do not violate its activating resolution or bylaws, (iii) do not breach or result in a default under any other agreement to which it is a party, and (iv) do not violate the terms of any judicial or administrative judgment, order, decree or arbitral decision that names the Issuer and is specifically directed to it or its properties, and no approval or other action by, or filing or registration with, any governmental authority or agency is required in connection therewith that has not been obtained or accomplished or will not be obtained or accomplished by the Closing Date (provided no representation or warranty is expressed as to any action required under federal or state securities or Blue Sky laws in connection with the sale of the Bonds by the Underwriter).

(p) Each of the representations of the Issuer contained in the Bond Loan Agreement and in the Indenture are and will, as of the Closing Date, be true and correct in all material respects and are hereby made to the Underwriter as if set forth herein.

(q) The Issuer will not take or omit to take any action within its power, which action or omission might in any way affect the excludability from gross income of the interest on the Bonds for federal income tax purposes.

(r) The obligation of the Issuer under this Bond Purchase Agreement shall be subject to the Issuer having received such legal opinions, certificates, proceedings, instruments and other documents as, in the sole discretion of counsel to the Issuer, are necessary in order to satisfy, or evidence satisfaction of, the conditions precedent in the Indenture.

(s) The Underwriter acknowledges that the Issuer, its officers, governing board members, counsel, advisors and agents, and employees and agents of any of the foregoing (each individually an "Issuer Party" and all collectively the "Issuer Parties") have not undertaken to furnish information to the Underwriter, or to ascertain the accuracy or completeness of any information that may have been furnished to the Underwriter by or on behalf of the Borrower relating to the operations, financial condition or future prospects of the Borrower or the Project and that none of the Issuer Parties have made any representations concerning the accuracy or completeness of any information supplied to the Underwriter and relating to the Project. On the basis of the foregoing, the Issuer hereby consents to the Underwriter's lawful use of the Preliminary Official Statement and the Official Statement in connection with the offer, sale, and distribution of the Bonds.

Section 4. Representations, Warranties and Agreements of the Borrower.

The Borrower represents and warrants to the Underwriter and Issuer as follows:

(a) The Borrower is duly organized and existing as a limited liability company under the laws of the State, has full legal right, power and authority to own its properties and to conduct its business as described in the Official Statement and to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents and the Official Statement, and is duly qualified to do such business and is in good standing wherever such qualification and/or standing are required, including the State.

(b) By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents and approved the execution and delivery of the Borrower Documents, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture, the Official Statement and the Borrower Documents in connection with the issuance of the Bonds.

(c) On the Closing Date, the Borrower Documents will constitute the valid, legal and binding obligations of the Borrower (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) As of the date hereof, the Borrower is not in violation of, breach of or default under any applicable law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound which violation, breach or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

(e) All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect or will be timely obtained.

(f) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation of which the Borrower has been notified, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers executing this Bond Purchase Agreement to their respective offices, affecting the transaction contemplated by the Official Statement or the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the owners of the Bonds, or contesting or affecting as to the Borrower the validity or enforceability of the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Borrower's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

(g) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts upon the reasonable request of the Underwriter to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Borrower shall not be required to register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(h) Any certificate signed by the Borrower and delivered to the Underwriter or the Issuer pursuant to the Indenture or the Borrower Documents shall be deemed a representation and warranty by the Borrower to the Underwriter and the Issuer as to the statements made therein as of the date thereof.

(i) The Borrower will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended.

(j) The Borrower shall honor all other covenants contained in the Borrower Documents.

(k) All permits, licenses and other authorizations necessary for the ownership, acquisition, rehabilitation, and equipping of the Project in the manner contemplated by the Official Statement and the Borrower Documents have been obtained or will be obtained by the

time required, and said ownership, acquisition, rehabilitation, and equipping are not in conflict with any zoning or similar ordinance applicable to the Project.

(l) The information in the Preliminary Official Statement, as of its date and the date hereof, and the Official Statement, as of its date and the Closing Date (and including any supplements and amendments thereto) under the captions “ESTIMATED SOURCES AND USES OF FUNDS,” “THE PROJECT AND THE PARTICIPANTS,” “CERTAIN BONDHOLDERS’ RISKS” (but only with respect to those risks that expressly relate to the Borrower, the Project and the private participants), “NO LITIGATION – The Borrower” and “CONTINUING DISCLOSURE” (collectively, the “Borrower Portion”) does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Bond Purchase Agreement by the Borrower shall constitute a representation to the Underwriter that the representations and warranties contained in this Section 4 are true as of the date hereof.

Section 5. Indemnification.

(a) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer and the Underwriter (collectively, the “Principal Indemnified Parties”) and each past, present and future affiliate, member, officer, director, official, employee and agent of the Issuer, the Trustee or the Underwriter and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (a “Control Person”) (with respect to the Issuer, each individually an “Issuer Indemnified Party,” and collectively referred to herein as the “Indemnified Parties”), against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys’ fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the “Liabilities”) caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Bond Loan, the Bond Loan Agreement, the Indenture, this Bond Purchase Agreement or any document related to the Bonds (the “Transaction Documents”) or any transaction or agreement, written or oral, pertaining to the foregoing or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact contained in the Borrower Portion of the Preliminary Official Statement or the Borrower Portion of the Official Statement or any omission or alleged omission from the Borrower Portion of the Preliminary Official Statement and the Borrower Portion of the Official Statement of any material fact necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however that the foregoing indemnity of an Indemnified Party pursuant to this Section 5(a) or Section 5(b) below shall not apply to any loss to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party other than the Issuer or caused by the willful misconduct of any Issuer Indemnified Party or any affiliate, member, officer, director, official, employee, agent or Control Person of said Indemnified Party or of the Principal Indemnified Party with which said party is affiliated.

(b) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Underwriter from and against the Liabilities directly or indirectly arising from or relating to any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by the Issuer pertaining to the Bonds.

(c) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower's expense and with counsel reasonably satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense but not to take any action to settle the same without the approval of the Borrower which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to engage separate counsel in any such action or proceeding and participate in the investigation and defense of the action or proceeding and the Borrower shall be obligated to pay the reasonable fees and expenses of such separate counsel if the Indemnified Party reasonably determines that (A) a conflict of interest exists between the interests of the Indemnified Party and the interests of the Borrower or (B) there may be a defense available to it or to any other Indemnified Party which is different from or in addition to those available to the Borrower or to any other Indemnified Party. If the Borrower shall, after this notice and within a period of time necessary to preserve any and all reasonable defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose reasonably satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk, cost and expense of, the Borrower.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section 5 is for any reason held to be unavailable, the Borrower and the Underwriter shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Parties may be subject, so that the Underwriter is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Underwriter in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Underwriter be responsible for any amount in excess of the fees paid by the Borrower to the Underwriter in connection with the issuance and administration of the Bonds and provided further that the Borrower shall not be required to contribute for Liabilities arising from the gross negligence or willful misconduct of the Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 10(b) of the Securities Act of 1933) shall be entitled to contribution from any person who was not guilty of such misrepresentation.

(e) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third-party beneficiaries of this Bond Purchase Agreement for purposes of this Section 5. The provisions of this Section 5 will be in addition to all liability that the Borrower may otherwise have under law or any other Borrower Document and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(f) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Bond Loan Agreement, the Regulatory Agreement or any other document.

(g) Nothing herein shall be construed to create recourse debt to the Borrower for the Bond Loan or the Bonds.

Section 6. Closing.

At or before 11:00 a.m., Central time, on March __, 2021, or at such other time or date as shall be agreed upon in writing by the Issuer, the Borrower and the Underwriter, the Issuer shall direct the Trustee to cancel the initial Bond registered by the Comptroller of Public Accounts of the State of Texas in the name of the Underwriter and to deliver the Bonds to the Underwriter as noted below in this Section

through the facilities of The Depository Trust Company (“DTC”), New York, New York, in definitive form, duly executed and authenticated by the Trustee and registered in the name of the Cede & Co., as nominee of DTC. Subject to the terms and conditions hereof, the Issuer and the Borrower shall deliver at the Issuer’s offices the other documents and instruments to be delivered pursuant to this Bond Purchase Agreement (the “Closing Documents”) and the Underwriter shall accept delivery of the Bonds and Closing Documents and pay the purchase price for the Bonds as set forth in Section 1 hereof by wire transfer, to the Trustee, in immediately available federal funds, for the account of the Issuer or as the Issuer shall direct. As a condition precedent to such acceptance, the Underwriter shall have received the Underwriting Fee by wire transfer in immediately available federal funds to the order of the Underwriter, in such manner as shall be agreed upon by the Borrower and the Underwriter (but in no event shall such fee be netted against the purchase price of the Bonds). This delivery and payment is herein called the “Closing” and the date on which the Closing occurs is herein called the “Closing Date.” The Bonds shall be prepared and delivered as fully registered Bonds without coupons in the denominations set forth in the Official Statement or multiples thereof. One fully registered Bond in the total aggregate principal amount of the Bonds, bearing a proper, duly assigned CUSIP number, will be issued initially in the name of Cede & Co., as nominee of DTC.

Section 7. Closing Conditions.

The Underwriter has entered into this Bond Purchase Agreement in reliance upon representations, warranties and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter’s obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy of the representations and warranties of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and shall also be subject to the following additional conditions:

(a) At the time of the Closing, the Resolution shall have been duly approved and adopted by the Issuer and shall be in full force and effect and the Issuer Documents shall have been duly authorized, executed and delivered, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such actions as, in the opinion of Bond Counsel and counsel for the Underwriter, shall be necessary and appropriate in connection with the transactions contemplated hereby.

(b) The Underwriter may terminate this Bond Purchase Agreement by notification to the Issuer and the Borrower if at any time subsequent to the date hereof and at or prior to the Closing:

(i) Legislation with an effective date before the Closing Date shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States of America or the Department of the Treasury of the United States or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation (final, temporary, or proposed) or communication (including a press release)

shall have been issued by the Department of the Treasury of the United States or the Internal Revenue Service or any other governmental agency, in each case referred to in clauses (i), (ii) and (iii), with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest to be received on obligations of the general character of the Bonds.

(ii) Legislation shall have been enacted or a decision by a court of the United States of America shall be rendered or any action taken by the Securities and Exchange Commission or any other governmental agency which, in the opinion of counsel to the Underwriter, has the effect of requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or any event shall have occurred that, in the judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or that, in the judgment of the Underwriter, should be reflected therein in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading, and the Official Statement shall not have been supplemented or amended to reflect such event.

(iii) In the judgment of the Underwriter, the marketability of the Bonds or the market price of the Bonds is adversely affected because: (A) additional material restrictions not in force as of this date shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (B) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; (C) a general banking moratorium shall have been established by federal, New York or State authorities; (D) a state, national or international calamity or crisis, or escalation thereof, in the financial markets shall have occurred, or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the ability of the Underwriter to market the Bonds; (E) an amendment to the Constitution of the United States or the Constitution of the State shall have been ratified; (F) any federal or state legislation is proposed, introduced or enacted; (G) any decision of any federal or state court shall have been delivered; (H) any ruling or regulation (final, temporary or proposed) of the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority shall have been issued or promulgated; or (i) any bill shall have been favorably reported out of committee in either House of the Congress of the United States, in any case affecting the tax status of the Issuer, its property or income, its outstanding securities (including the Bonds), or the interest thereon, or any tax exemption granted or authorized by the Act; (ii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting or affecting any authority or security for or the validity of the Bonds, or the existence or powers of the Issuer; (iii) legislation shall have been introduced in or enacted by the Legislature of the State with the purpose or effect, directly or indirectly, of imposing State income taxation upon interest to be received by any owners of the Bonds or that would, in the reasonable judgment of the Underwriter, adversely affect an investment in or the security pledged for the Bonds; (iv) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission has been issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds is in violation of any provisions of the Securities Act of 1933, as amended, or of the Trust Indenture Act of 1939, as

amended; or (v) in the Congress of the United States, legislation has been enacted or a bill has been favorably reported out of committee to either House, or a decision by a court of the United States of America is rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made, to the effect that outstanding securities of the Issuer or of any similar public body are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended.

(iv) There shall have occurred any change that, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which: (i) yield on the Bonds for purposes of compliance with the Code, (ii) payment of debt service on the Bonds, or (iii) the basis for the exclusion from gross income for federal income tax purposes of interest on the Bonds, is predicated.

(v) The marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets.

(vi) There shall have occurred or any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to the Bonds or any of the Borrower's obligations.

(vii) Any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto.

(viii) A general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, or the establishment of minimum prices on either such exchange.

(ix) Any amendment to the federal or State Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, or income securities (or interest thereon).

(x) Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xi) There shall have occurred since the date of this Bond Purchase Agreement any materially adverse change in the affairs or financial condition of the Borrower.

(xii) The United States of America shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, or any escalation thereof, financial or otherwise.

(xiii) Any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(i) an approving opinion of Bond Counsel addressed to the Issuer, Trustee and Underwriter, dated the Closing Date substantially in the form attached to the Official Statement;

(ii) opinions or certificates, as the case may be, dated the Closing Date and addressed to the Underwriter and to such other parties as may be appropriate, of

(A) Bond Counsel, substantially in the form attached hereto as Appendix A;

(B) Borrower's Counsel, substantially in the form attached hereto as Appendix B; and

(C) Counsel to the Trustee, in form and substance satisfactory to the Underwriter and Bond Counsel.

(d) The Underwriter shall have received an opinion of its counsel in a form satisfactory to the Underwriter.

(e) The Underwriter shall have received certificates, dated the Closing Date, and signed on behalf of the Issuer, to the effect that the representations and warranties of the Issuer contained in this Bond Purchase Agreement and the Issuer Documents are true and correct in all material respects on the date thereof with the same effect as if made on the date hereof; to the Issuer's knowledge, no event has occurred to cause the information in the Preliminary Official Statement, as of its date and the date hereof, and the Official Statement, as of its date and the Closing Date, under the captions "THE ISSUER" and "NO LITIGATION – The Issuer" to contain an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and that the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Bonds and the Issuer Documents on or prior to the date thereof.

(f) The Underwriter shall have received a certificate of the Borrower, dated the Closing Date, that (A) each of the representations and warranties set forth in the Borrower Documents (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) to the Borrower's knowledge, no event has occurred since the respective dates of the Preliminary Official Statement and the Official Statement to cause the information in the Borrower Portion of the Preliminary Official Statement and Borrower Portion of the Official Statement to contain an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, and (C) the Borrower has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Borrower Documents on or prior to the Closing Date.

(g) The Underwriter shall have received counterpart originals, certified copies or electronic copies of each of the Issuer Documents, Borrower Documents and Trustee Documents.

(h) The Underwriter shall have received written evidence satisfactory to the Underwriter that Moody's Investors Service, Inc. has issued a rating of "Aaa" for the Bonds, which rating has not been placed under review or on "Credit Alert" with negative implications or a similar credit alert by a national rating service and such rating shall be in effect on the Closing Date.

(i) The Underwriter and Bond Counsel shall have received a tax certificate of the Issuer and the Borrower, dated the Closing Date, with respect to the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code to support the conclusion that, among other things, none of the Bonds will be an "arbitrage bond."

(j) The Underwriter shall have received a closing certificate from the Trustee in a form acceptable to the Underwriter.

(k) The Underwriter shall have received such agreements, certificates and opinions as requested by the Underwriter to evidence the closing of the Bond Loan.

(l) The Underwriter shall have received an opinion of the Attorney General of the State approving the Bonds and a certificate of registration of the Bonds by the Comptroller of Public Accounts of the State.

(m) The Underwriter shall have received such additional legal opinions, certificates (including any certificates necessary or desirable in order to establish the exclusion of the interest on the Bonds from gross income for federal income tax purposes), instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer's and the Borrower's representations herein and in the Official Statement and the due performance or satisfaction by the Issuer and the Borrower on or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by them.

If the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, neither the Underwriter nor the Issuer shall be under further obligation hereunder.

Section 8. Expenses.

The Underwriter shall be under no obligation to pay, and the Borrower hereby agrees to pay, all expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, (a) the costs of printing and preparation for printing or other reproduction for distribution and use in connection with the public offering of the Bonds, such number of copies as the Underwriter shall require of the Indenture, the Resolution, the Preliminary Official Statement, the Official Statement and the blue sky survey, as well as any delivery costs incurred in connection with the distribution of the foregoing documents; (b) the cost of preparing the definitive Bonds; (c) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bonds; the fees and expenses of the Trustee and its counsel; the fees and expenses of the Issuer and its counsel; and the fees and disbursements of any other experts or consultants retained by the Issuer; (d) the fees of any rating agencies in connection with the rating of the Bonds; (e) all advertising expenses in connection with the public offering of the Bonds; (f) the Underwriting Fee as provided in Section 1 hereof and the fees and expenses of counsel to the Underwriter; and (g) all other expenses in connection with the public offer and sale of the Bonds. The Borrower shall also pay for any expenses (included in the expense component of

the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Bond Purchase Agreement and the issuance of the Bonds, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs. The Borrower acknowledges it had an opportunity, in consultation with such advisors as it deemed appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

The Issuer shall not have any obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds.

The Borrower acknowledges that the Underwriter will pay from the Underwriter's expense allocation of the underwriting discount the applicable per bond assessment charged by the Municipal Advisory Council of Texas, a non-profit corporation whose purpose is to collect, maintain and distribute information relating to issuing entities of municipal securities.

Section 9. Notices.

Any notice or other communication to be given to the Issuer or the Borrower at the respective addresses set forth on the first page hereof and any such notice or other communication to be given to the Underwriter may be given by mailing the same to Colliers Securities LLC, 90 South 7th Street, Suite 4300, Minneapolis, Minnesota 55402, Attention: Public Finance.

Section 10. Parties in Interest.

This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Borrower and the Underwriter (including any successor or assignees of the Underwriter), and, except as provided in Section 5 hereof, no other party or person shall acquire or have any right hereunder or by virtue hereof.

Section 11. Amendments.

This Bond Purchase Agreement may not be amended without the written consent of the Issuer, the Borrower and the Underwriter.

Section 12. Survival of Representations and Warranties.

The representations and warranties of the Issuer and the Borrower shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Issuer and the Borrower and regardless of delivery of and payment for the Bonds.

Section 13. Execution in Counterparts.

This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts (including executed counterparts exchanged by email in PDF format), each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14. No Prior Agreements.

This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the purchase and sale of Bonds.

Section 15. Effective Date.

This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Borrower and shall be valid and enforceable as of the time of such acceptance.

Section 16. Governing Law.

This Bond Purchase Agreement shall be governed by the internal laws of the State without giving effect to the conflict of law principles of the State.

Section 17. Underwriter Not Acting as Advisor or Fiduciary.

The Issuer and the Borrower each acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction among the Issuer, the Borrower, and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor, municipal advisor or fiduciary of the Issuer or the Borrower, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Issuer or the Borrower with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has advised or provided other services or is currently advising or providing other services to the Issuer or the Borrower on other matters) and the Underwriter has no obligation to the Issuer or the Borrower with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement and (iv) the Issuer and the Borrower have consulted their own legal, financial and other advisors to the extent they deem appropriate.

Section 18. Establishment of Issue Price.

Notwithstanding any provision of this Bond Purchase Agreement to the contrary, the following provisions related to the establishment of the issue price of the Bonds apply:

(a) *Definitions.* For purposes of this Section, the following definitions apply:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Tax Law Underwriter or a Related Party to a Tax Law Underwriter.

(ii) "Related Party" means any two or more persons who are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profits interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(iii) "Sale Date" means the date of execution of this Bond Purchase Agreement by all parties.

(iv) “Tax Law Underwriter” means, with respect to each Issue of the Bonds, (A) any person that agrees pursuant to a written contract with the Issuer to participate in the initial sale of such Issue of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of such Issue of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

(b) *Issue Price Certificate.* The Underwriter agrees to assist the Issuer in establishing the issue price of the Bonds and to execute and deliver to the Issuer at Closing an “issue price” or similar certificate relating to each Issue of the Bonds, together with the supporting pricing wires or equivalent communications substantially in the form attached hereto as Appendix C, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the Public of the Bonds (the “Issue Price Certificate”).

(c) *Public Offering.* The Underwriter confirms that, on the Sale Date, the Underwriter offered each Issue of the Bonds to the Public at the offering price or prices (each, an “Initial Offering Price”), or at the corresponding yield or yields, set forth in Section I hereto.

(d) *10% Test.* Except as set forth in the Issue Price Certificate, the Issuer will determine the issue price of the Bonds based on the first price at which 10% of the Bonds is sold to the Public (the “10% Test”) (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). The Issue Price Certificate will confirm if the issue price will be the applicable Initial Offering Price because the 10% Test was satisfied as of the Sale Date.

(e) *Hold-The-Offering-Price Rule.* The Issue Price Certificate will confirm if the 10% Test was not satisfied as of the Sale Date and, if such is the case, the Issuer and the Underwriter agree that the restrictions in the next sentence will apply, which will allow the Issuer to treat the Initial Offering Price to the Public of each the Bonds as the issue price of the Bonds (the “Hold-the-Offering-Price Rule”). If the 10% Test was not satisfied as of the Sale Date, the Underwriter will neither offer nor sell unsold Bonds to any person at a price that is higher than the applicable Initial Offering Price of the Bonds during the period starting on the Sale Date and ending on the earlier of the following:

(i) the close of the fifth business day after the Sale Date; or

(ii) the date on which the Tax Law Underwriters have sold at least 10% of the Bonds to the Public at a price that is no higher than the Initial Offering Price of the Bonds.

The Underwriter will promptly advise the Issuer when the Tax Law Underwriters have sold 10% the Bonds to the Public at a price that is no higher than the applicable Initial Offering Price of the Bonds, if that occurs prior to the close of the fifth business day after the Sale Date. On or after the sixth business day after the Sale Date, if requested by the Issuer or Bond Counsel, the Underwriter also will promptly confirm that the Tax Law Underwriters have complied with the Hold-the-Offering-Price Rule. If at any time the Underwriter becomes aware of any noncompliance by a Tax Law Underwriter with respect to the Hold-the-Offering-Price Rule, the Underwriter will promptly report such noncompliance to the Issuer.

The Issuer acknowledges that, in making the representation that the Underwriter will comply with the Hold-the-Offering-Price Rule with respect to any held Bonds of an issue of the Bonds, the Underwriter is relying on (A) in the event a selling group has been created in connection with the sale of the Issue of the Bonds to the Public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (B) in the event that a Underwriter is a party to a third-party distribution agreement that was employed in connection with the sale of an issue of the Bonds, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each Tax Law Underwriter will be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no Tax Law Underwriter will be liable for the failure of any other Tax Law Underwriter to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to an issue of the Bonds.

(f) *Matters Relating to Certain Agreements.* The Underwriter confirms that:

(i) any selling group agreement and each third-party distribution agreement to which the Underwriter is a party relating to the initial sale of the Bonds to the Public, together with related pricing wires, contains or will contain language obligating the Underwriter, each dealer who is a member of any selling group, and each broker-dealer that is a party to any such third-party distribution agreement, as applicable:

(A) to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the relating pricing wire;

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to a Tax Law Underwriter participating in the initial sale of the Bonds to the Public; and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter will assume that each order submitted by the dealer or broker-dealer is a sale to the Public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the Public, together with related pricing wires, contains or will contain language obligating each dealer that is a party to any third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the Hold-the-Offering Price Rule, if applicable, in each case if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(g) *Sale to Related Party not a Sale to the Public.* The Underwriter acknowledges that sales of any Bonds to any person that is a Related Party to a Tax Law Underwriter do not constitute sales to the Public for purposes of this Section.

Section 19. Underwriter Not Engaged with Foreign Terrorist Organizations.

The Underwriter hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Bond Purchase

Agreement is a contract for goods or services, will not boycott Israel during the term of this Bond Purchase Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Underwriter understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Underwriter and exists to make a profit.

The Underwriter represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,

<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>,

<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Underwriter and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Underwriter understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Underwriter and exists to make a profit.

Section 20. Severability.

If any provision of this Bond Purchase Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule or public policy, or any other reason, such circumstances will not have the effect of rendering the provision in question inoperable or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatsoever.

Section 21. Limitation of Liability.

The Issuer shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions of any conceivable kind under any conceivable theory under this Bond Purchase Agreement or any document or instrument referred to herein or by reason of or in connection with this Bond Purchase Agreement or other document or instrument except to the extent it receives amounts from the Borrower available for such purpose.

Notwithstanding any provision herein to the contrary, any member, officer, director, partner, agent, commissioner, board members or employee of the Issuer, the Underwriter or the Borrower, including any person executing this Bond Purchase Agreement, shall not bear any liability as a result of any failure of the Issuer, the Underwriter or the Borrower to perform the obligations of each, respectively, set forth in this Bond Purchase Agreement.

Section 22. HUD Provisions

The Borrower, the Trustee and the Issuer acknowledge that this Bond Purchase Agreement, and any obligations of the Borrower hereunder, are subject and subordinate to the Lender Loan Documents. Notwithstanding any provision in this Bond Purchase Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement), (B) funds that are not derived from (i) revenues of the Project (as defined in the Lender Mortgage) or (ii) any reserve or deposit made with the Lender or any other party as required by HUD in connection with the Lender Loan Documents, or (C) the Lender Collateral Deposit which has been deposited into the Collateral Fund by or at the direction of the Lender (collectively, “Non-Project Sources”). No claims or actions shall be made (or payable) under this Bond Purchase Agreement against the Project, the proceeds of the Lender Borrower Note, or the assets of the Borrower, except from Non-Project Sources. In addition, the rights and obligations of the parties under this Bond Purchase Agreement and all other documents evidencing, implementing, or securing this Bond Purchase Agreement (collectively, the “Subordinate Bond Documents”) are and shall be subordinated in all respects to the rights and obligations of the parties to and under the Lender Loan Documents. In the event of any conflict between the provisions of (i) this Bond Purchase Agreement or the Subordinate Bond Documents and (ii) the provisions of the Lender Loan Documents or the Program Obligations (as defined in the Lender Mortgage), GNMA statutory, regulatory or administrative requirements, the provisions of the Lender Loan Documents, the Program Obligations or the GNMA statutory, regulatory or administrative requirements, as applicable, shall control. The provisions described under this caption shall control over any inconsistent provisions in this Bond Purchase Agreement or the Subordinate Bond Documents. No amendment to this Bond Purchase Agreement shall conflict with the provisions of the Program Obligations.

(Remainder of Page Intentionally Left Blank)

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Issuer, the Borrower and the Underwriter in accordance with its terms.

Very truly yours,

COLLIERS SECURITIES LLC

By: _____
Name: Frank J. Hogan
Title: Senior Vice President

(Issuer's Signature Page to the Bond Purchase Agreement)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to Board

(SEAL)

(Borrower's Signature Page to the Bond Purchase Agreement)

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP,
a Texas limited partnership,
its Sole Member and Manager

By: Oso Affordable Housing LLC,
a Texas limited liability company,
its General Partner

By: Commonwealth Multifamily Housing Corporation,
a Pennsylvania 501(c)3,
its Sole Member

By: _____
David P. Cole, Executive Vice President

APPENDIX A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[TO COME]

APPENDIX B

BORROWER'S COUNSEL OPINION

Colliers Securities LLC
90 South 7th Street, Suite 4300
Minneapolis, Minnesota 55402

Regions Bank,
3773 Richmond Avenue, Suite 1100
Houston, Texas 77046

Texas Department of Housing and Community
Affairs
P.O. Box 13941
Austin, Texas 78711

Regions Bank,
1180 West Peachtree Street, NW
Suite 1400
Atlanta, Georgia 30309

\$14,000,000
Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Borrower is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of Texas and has all requisite limited liability company power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Borrower is qualified to do business in the State of Texas.

2. The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Preliminary Official Statement and the Official Statement and (b) to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents.

3. The Sole Member is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Texas and has all requisite limited partnership power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Sole Member is qualified to do business in the State of Texas.

4. By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents, and approved the execution and delivery of, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bonds. The individual who has executed the Borrower Documents on behalf of the Sole Member of the Borrower has the authority to bind the Sole Member and thereby the Borrower to the terms and conditions of the Borrower Documents.

5. The Borrower Documents have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such agreements by the respective other parties thereto where necessary, if any, constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

6. The execution and delivery of the Borrower Documents, the performance by Borrower of its obligations thereunder and the consummation of the transactions contemplated therein are within the organizational powers of Borrower and will not (i) conflict with or constitute a breach of the Borrower's organizational documents; (ii) to our knowledge, constitute a default under any indenture, mortgage, deed of trust or other material lien, lease, contract, note, order, judgment, decree or other material agreement, instrument or restriction of any kind to which Borrower is a party or by which any of its properties are bound or affected; or (iii) result in a violation of any constitutional or statutory provision or any material order, rule, regulation, decree or ordinance of any court, government or governmental authority known to us to be applicable to the Borrower or its property.

7. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, the Borrower is not in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Bonds and the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of, breach of or default under, any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

8. As of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or issuer of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

9. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best of our knowledge, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

10. Nothing has come to our attention that would lead us to believe that the statements and information contained in the Preliminary Official Statement, as of its date and the date of the Bond Purchase Agreement, and the Official Statement, as of its date and the date hereof, under the headings “ESTIMATED SOURCES AND USES OF FUNDS,” “THE PROJECT AND THE PARTICIPANTS,” “CERTAIN BONDHOLDERS’ RISKS” (but only with respect to those risks that expressly relate to the Borrower, the Project and the private participants), “NO LITIGATION—The Borrower” and “CONTINUING DISCLOSURE” (except as to the statistical and financial data included in the Preliminary Official Statement and the Official Statement with respect to which we do not express any opinion), contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

11. The Borrower may not plead the defense of usury or maintain an action for usury with respect to the loan(s) being made under the Transaction Documents.

Very truly yours,

APPENDIX C

\$14,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(OSO BAY APARTMENTS)
SERIES 2021

ISSUE PRICE CERTIFICATE

I, the undersigned officer of Colliers Securities LLC (“Colliers”), make this certification in connection with the \$14,000,000 Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”). Each capitalized term used but not defined herein has the meaning or is the amount, as the case may be, specified for such term in the Tax Exemption Certificate and Agreement prepared in connection with the Bonds (the “Tax Exemption Agreement”).

1. I hereby certify as follows in good faith as of the Issue Date of the Bonds:

(a) I am the duly chosen, qualified and acting officer of Colliers for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of Colliers. I am the officer of Colliers charged, along with other officers of Colliers, with responsibility for the Bonds.

(b) The first price at which at least 10% of the Bonds was sold to the Public is the price set forth on the cover of the Official Statement prepared in connection with the Bonds (each, an “Actual Sales Price”).

(c) The aggregate of the Actual Sales Prices is \$14,000,000.

2. For purposes of this Issue Price Certificate, the following definitions apply:

(a) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(b) “Related Party” means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Colliers's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code. The undersigned understands that the foregoing information will be relied upon by the Issuer and the Borrower with respect to certain of the representations set forth in the Tax Exemption Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bracewell LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

(EXECUTION PAGE FOLLOWS)

EXECUTED as of this _____ day of _____, 2021.

COLLIERS SECURITIES LLC

By: _____
Name: Frank J. Hogan
Title: Senior Vice President

NEW ISSUE/BOOK-ENTRY ONLY

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

In the opinion of Bracewell LLP ("Bond Counsel"), assuming compliance with certain covenants and based on certain representations, under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except with respect to interest on any Bond for any period during which such bond is held by a person who is a "substantial user" of the Project or a "related person" of such a "substantial user," as those terms are defined for purposes of Section 147(a) of the Code and (ii) interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion.

\$14,000,000*

Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021

CUSIP: _____ ** Price: ___% Interest Rate: ___%

Dated: March 1, 2021*; interest to
accrue from Date of Delivery

Mandatory Tender Date: September 1, 2022*
Maturity Date: September 1, 2024*

The above-captioned Bonds (the "Bonds") are being issued by the Texas Department of Housing and Community Affairs (the "Issuer") to fund a loan (the "Bond Loan") to Oso Bay Apartments, LLC, a Texas limited liability company (the "Borrower"). The proceeds of the Bond Loan will be used to finance a portion of the costs of the acquisition, rehabilitation and equipping of an approximately 104-unit multifamily rental housing development to be known as Oso Bay Apartments and to be located in Nueces County, Texas (the "Project"), which property shall be occupied by persons of low to moderate income as required by state law and the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer is issuing the Bonds pursuant to a Trust Indenture dated as of March 1, 2021 (the "Indenture") between the Issuer and Regions Bank, as trustee (the "Trustee"). The Issuer will make the Bond Loan to the Borrower pursuant to the terms of a certain Loan Agreement dated as of March 1, 2021 (the "Bond Loan Agreement") between the Issuer and the Borrower.

The Bonds will be issued as fully registered bonds and when issued will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Bonds will be made in Book Entry Form only in principal amounts of \$5,000 each and integral multiples thereof. Individual purchasers of Bonds will not receive certificates evidencing their interest in the Bonds. So long as the Bonds are in Book Entry Form only, all payments of principal of and interest on the Bonds will be made by the Trustee to DTC or its successors. Disbursement of such payments from DTC to the DTC Participants is the responsibility of DTC and disbursement to the beneficial owners is the responsibility of the DTC Participants. The Bonds will bear interest from the date of the initial delivery, payable semiannually on March 1* and September 1* of each year, commencing September 1, 2021*.

The Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions set forth in the Indenture, on the Mandatory Tender Date set forth above. All Bondholders must tender their Bonds for purchase on the Mandatory Tender Date. The Bonds may be remarketed and a new interest rate for the Bonds may be determined on the Mandatory Tender Date in accordance with the terms of the Indenture. If the Bonds are remarketed on the Mandatory Tender Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing. See "THE BONDS – Mandatory Tender" herein.

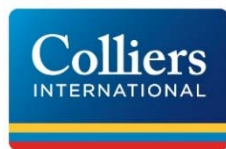
The Bonds are subject to optional redemption prior to the Mandatory Tender Date. See "THE BONDS - Redemption of Bonds." The maturity of the Bonds may be accelerated upon the occurrence of certain events as described herein. See "APPENDIX B – DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Acceleration" herein.

THE BONDS, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER SECURED BY THE TRUST ESTATE (AS DEFINED HEREIN), ARE AND WILL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE (EXCEPT TO THE EXTENT PAID OUT OF MONEYS ATTRIBUTABLE TO PROCEEDS OF THE BONDS OR THE INCOME FROM THE TEMPORARY INVESTMENT THEREOF), AND ARE AND WILL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME MAY BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THE INDENTURE AND IN THE BOND LOAN AGREEMENT. THE BONDS AND THE OBLIGATION TO PAY INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, DO NOT NOW AND WILL NEVER CONSTITUTE A DEBT OR AN OBLIGATION OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREFOR. THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR ANY OTHER FEDERAL GOVERNMENTAL AGENCY AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES.

This cover page contains only a brief description of the Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Bonds. Investors must read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by the Attorney General of Texas and by Bracewell LLP, Bond Counsel, and certain other conditions. Certain financial advisory services will be provided to the Issuer by Stifel, Nicolaus & Company, Incorporated. Certain legal matters will be passed upon for the Borrower by its counsel, Winthrop & Weinstine, P.A., Minneapolis, Minnesota, and Locke Lord LLP, Austin, Texas, and for the Underwriter by its counsel, Norris George & Ostrow PLLC, Washington, D.C. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2021.

Date: _____, 2021



Securities

* Preliminary; subject to change.

** The Issuer is not responsible for the use of the CUSIP numbers referenced in this Official Statement nor is any representation made by the Issuer as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

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For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”) and in effect on the date of this Preliminary Official Statement, this document constitutes an “official statement” with respect to the Bonds that has been “deemed final” by the Issuer and the Borrower as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, including the cover page hereof and appendices hereto, is provided for the purpose of setting forth information in connection with the issuance and sale of the Bonds. 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 representation 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.

The information set forth herein has been furnished by the Issuer, the Borrower and other sources which are believed to be reliable, but has not been independently verified, and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Borrower or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer, the Borrower, or any other parties described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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

The Issuer has not reviewed or approved any information in this Official Statement except information relating to the Issuer under the captions “THE ISSUER” and “NO LITIGATION – The Issuer” and takes no responsibility for any other information contained in this Official Statement (other than with respect to the description herein under the captions “THE ISSUER” and “NO LITIGATION - The Issuer”).

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH 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.

Regions Bank, in each of its capacities, including, but not limited to, Trustee, Bond Registrar, and Paying Agent, has not participated in the preparation of this Official Statement and assumes no responsibility for its content, including, without limitation, the accuracy or completeness of the information concerning the Borrower, the Issuer or any other party contained herein or for any failure by any of such parties to disclose events that may have occurred and may affect the significance or accuracy of such information.

OFFICIAL STATEMENT

\$14,000,000*

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(OSO BAY APARTMENTS)
SERIES 2021**

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices attached hereto, is to set forth information concerning the offering and sale by the Texas Department of Housing and Community Affairs (the “Issuer”) of its \$14,000,000* Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Chapter 2306, Texas Government Code, as amended (the “Act”), Chapter 1371, Texas Government Code, as amended, and the Trust Indenture dated as of March 1, 2021 (the “Indenture”) between the Issuer and Regions Bank, as trustee (the “Trustee”).

The Bonds are being issued for the purpose of funding a loan (the “Bond Loan”) to Oso Bay Apartments, LLC, a Texas limited liability company (the “Borrower”), pursuant to the terms of a Loan Agreement dated as of March 1, 2021 (the “Bond Loan Agreement”), between the Issuer and the Borrower. The proceeds of the Bond Loan will be used to finance a portion of the costs of the acquisition, rehabilitation and equipping of an approximately 104-unit multifamily rental housing development to be known as Oso Bay Apartments and to be located in Nueces County, Texas (the “Project”), as more fully described under “THE PROJECT AND THE PARTICIPANTS” herein. The Borrower’s obligations to repay the Bond Loan will be evidenced by a Promissory Note (the “Note”) executed by the Borrower in favor of the Issuer and assigned to the Trustee. See “APPENDIX B - DOCUMENT SUMMARIES” herein for summaries of certain provisions of the Indenture and the Bond Loan Agreement.

The Borrower is required to operate the Project in compliance with a Regulatory and Land Use Restriction Agreement, dated as of March 1, 2021 (the “Regulatory Agreement”), by and among the Issuer, the Trustee, and the Borrower, which contains certain representations, warranties and covenants concerning the operation of the Project. Under the Regulatory Agreement, the Borrower is required during the Qualified Project Period (as such term is defined in the Regulatory Agreement), among other things, to lease at least 40% of the completed residential units in the Project to Low Income Tenants (i.e., persons or families with an adjusted gross income that is at or below 60% of the median gross income for the area in which the Project is located), as further described in the Regulatory Agreement. A failure to comply with certain of these requirements could result in the loss of the federal tax exemption on the Bonds retroactive to their date of issuance. See “THE PROJECT AND THE PARTICIPANTS – The Regulatory Agreement,” “CERTAIN BONDHOLDERS’ RISKS – Taxability of the Bonds,” “TAX MATTERS” and “APPENDIX B - DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” herein.

The Project will also be encumbered by certain rent and occupancy restrictions in connection with the low income housing tax credits (the “Tax Credits”) expected to be granted for the Project. See “THE PROJECT AND THE PARTICIPANTS – Additional Restrictive Covenants” herein.

* Preliminary; subject to change.

The Bonds are subject to mandatory tender for purchase, subject to satisfaction of the applicable terms and conditions set forth in the Indenture, on September 1, 2022* (the “Mandatory Tender Date”). All Bondholders must tender their Bonds for purchase on the Mandatory Tender Date. A new interest rate for the Bonds may be determined on the Mandatory Tender Date in accordance with the terms of the Indenture. If the Bonds are remarketed on the Mandatory Tender Date, the terms of the Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of the Bonds on and after the Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing. See “THE BONDS – Mandatory Tender” herein.

The Bonds are subject to optional redemption prior to the Mandatory Tender Date. See “THE BONDS - Redemption of Bonds” herein.

The disbursement of Bond proceeds from the Project Fund will be conditioned, among other things, on the prior deposit to the Collateral Fund by Regions Bank (the “Lender”) of an equal amount of funds from the Lender (a “Lender Collateral Deposit”), pursuant to a (i) Funding Agreement, dated as of March 1, 2021 (the “Funding Agreement”), by and among the Lender, the Borrower, the Issuer and the Trustee, and (ii) Loan Disbursement Procedures Agreement, dated as of March 1, 2021 (the “Loan Disbursement Procedures Agreement,” and together with the Funding Agreement, the “Disbursement Agreement”), by and among [the Lender, the Issuer and the Trustee]. **At all times, the Bonds will be secured by Preference Proof Moneys and Permitted Investments on deposit in the Special Funds sufficient to pay, without need for reinvestment, all of the interest and principal on the Bonds when due to the Mandatory Tender Date, as further described herein.**

Interest payments due on the Bonds will be made from the funds deposited in the Capitalized Interest Account of the Bond Fund on the Closing Date as well as investment earnings on Permitted Investments deposited with the Trustee on the Closing Date. The payment of principal of the Bonds at the Mandatory Tender Date will be made from funds on deposit in the Bond Fund and the Collateral Fund. See “SECURITY FOR THE BONDS” herein. The amounts deposited in the Special Funds are to be invested in Permitted Investments, as defined in the Indenture. See “APPENDIX B - DOCUMENT SUMMARIES - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Investment” herein. The aggregate funds on deposit in the Special Funds, as invested pursuant to the Indenture, have been calculated to be sufficient to pay, at all times, principal of and interest on the Bonds as and when they become due to the Mandatory Tender Date.

The Lender will make a loan in the aggregate principal amount not to exceed \$17,000,000* to the Borrower to provide permanent financing for the Project (the “Lender Loan”). In connection with the Lender Loan, the Borrower will execute a Note (Multistate) (the “Lender Borrower Note”). The Borrower’s repayment obligations under the Lender Borrower Note will be secured by a first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (Texas) on the Project (the “Lender Mortgage”).

In no event shall the U.S. Department of Housing and Urban Development (“HUD”) or the Lender have any claim or lien upon the Trust Estate and funds pledged to secure the repayment of the Bonds.

None of the Owners of the Bonds, the Trustee or the Issuer will have rights with respect to the Lender Loan or under the Lender Loan Documents. Furthermore, none of the Owners of the Bonds, the

* Preliminary; subject to change.

Trustee or the Issuer will have a lien on any funds, accounts or reserves established, disbursed, maintained and/or collected by the Lender in connection with the Lender Loan.

Definitions of certain terms used herein and not otherwise defined are set forth in Appendix A hereto. Brief descriptions of the Issuer, the Project, the Borrower, the use of proceeds of the Bonds and the Bonds together with summaries of the Indenture, the Bond Loan Agreement and the Regulatory Agreement are provided below. All information with respect to the Borrower, the Project and the private participants contained in this Official Statement has been furnished by the Borrower. The descriptions and summaries of the Bond Loan Agreement, the Indenture, the Regulatory Agreement and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents, and all references to the Bonds are qualified in their entirety by the definitive forms thereof included in the Indenture. See “MISCELLANEOUS” herein for the availability of those documents.

THE ISSUER

The following information has been provided by the Issuer for uses herein. While the information is believed to be reliable, none of the Trustee, the Borrower, the Underwriter nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.

General

The Issuer, a public and official agency of the State of Texas (the “State”), was created pursuant to and in accordance with the Act. The Issuer is the successor agency to the Texas Housing Agency (the “Agency”) and the Texas Department of Community Affairs, both of which were abolished by the Act and their functions and obligations transferred to the Issuer. One of the purposes of the Issuer is to provide for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State. Pursuant to the Act, the Issuer may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Issuer or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Issuer.

The Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the “Sunset Act”), and its continued existence is subject to a review process that resulted in passage of legislation in the 2013 Legislative Session which continued the Issuer in existence until September 2025, at which time it will be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act (such as the Bonds) that the State will not limit or alter the rights vested in the Issuer to fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders are fully met and discharged.

Organization and Membership

Governing Board. The Issuer is governed by a governing board (the “Board”) consisting of seven public members appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the “Chair”) of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the “Vice Chair”) to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual, neither of which is required to be a Board member) to perform the duties prescribed by the Board.

One seat on the Board is currently vacant. The remaining members of the Board, their occupations and their terms of office are as follows:

LEO VASQUEZ, Chair and Board Member. Executive Vice President of Cadeco Industries and related companies, Houston, Texas. His term expires January 31, 2023.

LESLIE BINGHAM, Vice Chair and Board Member. Chief Executive Officer, Valley Baptist Medical Center-Brownsville. Her term expired January 31, 2019.

PAUL A. BRADEN, Board Member. Partner and Head of Public Finance for the United States at Norton Rose Fulbright, Dallas, Texas. His term expires January 31, 2023.

AJAY THOMAS, Board Member. Executive Vice President and Head of Public Finance for FHN Financial, Austin, Texas. His term expires January 31, 2025.

SHARON THOMASON, Board Member. President of S Arthur Services, Lubbock, Texas. Her term expires January 31, 2021.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special. Pursuant to Article XVI, Section 17, of the Texas Constitution, any Board member whose term has expired or who has tendered his or her resignation continues to serve until his or her successor has been appointed.

Administrative Personnel. The Act provides that the Issuer is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director’s appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Issuer and its personnel. The Executive Director may employ other employees necessary for the discharge of the duties of the Issuer, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Issuer’s bonds.

Currently, the Issuer has 292 employees. The following is a biographical summary of certain of the Issuer's senior staff members who have responsibility with respect to multi-family housing bond matters:

ROBERT WILKINSON, Executive Director. Mr. Wilkinson was hired by the Governing Board to serve as the Executive Director at the Board meeting of July 25, 2019, and he began his tenure on August 15, 2019. Most recently, Mr. Wilkinson served as the Deputy Budget Director to Texas Governor Greg Abbott. Mr. Wilkinson served in the Budget and Policy Division within the Office of the Governor for the first three legislative sessions of Governor Abbott's administration; 2015, 2017, and 2019. His duties included the development of the Governor's proposed budgets, the analysis and tracking hundreds of filed bills including the General Appropriations Act, the development of policy, and the coordination of governance with executive state agencies. Housing and TDHCA were important elements of Mr. Wilkinson's portfolio of responsibility from 2014 (under former Governor Rick Perry) through 2019. Before 2014, Mr. Wilkinson held other positions within the Office of the Governor and worked in the private sector in various capacities including a stint as a project manager at a large commercial electrical contractor. Mr. Wilkinson received his Bachelor of Arts from the University of Texas at Austin.

MONICA GALUSKI, Director of Bond Finance and Chief Investment Officer. Ms. Galuski has over 20 years of experience in municipal finance, including 14 years as a single-family housing banker. She oversees the Department's Single Family and Multifamily Mortgage Revenue Bond Programs, including bond issuance, debt and portfolio management, and bond compliance and disclosure. Ms. Galuski received a Bachelor of Science in Financial Management from Arizona State University.

JAMES "BEAU" ECCLES, General Counsel. J. Beau Eccles joined the Issuer in June 2015 as its General Counsel and is responsible for coordination of all internal and external legal counsel for the Issuer. Before joining the Issuer, Mr. Eccles served as an Assistant Texas Attorney General for thirteen years, including five years as Deputy Chief, then two years as Chief, of the General Litigation Division. Mr. Eccles is a graduate of the Texas Tech School of Law, and received his B.A. from the University of Texas at Austin.

TERESA MORALES, Director of Multifamily Bonds. Ms. Morales began her career with the Department in 1999 as a Senior Accountant responsible for back-end compliance relating to the Department's Residential Mortgage Revenue Bond and Multifamily Bond Trust Indentures. Since 2004 she has overseen the Department's Multifamily Private Activity Bond and 4% Housing Tax Credit programs resulting in the issuance of over \$1.1 billion in Private Activity Bonds and over \$300 million in 4% Housing Tax Credits. Ms. Morales earned her Bachelor's degree in Psychology and her Master's degree in Applied Sociology from Texas State University.

The offices of the Issuer are located at 221 East 11th Street, Austin, Texas 78701-2410, and the telephone number for the Issuer is 512/475-3800 or toll-free 800/525-0657.

Other Indebtedness of the Issuer

Single Family Mortgage Revenue Bonds. As of July 31, 2020, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single-family purposes was \$1,006,859,620 and includes both single family mortgage revenue bonds and residential mortgage revenue bonds.

Multifamily Housing Revenue Bonds. As July 31, 2020, the aggregate outstanding principal amount of multifamily housing revenue bonds was \$1,018,688,133, which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other.

THE ISSUER HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND IS NOT RESPONSIBLE FOR ANY INFORMATION CONTAINED HEREIN, EXCEPT FOR THE INFORMATION IN THIS SECTION AND UNDER THE CAPTION “NO LITIGATION – THE ISSUER” HEREIN.

SECURITY FOR THE BONDS

General

At all times the Bonds will be secured by Preference Proof Moneys and Permitted Investments on deposit in the Special Funds sufficient to pay, without need for reinvestment, all of the interest and principal on the Bonds when due to the Mandatory Tender Date, as further described herein.

Pursuant to the Indenture, the Issuer grants, bargains, sells, conveys, pledges and assigns, without recourse, to the Trustee and its successors in trust forever, and grants to the Trustee and to its successors in trust, a security interest in, the following (such property being herein referred to as the “Trust Estate”): (i) all right, title and interest of the Issuer in and to all Revenues (as defined below), derived or to be derived by the Issuer or the Trustee for the account of the Issuer under the terms of the Indenture and the Bond Loan Agreement (other than the Reserved Rights of the Issuer (as defined in Appendix A)), together with all other Revenues received by the Trustee for the account of the Issuer arising out of or on account of the Trust Estate; (ii) all right, title and interest of the Issuer in and to the Note (other than the Reserved Rights of the Issuer) including all payments and proceeds with respect thereto or replacement thereof; (iii) any fund or account created under the Indenture except for the Cost of Issuance Fund, the Expense Fund and the Rebate Fund; (iv) all right, title and interest of the Issuer in and to, and remedies under, the Bond Loan Agreement and the Bond Mortgage (other than the Reserved Rights of the Issuer); and (v) all funds, moneys and securities and any and all other rights and interests in property whether tangible or intangible from time to time by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture. “Revenues” means all payments paid or payable to the Trustee in accordance with the Bond Loan Agreement, the Bond Loan and the Note and all investment earnings derived or to be derived on any moneys or investments held by the Trustee under the Indenture, but excluding (a) amounts paid as fees, reimbursement for expenses or for indemnification of any Issuer Indemnified Party and the Trustee, (b) amounts paid to or collected by the Issuer in connection with any Reserved Rights of the Issuer and (c) any Rebate Requirement. The Bonds will not be secured by a deed of trust or other security interest in the Project.

The Collateral Fund; Application of Lender Collateral Deposits

On the Closing Date, the proceeds of the Bonds will be deposited in the Project Fund pursuant to the Bond Loan Agreement and the Indenture. On the Closing Date and from time to time thereafter, the

Lender will irrevocably deposit into the Collateral Fund up to \$14,000,000*, pursuant to the Disbursement Agreement. Following the deposit of a Lender Collateral Deposit into the Collateral Fund, Bond proceeds in an amount equivalent to such Lender Collateral Deposit will be disbursed by the Trustee in accordance with the direction of the Lender to be applied to the costs of the Project.

Together with amounts on deposit in the Project Fund and the Bond Fund (including the Capitalized Interest Account therein), amounts on deposit in the Collateral Fund, including any investment earnings thereon, have been calculated to be sufficient to pay, at all times, the principal of and interest on the Bonds to the Mandatory Tender Date. See “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Collateral Fund” herein.

In no event shall HUD or the Lender have any claim or lien upon the Trust Estate and funds pledged to secure the repayment of the Bonds.

None of the Owners of the Bonds, the Trustee or the Issuer will have rights with respect to the Lender Loan or under the Lender Loan Documents. Furthermore, none of the Owners of the Bonds, the Trustee or the Issuer will have a lien on any funds, accounts or reserves established, disbursed, maintained and/or collected by the Lender in connection with the Lender Loan.

Nonrecourse Liability of Borrower

The Bond Loan Agreement provides that (i) the liability of the Borrower under the Bond Loan Agreement shall be limited to the Trust Estate, and such amounts as may be invested in accordance with the Indenture, and the Issuer and the Trustee shall look exclusively thereto or to such other security as may from time to time be given or have been given for payment of the Bonds, and any judgment rendered against the Borrower under the Bond Loan Agreement shall be limited to the Project and moneys derived from the operation of the Project, and any other security so given for satisfaction thereof, and (ii) no deficiency or other personal judgment shall be sought or rendered against the Borrower or its successors, transferees or assigns, in any action or proceeding arising out of the Bond Loan Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that nothing contained in the Bond Loan Agreement shall limit the Issuer’s or the Trustee’s ability to exercise any right or remedy with respect to any property pledged or granted to the Issuer or to any trustee under the Bond Loan Agreement, or both, or to exercise any right against the Borrower, on account of any claim for fraud or deceit, and against any other Person on account of any claim for fraud or deceit. Notwithstanding anything in the Bond Loan Agreement to the contrary, nothing in the provisions of the Bond Loan Agreement described in this paragraph shall limit the rights of indemnification against the Borrower pursuant to the terms of the Bond Loan Agreement. Furthermore, notwithstanding anything to the contrary, the Borrower shall be fully liable for (1) amounts payable to the Issuer constituting Reserved Rights of the Issuer, (2) any amount due and owing as a result of any calculation or determination which may be required in connection with the Bonds for the purpose of complying with Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) (including rebate liability) or any applicable Treasury regulation, (3) payment of the Issuer’s Fees, the Trustee’s Fee and the Rebate Analyst’s Fee and (4) any indemnification or payment obligations to the Issuer Indemnified Parties as more particularly described in the Bond Loan Agreement.

* Preliminary; subject to change.

Limited Obligations of the Issuer

THE BONDS, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, BUT ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER SECURED BY THE TRUST ESTATE, ARE AND WILL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE (EXCEPT TO THE EXTENT PAID OUT OF MONEYS ATTRIBUTABLE TO PROCEEDS OF THE BONDS OR THE INCOME FROM THE TEMPORARY INVESTMENT THEREOF), AND ARE AND WILL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME MAY BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BONDS, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THE INDENTURE AND IN THE BOND LOAN AGREEMENT. THE BONDS AND THE OBLIGATION TO PAY INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, DO NOT NOW AND WILL NEVER CONSTITUTE A DEBT OR AN OBLIGATION OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF WILL BE LIABLE THEREFOR. THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT OR ANY OTHER FEDERAL GOVERNMENTAL AGENCY AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES.

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ESTIMATED SOURCES AND USES OF FUNDS*

The total costs of the Project and the sources of funds to pay those costs are estimated by the Borrower as follows:

Sources of Funds*	
Lender Loan	\$17,000,000
Tax Credit Equity [†]	7,379,377
Deferred Developer Fee	1,517,883
Total	<u>\$25,897,260</u>
 Uses of Funds*	
Land Acquisition	\$760,000
Building Acquisition	12,440,000
Closing Costs	251,551
Hard Costs – Rehabilitation	4,980,040
Hard Costs Contingency	568,322
Contractor Fees	703,182
Soft Costs	1,300,492
Financing Costs	1,276,907
Reserves	604,375
Developer Fee	3,012,391
Total	<u>\$25,897,260</u>

[†] The Borrower expects to obtain a loan (the “Subordinate Loan”) from Regions Bank, an Alabama banking corporation (in such capacity, the “Subordinate Lender”), in the approximate principal amount of \$4,300,000* in order to bridge a portion of the Tax Credit equity contributions.

All costs of issuing the Bonds, including the Underwriter’s fee, will be paid by the Borrower.

The sources and uses of funds for the Project to be applied under the Indenture are estimated by the Borrower to be approximately as follows.

Sources of Funds*	
Bond Proceeds	\$14,000,000
Lender Collateral Deposits	14,000,000
Capitalized Interest Deposit [†]	
Tax Credit Equity	
Total	<u>\$</u>
 Uses of Funds*	
Deposit to Project Fund	\$14,000,000
Deposit to Collateral Fund	14,000,000
Deposit to Capitalized Interest Account	
Deposit to Cost of Issuance Fund	
Total	<u>\$</u>

[†] The Capitalized Interest Deposit has been calculated to be sufficient to pay, together with investment earnings on Permitted Investments deposited with the Trustee on the Closing Date, and without the need for reinvestment, the interest which will become due on the Bonds to but not including the Mandatory Tender Date.

* Preliminary; subject to change.

Simultaneously with the issuance of the Bonds, the Borrower will close the Lender Loan on the Project in the amount of \$17,000,000*. The Lender will ultimately advance \$14,000,000* of Lender Collateral Deposits to the Trustee for deposit to the Collateral Fund. The Bonds will be initially secured by their own proceeds to be deposited in the Project Fund under the Indenture (plus the Capitalized Interest Deposit from [proceeds of the Subordinate Loan], which, together with investment earnings on Permitted Investments deposited with the Trustee at closing, have been calculated to be sufficient to pay, without the need for reinvestment, capitalized interest on the Bonds to the Mandatory Tender Date). At closing and from time to time thereafter, Bond proceeds will be disbursed to or at the direction of the Lender against a simultaneous deposit to the Collateral Fund by the Lender of an equivalent Lender Collateral Deposit. The aggregate funds on deposit in the Special Funds, as invested pursuant to the Indenture, have been calculated to be sufficient to pay, at all times, principal of and interest on the Bonds as and when they become due to the Mandatory Tender Date.

Tax Credits

Simultaneously with the issuance of the Bonds, RAH Investor 279, LLC, a Mississippi limited liability company (the “Investor Limited Partner”), expects to acquire a 99.99% ownership interest in the Sole Member (as defined below) of the Borrower so the Investor Limited Partner may acquire 99.99% of the Tax Credits available to the Borrower. The funding of the Tax Credit equity by the Investor Limited Partner is expected to total approximately \$7,379,377*. The funding levels and the timing of the funding are subject to numerous adjustments and conditions that could result in the amounts funded and/or the timing or even occurrence of the funding to vary significantly from the projections set forth above and no representation is made as to the availability of such funds.

Subordinate Loan

Simultaneously with the issuance of the Bonds, the Subordinate Lender will make the Subordinate Loan in a principal amount equal to approximately \$4,300,000* to the Borrower to bridge a portion of the Tax Credit equity contributions. The Subordinate Loan will be secured by a first priority mortgage and security agreement on the Project, an environmental indemnity agreement entered into by [____], a first priority assignment of general partnership interests, a first priority assignment of the capital contribution to be made by the Investor Limited Partner, and a first priority assignment of the developer fees. The Subordinate Loan is anticipated to be repaid from the above-described Tax Credit equity contributions, will bear interest at a rate of 30-day LIBOR + 3.00%* per annum, and will have an 18-month term*.

THE PROJECT AND THE PARTICIPANTS

The Project

The Project consists of the rehabilitation and permanent phase financing of a 104-unit multifamily rental housing development to be known as the Oso Bay Apartments, located at 7502 McArdle Road, Corpus Christi, Texas 78412. The rehabilitation of the Project is expected to commence in March 2021* and be completed approximately 12* months later.

The rehabilitation budget is approximately \$49,000 in hard costs per unit. The rehabilitation will include improvements to the general site such as replacement of damaged sidewalks and asphalt, upgrades to the laundry facility, installation of security cameras, new playground equipment, and a new

* Preliminary; subject to change.

gazebo structure. Building exterior upgrades will include full replacement of roofs, gutters, entry and exit doors, and windows. The interior renovation will include installation of new flooring and paint, updated lighting and appliances, upgraded plumbing fixtures, and new cabinetry and counter tops in the kitchen and bathrooms. Upon renovation, free WIFI will be available for tenant use throughout the property.

The unit mix of the Project is as follows:

<u>Number of Units</u>	<u>Composition</u>	<u>Approximate Square Footage</u>
32	One-Bedroom (HAP)	690
56	Two-Bedroom (HAP)	877
16	Three-Bedroom (HAP)	1,092
104		

The Borrower

The Borrower is Oso Bay Apartments, LLC, a Texas limited liability company (the “Borrower”), formed for the sole purpose of acquiring, rehabilitating, equipping and operating the Project. Upon the issuance of the Bonds, Oso Bay Housing Partners, LP, a Texas limited partnership (the “Sole Member”), the sole member and manager of the Borrower, is expected to own a 100% interest in the Borrower. Oso Bay Housing Management, LLC, a Texas limited liability company (the “Sponsor Limited Partner”), is expected to own a 0.009% interest in the Sole Member. Oso Affordable Housing LLC, a Texas limited liability company (the “General Partner”), is expected to own a 0.001% interest in the Sole Member. The Investor Limited Partner is expected to own a 99.99% interest in the Sole Member. [Sterling Corporate Services LLC, a New York limited liability company (the “Special Limited Partner”) is expected to own a [_._] % interest in the [_____].]

The developer of the Project will be Vitus Development IV, LLC, the sole shareholder of which is Vitus Group, LLC (“Vitus”). Vitus has been in the business of acquiring, owning and developing affordable apartment complexes for 27 years. Vitus was formed in 1993, and Vitus and its affiliates have been involved in the development of more than 100 apartment complexes comprising approximately 10,000 units across 22 states and the District of Columbia. These projects include more than 100 low income housing tax credit projects. [Vitus shares like principals with the Borrower].

The prior experience of Vitus or its affiliates is no assurance that the Project will be successful.

Limited Assets and Obligations of the Borrower

The Borrower entity was formed to develop, rehabilitate, construct and operate the Project. The Borrower has no material assets other than the Project and has covenanted not to engage in any activities unrelated to the Project. However, Vitus and its affiliates are engaged in and will continue to engage in the acquisition, development, ownership and management of market rate and affordable housing developments. They may be financially interested in, as officers, partners or otherwise, and devote substantial times to, business and activities that may be inconsistent or competitive with the interests of the Project.

The obligations and liabilities of the Borrower under the Note are of a non-recourse nature and are limited to funds deposited or to be deposited under the Indenture to enable the Borrower to satisfy such obligations. Neither the Borrower nor its members have any personal liability for payments on the Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Project. Accordingly, neither the Borrower’s financial statements nor those of its members are included in this Official Statement.

The General Contractor

The general contractor for the Project is expected to be Whitestone Construction Group LLC (the “General Contractor”). The General Contractor has over 2.5 years of experience in renovating residential multifamily housing developments, and its principals have, collectively, over 80 years of such experience. The General Contractor has completed over 3,700 multifamily units throughout the south and southeast regions of the United States.

Any previous experience of the General Contractor is no assurance that the Project will be successful.

Property Manager

The Project will be managed by UAG Ventures AC, LP, (the “Property Manager”) a subsidiary of United Apartment Group. United Apartment Group was established in 1995 and currently manages over 25,000 multifamily units throughout the southern United States.

Any previous experience of the Property Manager is no assurance that the Project will be successful.

The Architect

The architect for the Project will be True Craft Architecture LLC (the “Architect”). Akheil Shah is the principal and founder of the Architect, which was founded in 2019. Prior to founding the Architect, Mr. Shah was a Senior Project Manager / Architect at DNA Workshop. Mr. Shah has been the lead architect on over 13 multifamily projects containing over 1,600 units throughout the Midwestern, southern, and the southeastern regions of the United States.

Any previous experience of the Architect is no assurance that the Project will be successful.

The Mortgage Lender

The Lender for the Project will process the Lender Loan in accordance with the FHA insurance commitment issued by FHA. The Lender is a mortgage banking firm specializing, among other things, in FHA insured construction and permanent mortgage loans.

Upon satisfaction of certain conditions of the FHA insurance commitment, the Lender will make the Lender Loan to the Borrower and service the Lender Loan and serve as issuer of the GNMA security to be issued with respect to the Lender Loan described elsewhere herein. For issuers approved to participate in the multifamily program, which is comprised of mortgage-backed securities backed by multifamily construction or permanent loans, the minimum net worth requirement is \$1,000,000 plus 1% of the total effective multifamily outstanding obligations in excess of \$25 million up to \$175 million plus 0.20 percent (20 basis points) of the total effective multifamily outstanding obligations in excess of \$175 million. The total effective multifamily outstanding obligation is the sum of: 1) all multifamily securities outstanding, 2) available commitment authority to issue new multifamily pools, and 3) unexpended multifamily construction draws.

The HAP Contract

The Project will receive the benefit of a Section 8 Housing Assistance Payment Contract (the “HAP Contract”) covering 100[%] of the units at the Project. The HAP Contract is expected to expire on or about September 30, 2040.

Funding under the HAP Contract will be subject to annual Congressional appropriations, as more particularly described below. The Section 8 project-based housing assistance payment program (the “Section 8 Program”) is authorized by Section 8 of the United States Housing Act of 1937, as amended, and in the case of Section 8 contracts is administered by local public housing authorities. Renewals of Section 8 HAP contracts are governed by the Multifamily Assisted Housing Reform and Affordability Act, as amended (“MAHRA”). The Section 8 Program authorizes housing assistance payments to owners of qualified housing for the benefit of low-income families (defined generally as families whose incomes do not exceed 80% of the area median income (“AMI”) for the area as determined by the U.S. Department of Housing and Urban Development (“HUD”)), and very low-income families (defined generally as families whose income do not exceed 50% of the AMI as determined by HUD). Section 8 housing assistance payments generally represent the difference between the “contract rent” for the unit approved by HUD and the eligible tenant’s contribution, which is generally 30% of income, as adjusted for family size and certain expenses, subject to a minimum rent contribution. The rents approved by HUD for the Project, as they may be adjusted from time to time with procedures set forth in MAHRA and the HAP Contract, are the “contract rents” for the Project. The HAP Contract will require the Borrower to maintain the Project in decent, safe and sanitary condition and to comply with other statutory and regulatory requirements governing the operation of the Project, use of project funds, and other matters. If the Borrower fails to comply with the terms of the HAP Contract, HUD or the contract administrator could seek to abate or terminate the payments under the HAP Contract, or take other sanctions. MAHRA requires that upon the request of the Borrower, HUD shall renew the HAP Contract under the Section 8 Program. However, because the HAP Contract is subject to receipt of annual appropriations by Congress, there is no assurance that the HAP Contract will be renewed or replaced upon its expiration. Funding for HAP contracts is appropriated by Congress on an annual basis, and there is no assurance that adequate funding will be appropriated each year during the term of the HAP Contract. Since payments received under the HAP Contract constitute a primary source of revenues for the Project, the expiration of the HAP Contract, or the failure of Congress to appropriate funds sufficient to fund the HAP Contract during each year of its term, would have a material adverse effect on the ability of the Project to generate revenues.

The Regulatory Agreement

At all times during the Qualified Project Period, not less than 40% of the completed residential units in the Project, other than those units occupied by the Borrower, are required to be occupied (or held available for occupancy) on a continuous basis by Low Income Tenants (i.e., persons or families at or below 60% of the median gross income for the area in which the Project is located). Additionally, during the State Restrictive Period (as such term is defined in APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT hereto) not less than 80% of the completed residential units in the Project, other than those units occupied by the Borrower, are required to be occupied (or held available for occupancy) on a continuous basis by Low Income Tenants and the rent charged for occupancy of such units may not exceed 30% of 60% of the Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such unit. The Regulatory Agreement also requires the Borrower to make at least 5% of the units in the Project available for occupancy by Persons with Special Needs (as such term is defined in APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT hereto).

Furthermore, the Regulatory Agreement requires that, except for units occupied or reserved for a resident manager, security personnel and maintenance personnel that are reasonably required for the Project, 100% of the units in the Project be reserved for Eligible Tenants (i.e., (a) individuals and families of low, very low and extremely low income, (b) families of moderate income (in each case in the foregoing clauses (a) and (b) as such terms are defined by the Issuer under the Act), and (c) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income; provided that all Low Income Tenants are Eligible Tenants).

The provisions of the Regulatory Agreement are intended, among other things, to ensure compliance with the requirements of the Code with respect to the excludability of the interest on the Bonds from gross income. Upon any breach by the Borrower of any provisions of the Regulatory Agreement, the Issuer or the Trustee may take (in some cases only with the consent of Lender) such actions at law or in equity as deemed appropriate under the circumstances, including an action for specific performance of the Regulatory Agreement. Such a breach by the Borrower may result in interest on the Bonds being included in gross income of the owners of the Bonds for purposes of federal income taxation as described in “CERTAIN BONDHOLDERS’ RISKS - Taxability of the Bonds” and “TAX MATTERS.” See “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.”

Additional Restrictive Covenants

Tax Credits. In connection with the Tax Credits expected to be allocated to the Borrower in connection with the Project, the Borrower will execute an Extended Low-Income Housing Agreement for the Project in compliance with Section 42 of the Code (the “Extended Low-Income Housing Agreement”). The Extended Low-Income Housing Agreement for the Project will, among other things, require that at least [40]% of the residential rental units in the Project must be occupied by or set aside for individuals or families whose income does not exceed 60% of the area median gross income for the county in which the Project is located, adjusted for family size in accordance with Section 142(d) of the Code, and that the rents which may be charged for occupancy of such units shall be restricted to an amount not greater than 30% of 60% of the area median gross income for the area in which the Project is located.

In the event of a conflict among any of the restrictions encumbering the Project, the Project is required to comply with the most restrictive covenants.

THE BONDS

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

General

The Bonds will be dated March 1, 2021* and will bear interest from the date of their initial delivery at the rate per annum, and mature in the principal amount and on the maturity date, set forth on the front cover of this Official Statement. Interest on the Bonds will be payable initially on September 1, 2021* and semiannually thereafter on March 1* and September 1* of each year until the Mandatory Tender Date or prior redemption of the Bonds. If the date of payment of principal or interest on the Bonds

* Preliminary; subject to change.

is not a Business Day, then such payment may be made on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided for such payment.

The Bonds will be issued in Book Entry Form only in denominations of \$5,000 and integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). See “BOOK-ENTRY ONLY SYSTEM” below.

Redemption of Bonds

(a) The Bonds are subject to optional redemption prior to maturity from Preference Proof Moneys, at the direction of a Borrower Representative (with delivery of a Cash Flow Projection, if required pursuant to paragraph (c) below), in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest, but without premium, to the date fixed for redemption, (i) prior to the initial Mandatory Tender Date, on any Business Day on or after March 1, 2022*, and (ii) after the initial Mandatory Tender Date, on any Business Day that is on or after the date that is halfway between the most recent Mandatory Tender Date and the next Mandatory Tender Date or the Maturity Date, as applicable.

(b) Other than as set forth in paragraph (a) above, the Bonds are not subject to redemption prior to the Maturity Date.

(c) If, to pay the redemption price, the Trustee is required to sell or otherwise dispose of Permitted Investments shown in the most recent Cash Flow Projection delivered to the Rating Agency before the maturity or mandatory tender date of such Permitted Investments, then a new Cash Flow Projection shall be provided to the Trustee (with a copy to the Rating Agency) with the direction described in paragraph (a) above, and the Trustee shall utilize the amounts and take the actions set forth in such Cash Flow Projection to pay the redemption price of the Bonds called for redemption.

(d) In the event of a redemption in part, the particular Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall deem fair and appropriate, provided that if a Book Entry System is then in effect, the Securities Depository shall select the interests of the beneficial owners of the Bonds to be redeemed.

Notice of Redemption

All or a portion of the Bonds shall be called for optional redemption pursuant to the provisions of the Indenture described under the caption “Redemption of Bonds” above by the Trustee as provided in the Indenture upon receipt by the Trustee and the Issuer, at least 30 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Trustee), of written notice of a Borrower Representative specifying the principal amount of the Bonds to be called for redemption and the redemption date. In the case of every redemption, the Trustee shall cause notice of such redemption to be given by mailing by first class mail, postage prepaid, a copy of the redemption notice to the Bondholders designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration records, in each case not more than 30 nor less than 20 days prior to the redemption date, provided, however, that failure to receive such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. Notwithstanding anything contained in the Indenture to the contrary, so long as the Bonds are in Book Entry Form, notice of redemption will be given by the

* Preliminary; subject to change.

Trustee only to DTC or its successor. Redemption is conditioned upon the Trustee having sufficient moneys on deposit in the Special Funds, on or prior to the redemption date, to redeem all of the Bonds called for redemption, and if the Trustee does not have sufficient funds for this purpose, no Bonds shall be redeemed. The Trustee shall furnish the Borrower, the Investor Limited Partner, the Issuer, the Remarketing Agent and the Rating Agency with a copy of each notice of redemption given with respect to any optional redemption under the provisions of the Indenture described under the caption “Redemption of Bonds” above as soon as practicable after the delivery of notice to the Bondholders.

Each notice of redemption shall specify the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. Each notice of redemption may also state that the redemption is conditioned on receipt of sufficient Preference Proof Moneys for such redemption by the Trustee on or prior to the redemption date; if sufficient moneys are not so received, the redemption of the Bonds for which notice was given shall not be made, and the Trustee promptly shall give notice of cancellation of such redemption in substantially the same manner as the original notice of redemption. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof to be redeemed.

Mandatory Tender

The Bonds are subject to mandatory tender in whole and not in part on the Mandatory Tender Date (September 1, 2022*) and shall be purchased at a price equal to 100% of the principal amount of such Bonds, plus accrued interest, if any, to the Mandatory Tender Date, and without premium. No later than 10:00 a.m., New York City time, on the Mandatory Tender Date, the Holders shall deliver the Bonds to the Trustee. The Trustee shall utilize the following sources of payments to pay the tender price of the Bonds not later than 1:30 p.m. New York City time on the Mandatory Tender Date, in the following priority: (i) amounts representing proceeds of remarketed Bonds received pursuant to the Indenture, to pay the principal amount, plus accrued interest, of Bonds tendered for purchase, (ii) amounts on deposit in the Collateral Fund and the Project Fund, to pay the principal amount of Bonds tendered for purchase, (iii) amounts on deposit in the Bond Fund (including the Capitalized Interest Account therein) to pay the accrued interest, if any, on Bonds tendered for purchase, and (iv) any other Preference Proof Moneys available or made available for such purpose at the direction of the Borrower.

If the conditions for remarketing set forth in the Indenture are not satisfied and/or the Trustee shall not have received remarketing proceeds on the Mandatory Tender Date equal to the principal amount of the Bonds Outstanding on such date, the Bonds shall be purchased in whole on the Mandatory Tender Date using amounts on deposit in the Collateral Fund, the Project Fund and the Bond Fund, and, immediately following such purchase, the Bonds shall be deemed redeemed on the Mandatory Tender Date and cancelled by the Trustee.

Not less than 30 days before the Mandatory Tender Date, the Trustee shall give written notice of mandatory tender and remarketing to the Holders by first class mail, postage prepaid, at their respective addresses as they appear on registration books kept by the Trustee as Bond Registrar. The notice shall state the Mandatory Tender Date and that:

- (1) all Outstanding Bonds are subject to mandatory tender for purchase on the Mandatory Tender Date and must be tendered for purchase on the Mandatory Tender Date;

* Preliminary; subject to change.

(2) all Outstanding Bonds will be purchased on the Mandatory Tender Date at a price equal to the principal amount of the Outstanding Bonds plus interest accrued to the Mandatory Tender Date;

(3) Holders will not have the right to elect to retain their Bonds and any Bonds not tendered will nevertheless be deemed to have been tendered and will cease to bear interest from and after the Mandatory Tender Date; and

(4) the address of the office of the Trustee at which Holders should deliver their Bonds for purchase on the Mandatory Tender Date.

If notice is given as stated in this section, failure of any Holder to receive such notice, or any defect in the notice, shall not affect the remarketing or the validity of the proceedings for the remarketing of the Bonds.

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be initially issued and issuable only as one fully registered Bond certificate for each maturity, registered in the name of Cede & Co. as partnership nominee of DTC. Those fully registered Bonds will be deposited with and retained in the custody of DTC.

For ease of reference in this and other discussions, reference to "DTC" includes when applicable any successor securities depository and the nominee of the depository.

For all purposes under the Bond proceedings, DTC will be and will be considered by the Issuer and the Trustee to be the owner or Holder of the Bonds.

Owners of book-entry interests in the Bonds (book-entry interest owners) will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered by the Issuer and the Trustee to be, and will not have any rights as, owners or holders of Bonds under the Bond proceedings.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC

system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P rating of AA+. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the book-entry interest owner) is in turn to be recorded on the Direct and Indirect Participant’s records. Book-entry interest owners will not receive written confirmation from DTC of their purchase, but are 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 book-entry interest owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of book-entry interest owners. Book-entry interest owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in actual ownership. DTC has no knowledge of the book-entry interest owners (or beneficial owners) of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the book-entry interest owners. 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 book-entry interest owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, distributions, and debt service payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to book-entry interest owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and debt service

payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the book-entry interest owners will be the responsibility of Direct and Indirect Participants.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. The Issuer, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds, as more fully described in the Indenture.

Direct Participants and Indirect Participants may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

The Issuer, the Borrower and the Trustee have no role in the purchases, transfers or sales of book-entry interests. The rights of book-entry interest owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Book-entry interest owners may want to discuss with their legal advisers the manner of transferring or pledging their book-entry interests.

The Issuer, the Borrower and Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book-entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The Issuer and the Borrower cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the book-entry interest owners payments of debt service on the Bonds made to DTC as the registered owner, or any notices, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

CERTAIN BONDHOLDERS' RISKS

The following is a summary of certain risks associated with a purchase of the Bonds. There are other possible risks not discussed below. The Bonds are payable from the payments to be made by the Borrower under the Bond Loan Agreement and the Note and from amounts on deposit in the Special Funds and the investment earnings thereon.

Limited Security; Investment of Funds

The Bonds are special, limited obligations of the Issuer payable solely from certain funds pledged to and held by the Trustee pursuant to the Indenture, including the Special Funds. See "SECURITY FOR THE BONDS - Limited Obligations of the Issuer" herein. The Bonds will not be secured by a deed of trust or other security interest in the Project.

The Bonds are offered solely on the basis of the amounts held under the Indenture and are not offered on the basis of the credit of the Borrower, the feasibility of the Project or any other security. As a consequence, limited information about the Project and no information about the financial condition or results of operations of the Borrower is included in this Official Statement. The Bonds are offered only to investors who, in making their investment decision, rely solely on the amounts held under the Indenture, and the investment earnings thereon, and not on the credit of the Borrower, the feasibility of the Project or any other security.

The principal of and interest on the Bonds are payable from and secured by certain revenues and funds pledged thereto under the Indenture. The Trustee is required to invest amounts held in the Special Funds in Permitted Investments, as defined in the Indenture. See “APPENDIX B — DOCUMENT SUMMARIES — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Investment.” Failure to receive a return of the amounts so invested could affect the ability to pay the principal of and interest on the Bonds.

Lender Collateral Deposits; Disbursement of Bond Proceeds

As described under the heading “SECURITY FOR THE BONDS – The Collateral Fund; Application of Lender Collateral Deposits” above, Lender Collateral Deposits will be disbursed and deposited into the Collateral Fund under the Indenture as a condition precedent to the disbursement of Bond proceeds from the Project Fund in an equal amount to pay a portion of the costs of acquiring, rehabilitating and equipping the Project. In order to have the Lender initiate the transfer of a Lender Collateral Deposit into the Collateral Fund, the Borrower will be required to satisfy any agreements relating to the Lender Loan (including requirements related to the completion of rehabilitation of the Project, which may be delayed by an epidemic or pandemic infectious disease such as COVID-19). Failure of the Borrower to satisfy additional future conditions could result in the Lender’s suspending disbursements of the Lender Loan until the conditions have been satisfied which, in turn, could result in the inability of the Borrower to pay the costs of completing the Project. However, such a failure to complete the Project would not affect the security for the Bonds or cause a default on the Bonds.

Redemption of Bonds

Purchasers of the Bonds should consider the fact that the Bonds are subject to optional redemption prior to the Mandatory Tender Date. See “THE BONDS – Redemption of Bonds” herein.

Exercise of Legal Remedies

The ability of the Issuer to enforce its rights or exercise its remedies upon default under the Bond Loan Agreement is dependent upon regulatory and judicial actions which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Bond Loan Agreement or the Indenture may not be readily available or may be limited, and the Borrower will have no personal liability for the satisfaction of any obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds and the documents described above is subject to limitations imposed by such things as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency, reorganization, moratorium or other similar laws heretofore or hereafter in effect affecting creditors’ rights, to the extent constitutionally applicable.

Infectious Disease Outbreak

Without limiting the generality of the foregoing, an outbreak of a highly contagious, epidemic or pandemic infectious disease such as COVID-19, Zika or Ebola nationally or locally in the Project’s market area could adversely affect the Borrower’s operations and financial results, including the cost or length of time necessary to complete the rehabilitation of the Project. An increase in delinquencies and/or

vacancies could depress rental revenue, and operating costs could increase, resulting in a default by the Borrower on its obligations with respect to the Bonds or the Lender Loan, including the taxability of interest paid on, and/or the extraordinary mandatory redemption of, the Bonds.

Legislative Response to COVID-19

Recent federal legislation, passed to address the economic effects of COVID-19, known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the “CARES Act”), provided for a temporary moratorium on eviction of tenants until July 25, 2020 due to nonpayment of rents when the landlord’s mortgage on that property is supplemented or assisted in any way by HUD. Such provision would apply to a project that receives HUD assistance under a Section 8 HAP Contract, which the Project expects to receive. If such provision of the CARES Act was extended to cover projects such as the Project, or similar legislation was adopted at the state or local level, such eviction moratorium and the Borrower’s inability to evict non-paying tenants of the Project and replace them with paying tenants would also be extended. Indeed, by order under Section 361 of the Public Health Service Act (42 U.S.C. 264) dated September 4, 2020, the Centers for Disease Control and Prevention imposed a moratorium effective through December 31, 2020, which moratorium has been extended through January 31, 2021, on residential evictions to prevent the further spread of COVID-19. No assurances can be given that subsequent federal, state or local legislation enacted in response to the COVID-19 pandemic will not adversely affect the Borrower’s ability to collect rent and evict tenants for nonpayment of rent or otherwise operate the Project as planned.

Taxability of the Bonds

THE BONDS ARE NOT SUBJECT TO ACCELERATION OR REDEMPTION UPON ANY DETERMINATION OF TAXABILITY OF INTEREST ON THE BONDS. IN ADDITION, THE RATE OF INTEREST ON THE BONDS IS NOT SUBJECT TO ADJUSTMENT BY REASON OF THE INTEREST ON THE BONDS BEING INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Such event could occur if the Borrower (or any subsequent owner of the Project) or other parties to the transaction do not comply with the provisions of the Regulatory Agreement, certain other tax-related agreements executed in connection with the Bonds, and the Bond Loan Agreement, or if the transaction is deemed not to comply with requirements of the Code in order for the interest on the Bonds to be excluded from gross income for federal income tax purposes. Under such circumstances, interest on the Bonds might become subject to federal income taxation retroactive to the date of issuance or some other subsequent date. See “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” and “TAX MATTERS” herein.

Permitted Investments

Preference Proof Moneys received by the Trustee for deposit into the Special Funds are required to be invested in Permitted Investments. See “APPENDIX A — DEFINITIONS” hereto for the definition of Permitted Investments. There can be no assurance that there will not be a loss resulting from any investment held for the credit of the Special Funds, and any failure to receive a return of the amounts so invested could affect the ability to pay the principal of and interest on the Bonds.

Rating Based on Permitted Investments

The rating on the Bonds is based upon the Bonds being fully secured by Permitted Investments held in the Trust Estate. If one or more of such investments fail to meet the rating standards for Permitted

Investments after their purchase and prior to their maturity, such a change may result in a downgrade or withdrawal of the rating on the Bonds.

Subordination to Lender Loan Documents

The Indenture, the Bond Loan Agreement, the Note, and the Regulatory Agreement contain provisions regarding subordination of such documents to the Lender Loan Documents. No assurance can be given that such provisions will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes.

Secondary Markets and Prices

No representation is made concerning the existence of any secondary market for the Bonds. The Underwriter will not be obligated to repurchase any of the Bonds, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds. Further, there can be no assurance that the initial offering prices for the Bonds will continue for any period of time. Furthermore, the Bonds should be purchased for their projected returns only and not for any resale potential, which may or may not exist.

Future Legislation; IRS Examination

The Project, its operation and the treatment of interest on the Bonds are subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. There can be no assurance that relevant local, State or federal laws, rules and regulations may not be amended or modified or interpreted in the future in a manner that could adversely affect the Bonds, the Trust Estate, the Project, or the financial condition of or ability of the Borrower to comply with its obligations under the various transaction documents.

The Internal Revenue Service (“IRS”) routinely engages in enforcement activity regarding tax-exempt bonds. Currently, the primary penalty available to the IRS under the Code is a determination that interest on bonds is subject to federal income taxation. Such event could occur for a variety of reasons, including, without limitation, failure to comply with certain requirements imposed by the Code relating to investment restrictions, periodic payments of arbitrage profits to the United States of America, the timely and proper use of Bond proceeds and the facilities financed therewith and certain other matters. See “TAX MATTERS” herein. No assurance can be given that the IRS will not examine the Issuer, the Borrower, the Project or the Bonds. If the Bonds are examined, it may have an adverse impact on their price and marketability.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In General

In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, under existing law (i) interest on the Bonds is excludable from gross income for

federal income tax purposes under Section 103 of the Code, except with respect to interest on any Bond for any period during which such bond is held by a person who is a “substantial user” of the Project or a “related person” of such a “substantial user,” as those terms are defined for purposes of Section 147(a) of the Code, as and (ii) interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of determining a taxpayer’s alternative minimum tax liability.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of the bond-financed project, limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the Issuer file an information report with the IRS. The Issuer and the Borrower have covenanted in the Indenture, Bond Loan Agreement, Tax Exemption Agreement and Regulatory Agreement that they will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Indenture, Financing Agreement, Tax Exemption Agreement and Regulatory Agreement pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Borrower, the Issuer’s financial advisor and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrower, the Issuer’s financial advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Issuer or the Borrower should fail to comply with the covenants in the Indenture, Bond Loan Agreement, Tax Exemption Agreement and Regulatory Agreement or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income for federal income from the date of original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to its ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability from gross income of interest on the Bonds for federal income tax purposes.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the IRS; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The IRS has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the IRS is likely to treat the Issuer as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Operation of the Project

In the case of bonds used to provide residential rental housing, such as the Bonds, Section 142 of the Code requires that such bonds also satisfy the tenant eligibility requirements applicable to “qualified residential rental projects” under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the “qualified project period” a certain percentage of the available units in the Project be occupied by individuals with income below certain levels pursuant to the Issuer’s election made under Section 142(d)(1) of the Code. The “qualified project period” for the Project will commence on the delivery date of the Bonds and will end on the latest of the following: (1) the date that is 15 years after the first date on which 50 percent of the residential units in the Project are occupied; (2) the first day on which no tax-exempt private activity bond issued with respect to the Project remains outstanding for federal income tax purposes; or (3) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates. Treasury Regulations (the “Regulations”) setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code require, among other things, that (1) the low-income set aside requirement must be met on a continuous basis during the “qualified project period” and (2) all of the units in the Project must be rented or available for rental to the general public on a continuous basis during such period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, will cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

The Issuer has established requirements, procedures and safeguards that it believes to be sufficient to ensure compliance with the requirements of the Code and the Regulations with respect to the Project. Such requirements, procedures and safeguards are incorporated into the Regulatory Agreement, the Bond Loan Agreement, the Tax Exemption Agreement and the Indenture. In addition, the Issuer and the Trustee have each covenanted in the Tax Exemption Agreement to follow and enforce such procedures to ensure compliance with such requirements. However, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer and the Trustee can be judicially enforced in such manner as to assure compliance with the Code and therefore to prevent the loss of the excludability of the interest on the Bonds from gross income for federal income tax purposes. Furthermore, if the Borrower fails to comply with the Regulatory Agreement, the Tax Exemption Agreement or the Bond Loan Agreement, the enforcement remedies available to the Issuer, the Trustee and the Owners are severely limited and may be inadequate to prevent the loss of the excludability of interest on the Bonds from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In such event, there is no provision for acceleration or redemption of the Bonds, and the holders of the Bonds may be required to hold the Bonds until maturity bearing interest that is includable in gross income for federal income tax purposes.

Prospective purchasers should be aware that HUD has required the inclusion of a rider to the Regulatory Agreement (the “HUD Rider”) providing that the provisions of the Regulatory Agreement are subordinate to the HUD Requirements (as defined in the HUD Rider). Bond Counsel expresses no opinion as to whether any of the covenants and requirements set forth in the Regulatory Agreement conflict with the HUD Rider. Furthermore, Bond Counsel expresses no opinion as to the initial and continuing excludability of interest on the Bonds from gross income for federal income tax purposes in the event that the provisions of the HUD Rider preclude compliance with any of the covenants or requirements of the Regulatory Agreement. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT – HUD Requirements.”

Additional Federal Income Tax Considerations

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on Bonds, received or accrued during the year.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

UNDERWRITING

The Bonds are being purchased by Colliers Securities LLC (the “Underwriter”) at the price listed on the cover page hereof. As consideration for its underwriting of the Bonds, the Underwriter will be paid an aggregate fee equal to \$_____.

The Underwriter has committed to purchase all of the Bonds if any of such Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other information, and to use its best efforts to sell the Bonds. The Bonds are being offered for sale at the price set forth on the cover page of this Official Statement, which price may be lowered by the Underwriter from time to time without notice. The Bonds may be offered and sold to dealers, including the Underwriter and dealers acquiring Bonds for their own account or any account managed by them, at prices lower than the public offering prices. In the Bond Purchase Agreement, the Borrower has agreed to indemnify the Issuer and the Underwriter with respect to information in this Official Statement relating to the Borrower, the Project, and the private participants.

In addition to serving as the Underwriter, Colliers Securities LLC has been designated to serve as Remarketing Agent and will receive a fee for its remarketing services in connection with the remarketing, if any, of the Bonds on the Mandatory Tender Date.

RATING

The Bonds have been assigned a rating of “Aaa” by Moody’s Investors Service, Inc. (“Moody’s,” and in its capacity as rating agency for the Bonds, the “Rating Agency”). The rating assigned to the Bonds described above reflects only the view of the Rating Agency, and an explanation of the significance of such rating may be obtained from the Rating Agency. The rating is not a recommendation to buy, sell, or hold the Bonds. There is no assurance that the rating will continue for any given period of time or that it

will not be revised downward or withdrawn entirely by the Rating Agency if in the judgment of the Rating Agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. See “CERTAIN BONDHOLDERS’ RISKS—Rating Based on Permitted Investments” herein.

Certain information and materials not included in this Official Statement were furnished to the Rating Agency. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agency.

The Issuer has not assumed any responsibility to notify the owners of any proposed change in, suspension or withdrawal of such rating subsequent to the date of this Official Statement, and the Borrower has such responsibility only in connection with the reporting of events as provided in the Continuing Disclosure Agreement. Neither of them has any responsibility to contest any such revision, suspension or withdrawal.

SUBORDINATION TO LENDER LOAN DOCUMENTS AND PROGRAM OBLIGATIONS

The Indenture, the Bond Loan Agreement, the Note, and the Regulatory Agreement (the “Bond Financing Documents”) provide that, notwithstanding anything in such documents to the contrary, the Bond Financing Documents will be subordinate to the Lender Loan Documents. In the event of any conflict between the provisions of the Bond Financing Documents and the Lender Loan Documents or the Program Obligations (as defined in the Lender Mortgage), the Lender Loan Documents or the Program Obligations will control. Enforcement of the Bond Financing Documents will not result in any claim against the Project, the Lender Mortgage proceeds, any reserve or deposit required by HUD in connection with the Lender Mortgage, or the rents or other income from the Project (except “surplus cash,” as defined in the HUD Regulatory Agreement). No assurance can be made that such provision will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes. In no event shall HUD or the Lender have any claim to or lien upon the Trust Estate and funds pledged to secure the repayment of the Bonds.

CERTAIN LEGAL MATTERS

Delivery of the Bonds will be accompanied by the approving legal opinion of the Texas Attorney General to the effect that the Bonds are valid and legally binding obligations of the Issuer under the laws of the State of Texas, payable from the Trust Estate. Certain legal matters relating to the execution and delivery of the Indenture and the Bond Loan Agreement are subject to the approving opinion of Bracewell LLP, Bond Counsel, which will be furnished at the expense of the Borrower (the “Bond Counsel Opinion”). See “APPENDIX C – PROPOSED FORM OF OPINION OF BOND COUNSEL” hereto. Certain financial advisory services will be provided to the Issuer by Stifel, Nicolaus & Company, Incorporated. Certain legal matters will be passed upon for the Borrower by its counsel, Winthrop & Weinstine, P.A., Minneapolis, Minnesota, and Locke Lord LLP, Austin, Texas, and for the Underwriter by its counsel, Norris George & Ostrow PLLC, Washington, D.C. Fees and expenses of certain of the above-mentioned counsel are contingent upon the issuance of the Bonds.

Bracewell LLP, whose legal services as Bond Counsel have been retained by the Issuer, will opine on the date of issuance of the Bonds with regard to the excludability of interest on the Bonds from gross income. See “TAX MATTERS” herein. The proposed text of the legal opinion is set forth in APPENDIX C. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery of the Bonds. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no

implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

In rendering its approving opinion, Bond Counsel will rely on certifications and representations of fact to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

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

NO LITIGATION

The Borrower

There is no action, suit, proceeding, inquiry or investigation of which the Borrower has been notified, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, affecting the transaction contemplated by this Official Statement or the exclusion of interest on the Bonds from the gross income, for federal income tax purposes, of the owners of the Bonds, or contesting or affecting as to the Borrower the validity or enforceability of the Bonds, any document entered into by the Borrower in connection with the transaction contemplated hereby (the "Borrower Documents") or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of this Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the Borrower's financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

The Issuer

There is no action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, pending, or to the actual knowledge of the Issuer threatened in writing, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (i) the use of this Official Statement or the use of the proceeds of the Bonds to make the Bond Loan, (ii) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (iii) the tax-exempt status of the interest on the Bonds or the accuracy or completeness of this Official Statement, (iv) the execution and delivery of the Issuer Documents or the Bonds, or (v) the power of the Issuer to carry out the transactions contemplated by the Bonds, this Official Statement or any of the Issuer Documents.

CONTINUING DISCLOSURE

The Borrower will enter into a Continuing Disclosure Agreement dated as of March 1, 2021 (the “Continuing Disclosure Agreement”) with the Trustee, acting as the Dissemination Agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Project to the Municipal Securities Rulemaking Board annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board, of certain enumerated events for the benefit of the beneficial owners and Holders of any of the Bonds, pursuant to the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the “Rule”). See APPENDIX D - “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

A failure by the Borrower to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the Indenture or Bond Loan Agreement (although Bondholders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply is required to be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

The Borrower is a new entity and has not previously been subject to the continuing disclosure requirements of the Rule.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”) has served as a financial advisor to the Issuer for purposes of assisting the Issuer with the development and implementation of the bond program in connection with the Bonds. The Financial Advisor has not been engaged by the Issuer to compile, create or interpret any information in this Official Statement relating to the Issuer, including (without limitation) any of the Issuer’s financial and operating data, whether historical or projected. Any information contained in this Official Statement concerning the Issuer, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not and should not be construed as a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to review or audit any information in this Official Statement in accordance with accounting standards.

The Financial Advisor does not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Owners of the Bonds upon an Event of Default under the Bond Loan Agreement, the Regulatory Agreement or 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, including specifically the Federal Bankruptcy Code, the remedies provided for under the Federal Bankruptcy Code, the Bond Loan Agreement, the Regulatory Agreement or the Indenture may not be readily available or may be limited.

In addition, the Bond Loan Agreement and the Regulatory Agreement both provide that the payment obligations of the Borrower contained in such agreements (other than certain obligations to the Issuer and the Trustee individually and not on behalf of the Owners of the Bonds) will be limited obligations payable solely from the income and assets of the Borrower, and that no member of the Borrower will have any personal liability for the satisfaction of any payment obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America 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).

MISCELLANEOUS

Copies of the Indenture, the Bond Loan Agreement, the Note and the Regulatory Agreement are on file at the office of the Trustee and are available for inspection upon request.

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 or the Borrower and the purchasers or Holders of any of the Bonds.

The Issuer makes no representations with respect to any information in this Official Statement other than the information under the headings “THE ISSUER” and “NO LITIGATION - The Issuer.”

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

(Remainder of Page Intentionally Left Blank)

(Signature Page to Official Statement – Oso Bay Apartments)

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP,
a Texas limited partnership,
its Sole Member and Manager

By: Oso Affordable Housing LLC,
a Texas limited liability company,
its General Partner

By: Commonwealth Multifamily Housing Corporation,
a Pennsylvania 501(c)3,
its Sole Member

By: _____
David P. Cole, Executive Vice President

APPENDIX A

DEFINITIONS

“Account” means an account within any Fund created pursuant to the Indenture.

“Act” means Chapter 2306, Texas Government Code, as amended.

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

“Assumption Agreement” has the meaning set forth in the Bond Loan Agreement.

“Authorized Officer” means the Chair or Vice Chair of the Board, the Executive Director of the Issuer, the Director of Administration of the Issuer, the Director of Financial Administration of the Issuer, the Director of Bond Finance and Chief Investment Officer of the Issuer, the Director of Multifamily Bonds of the Issuer, the Director of Texas Homeownership of the Issuer, and the Secretary or Assistant Secretary to the Board.

“Board” means the Governing Board of the Issuer.

“Bond” or “Bonds” means the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 issued, authenticated and delivered under the Indenture.

“Bond Counsel” means nationally recognized bond counsel selected by the Issuer and initially means Bracewell LLP.

“Bond Documents” means, with respect to the Bonds, the Bonds, the Indenture, the Bond Loan Agreement, the Bond Purchase Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Tax Exemption Agreement, the Lender Disbursement Agreement and any and all documents executed in connection with the Bonds.

“Bond Fund” means the Bond Fund created in the Indenture.

“Bond Mortgage” means the Subordinate Multifamily Deed of Trust, Security Agreement and Fixture Filing, dated of even date with the Indenture, from the Borrower to [_____] for the benefit of the Trustee and the Issuer, and as the same may be amended, supplemented or restated.

“Bondholder” or “Holder of the Bonds” or “Holder” or “Owner of the Bonds” or “Owner” when used with respect to any Bond, means the Person or Persons in whose name such Bond is registered as the owner thereof on the books of the Issuer maintained at the Trust Office of the Trustee for that purpose.

“Bond Loan” means the mortgage loan in the principal amount of \$14,000,000* made by the Issuer to the Borrower evidenced by the Note, described in the Bond Loan Agreement and made in connection with the issuance of the Bonds.

“Bond Loan Agreement” or “Agreement” means the Loan Agreement, dated as of March 1, 2021, between the Issuer and the Borrower, and any and all amendments or supplements thereto, pursuant to which the Bond Loan is being made to the Borrower.

“Bond Loan Documents” shall mean the Bond Loan Agreement and the Note.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated _____, 2021, among the Issuer, the Borrower and the Underwriter.

“Bond Registrar” has the meaning assigned to it in the Indenture.

“Book Entry Form” or “Book Entry System” means a form or system, as applicable, under which (i) the ownership of beneficial interests in the Bonds may be transferred only through a book entry and (ii) physical bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as holder, with the physical bond certificates “immobilized” in the custody of the Securities Depository.

“Borrower” means Oso Bay Apartments, LLC, a limited liability company duly organized and existing in the State of Texas, and its successors and assigns.

“Borrower Documents” means the Bond Loan Agreement, the Note, the Tax Exemption Agreement, the Regulatory Agreement, the Bond Purchase Agreement, the Official Statement, the Continuing Disclosure Agreement and any and all documents, agreements or instruments executed by the Borrower in connection with the Bond Loan evidenced by the Bond Loan Agreement.

“Borrower Obligations” means the obligations of the Borrower under the Bond Loan Agreement, the Note and the other Borrower Documents to (a) pay the principal of, and interest on the Note, when and as the same shall become due and payable (whether at the stated maturity thereof, on any payment date or by acceleration of maturity or otherwise), (b) pay all other amounts required by the Bond Loan Agreement, the Note, and the other Borrower Documents to be paid by the Borrower to the Issuer and the Trustee, as and when the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations, and agreements, express or implied, which the Borrower is required by the Bond Loan Agreement, the Note, the Regulatory Agreement, and any of the other Borrower Documents, to perform or observe.

“Borrower Representative” means a person at the time designated and authorized to act on behalf of the Borrower by a written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by one of its officers, which certificate may designate an alternate or alternates.

“Business Day” or “business day” means a day, other than a Saturday or Sunday, on which (a) banks located in New York, New York or in the city in which the Trust Office of the Trustee is located, are not required or authorized by law or executive order to close for business and (b) the New York Stock Exchange is not closed.

* Preliminary; subject to change.

“Capitalized Interest Account” means the Account by that name created in the Bond Fund pursuant to the Indenture.

“Capitalized Interest Deposit” means the deposit of \$ _____ from Preference Proof Moneys to the Project Fund on the Closing Date, as provided in the Indenture.

“Cash Flow Projection” means a cash flow projection prepared by an Independent firm of certified public accountants, a financial advisory firm, a law firm or other Independent third party qualified and experienced in the preparation of cash flow projections for structured finance transactions similar to the Bonds, designated by the Borrower and acceptable to the Rating Agency, establishing, to the satisfaction of the Rating Agency, the sufficiency of (a) the amount on deposit in the Project Fund and the Collateral Fund, (b) projected investment income to accrue on amounts on deposit in the Project Fund and Collateral Fund during the applicable period and (c) any additional Preference Proof Moneys delivered to the Trustee by or on behalf of the Borrower to pay principal of and interest on the Bonds when due and payable, including, but not limited to, any cash flow projection prepared in connection with (i) the initial issuance and delivery of the Bonds, (ii) a proposed optional redemption of the Bonds, as provided in the Indenture, (iii) the release of Preference Proof Moneys from the Capitalized Interest Account of the Bond Fund, as provided in the Indenture, and (iv) the purchase, sale or exchange of Permitted Investments as provided in the Indenture.

“Closing Date” means the date of delivery of the Bonds in exchange for the purchase price thereof.

“Closing Memorandum” means the closing memorandum prepared by the Underwriter and executed by the Borrower and/or the Issuer in connection with the issuance of the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import enacted after the date of the Indenture, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Collateral Fund” means the Collateral Fund created pursuant to the Indenture.

“Completion Certificate” means a certificate submitted by the Borrower Representative to the Issuer and the Trustee as provided in the Bond Loan Agreement.

“Completion Date” means the date upon which the Completion Certificate is delivered by the Borrower to the Issuer and the Trustee, which shall be no later than [_____ 1, 20__]*.

“Comptroller” means the Comptroller of Public Accounts of the State of Texas.

“Construction Contract” means that certain construction contract executed between the Contractor and the Borrower relating to the construction of the Project, as that contract may be amended from time to time.

“Construction Draw Date” means the date on which a disbursement from the Project Fund shall be made solely to pay Costs of the Project.

* Preliminary; subject to change.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of March 1, 2021 between the Borrower and the Dissemination Agent.

“Contractor” means the entity identified as the general contractor under the Construction Contract.

“Costs of Issuance” means all fees, costs and expenses incurred in connection with the issuance of the Bonds and the extension of the Bond Loan that are payable from amounts deposited in the Cost of Issuance Fund.

“Cost of Issuance Deposit” means \$_____.

“Cost of Issuance Fund” means the Cost of Issuance Fund created pursuant to the Indenture.

“Costs of the Project” with respect to the Project shall be deemed to include all items permitted to be financed under the provisions of the Code and the Act.

“Disbursement Agreement” means, collectively, the Funding Agreement and the Loan Disbursement Procedures Agreement.

“Dissemination Agent” means Regions Bank, an Alabama banking corporation and its permitted successors and assigns as Dissemination Agent under the Continuing Disclosure Agreement.

“Dissemination Agent Fee” means a portion of the Trustee’s Fee payable to Regions Bank, in its capacity as Dissemination Agent pursuant to the Continuing Disclosure Agreement.

“Documents” means and shall include (without limitation), with respect to the Bonds, the Indenture, the Bond Documents, the Borrower Documents, and any and all other documents which the Issuer, the Borrower or any other party or parties or their representatives, have executed and delivered, or may execute and deliver after the date of the Indenture, to evidence or secure the Bonds and the Borrower’s Obligations, or any part thereof, or in connection therewith, and any and all supplements thereto.

“Event of Default” or “Default” means, when used in the Indenture, those events of default or defaults specified therein and, when used in the Bond Loan Agreement, those events of default or defaults specified therein.

“Expense Fund” means the fund by that name created and established pursuant to the Indenture.

“FHA” means the Federal Housing Administration.

“Favorable Opinion of Bond Counsel” means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds under existing law (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

“Federal Tax Status” means, as to the Bonds, the status of the interest on the Bonds as excludable from gross income for federal income tax purposes (except on any Bond during any period during which

it is held by a “substantial user” or “related person” to such a substantial user within the meaning of Section 147(a) of the Code).

“Fund” means any fund created pursuant to the Indenture.

“Funding Agreement” means the Funding Agreement dated as of March 1, 2021, by and among the Lender, the Borrower, the Issuer and the Trustee, as amended, supplemented or restated from time to time.

“GNMA” means the Government National Mortgage Association.

“Government Obligations” means non-callable, non-redeemable direct obligations issued by the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, including, when available, SLGS.

“Governmental Authority” means any federal, State or local governmental or quasi-governmental entity, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity.

“Governmental Requirements” means all laws, ordinances, orders, rules or regulations of all Governmental Authorities applicable to the Project, the Issuer, the Borrower or any of the Borrower’s assets or other properties, including without limitation, laws, ordinances, orders, rules and regulations relating to securities or other public disclosures, zoning, licenses, permits, subdivision, building, safety, health, and fire protection and all environmental laws.

“Hazardous Materials” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBS”) and compounds containing them; lead and lead based paint; asbestos or asbestos containing materials in any form that is or could become friable; underground or above ground storage tanks, whether empty or containing any substance; any substance the presence of which at the Project is prohibited by any federal, state or local authority; any substance that requires special handling under any Hazardous Materials Law; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” within the meaning of any Hazardous Materials Law, but does not include any such substance that is a customary and ordinary household, cleaning, office, swimming pool or landscape maintenance product used on the Project by the Borrower or any tenant or agent of the Borrower, or customary construction materials used during the course of construction and equipping of the Project by the Borrower or the Contractor, provided such use is in accordance with applicable hazardous material laws.

“Hazardous Materials Law” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials and apply to Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, and their state analogs, including laws of the State.

“Highest Rating Category” means, with respect to a Permitted Investment, that the Permitted Investment is rated by a Rating Agency in the highest rating given by that Rating Agency for that Rating Category, provided that such rating shall include but not be below Aaa or Aaa/VMIG-1 if rated by Moody’s or A-1+ or AA+ if rated by S&P.

“HUD” means the U.S. Department of Housing and Urban Development.

“HUD Regulatory Agreement” means the Regulatory Agreement for Multifamily Projects between the Borrower and HUD, as amended or supplemented from time to time.

“Indenture” means the Trust Indenture, dated as of March 1, 2021, between the Issuer and the Trustee, and any and all Supplements thereto, authorizing the issuance of the Bonds.

“Independent” means a Person that has no specific financial interest direct or indirect in the Borrower or any Affiliate of the Borrower and in the case of an individual is not a director, trustee, officer, partner, member or employee of the Borrower or any Affiliate of the Borrower and in the case of an entity, does not have a partner, director, trustee, officer, member or employee who is a director, trustee, partner, member, officer or employee of any partner or member of the Borrower or any Affiliate of the Borrower.

“Initial Bond” means the initial Bond registered by the Comptroller and subsequently canceled and replaced by a definitive Bond pursuant to the Indenture.

“Interest Payment Date” means each March 1* and September 1*, beginning September 1, 2021*.

“Investor Limited Partner” means RAH Investor 279, LLC, a Mississippi limited liability company, and its permitted successors and assigns in its capacity as the investor limited partner of the Sole Member.

“Issuer” means the Texas Department of Housing and Community Affairs, a public and official agency of the State, and its successors and assigns.

“Issuer Documents” means the Bond Loan Agreement, the Indenture, the Regulatory Agreement, the Bond Purchase Agreement, the Tax Exemption Agreement and any and all documents, agreements or instruments executed by the Issuer in connection with the Bond Loan evidenced by the Bond Loan Agreement.

“Issuer Indemnified Party” or “Issuer Indemnified Parties” has the meaning set forth in the Bond Loan Agreement.

“Issuer Administration Fee” means the fee payable annually in advance to the Issuer on each [February] 1, in the amount of .10% per annum of the aggregate principal amount of Bonds Outstanding at the inception of each payment period. On the Closing Date, the Borrower will pay the Issuer Administration Fee in advance to the Issuer for the period from the Closing Date to [January 31], 2023. The Trustee will remit to the Issuer (upon receipt of an invoice from the Issuer), payable solely from funds provided by the Borrower, all payments of the Issuer Administration Fee due on or after [February] 1, 2023.

* Preliminary; subject to change.

“Issuer Compliance Fee” means the fee payable annually in advance to the Issuer on each [February] 1, in the amount of \$25 per Low-Income Unit (as defined in the Regulatory Agreement) in the Project, for the duration of the State Restrictive Period (as defined in the Regulatory Agreement). The first annual Issuer Compliance Fee shall be paid on the Closing Date. The Trustee will remit to the Issuer (upon receipt of an invoice from the Issuer), solely from funds provided by the Borrower, all payments of the Issuer Compliance Fee due on or after [February] 1, 2024. The Issuer Compliance Fee is for bond compliance only, and an additional fee may be charged for tax credit compliance.

“Issuer’s Fees” means, collectively, the Issuer Administration Fee and the Issuer Compliance Fee.

“Lender” means Regions Bank, and its successors and assigns.

“Lender Borrower Note” means the \$17,000,000* Note (Multistate) dated as of [February] 1, 2021, from the Borrower to the Lender to evidence its indebtedness under the Lender Loan and endorsed by HUD.

“Lender Collateral Deposit” shall have the meaning given to such term in the Indenture.

“Lender Disbursement Agreement” means the Construction Loan Disbursement Agreement, dated as of [February] 1, 2021, among the Lender, the Borrower and [Title Partners LLC].

“Loan Disbursement Procedures Agreement” means the Loan Disbursement Procedures, Agreement dated as of March 1, 2021, by and among [the Lender, the Borrower, the Issuer and the Trustee], as amended, supplemented or restated from time to time.

“Lender Loan” means the loan made by the Lender to the Borrower in the original principal amount not to exceed \$17,000,000* pursuant to the Lender Disbursement Agreement, as evidenced by the Lender Borrower Note and secured by the Lender Mortgage.

“Lender Loan Documents” means the documents related to the Lender Loan, including the Lender Disbursement Agreement, the Lender Borrower Note, the Lender Mortgage, the HUD Regulatory Agreement and any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Lender Loan.

“Lender Mortgage” means the first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (Texas) dated March 1, 2021, from Borrower for the benefit of the Lender to secure the repayment of the Lender Borrower Note.

“Mandatory Tender Date” means (i) September 1, 2022*, and (ii) if the Bonds are remarketed pursuant to the Indenture for a period that does not extend to the Maturity Date, the day immediately following such period.

“Maturity Date” means September 1, 2024*.

“Maximum Rate” shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Bonds under State law pursuant to Chapter 1204 of the Texas Government Code.

* Preliminary; subject to change.

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Borrower.

“Note” means the Promissory Note, dated the Closing Date, from the Borrower to the Issuer in substantially the form attached as an exhibit to the Bond Loan Agreement, and any amendments, supplements or modifications thereto, which Note has been assigned by the Issuer to the Trustee.

“Official Statement” means this Official Statement dated _____, 2021, relating to the Bonds.

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

“Optional Redemption Date” means any date the Bonds are redeemed pursuant to the Indenture.

“Outstanding,” “outstanding” or “Bonds Outstanding” when used with respect to the Bonds means any Bonds theretofore authenticated and delivered under the Indenture, except:

- (a) Bonds theretofore canceled by the Trustee or theretofore delivered to the Trustee for cancellation;
- (b) Bonds for the payment of which moneys or obligations shall have been theretofore deposited with the Trustee or other escrow agent in accordance with the Indenture; or
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture.

“Organizational Documents” means (i) with respect to the Borrower, the [Amended and Restated Operating Agreement] of the Borrower dated as of February [], 2021, and (ii) with respect to the Sole Member, the Amended and Restated Agreement of Limited Partnership of the Sole Member dated as of February [], 2021, as any of the foregoing may be amended, modified, supplemented or restated from time to time.

“Paying Agent” means the Trustee in its capacity as paying agent for the Bonds.

“Permitted Investments” means (i) Government Obligations, and (ii) shares or units in any money market mutual fund rated “Aaa-mf” by Moody’s (or the equivalent Highest Rating Category given by the Rating Agency for that Rating Category), including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor that are registered under the Investment Company Act of 1940, as amended, whose investment portfolio consist primarily of Government Obligations. Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor the ratings of Permitted Investments upon or after the initial purchase of such Permitted Investments.

“Person” shall include an individual, association, unincorporated organization, corporation, partnership, limited liability company, joint venture, or government or agency or political subdivision thereof.

“Plans and Specifications” means the plans and specifications and/or the scope of work for the Project, together with such amendments thereto as are made from time to time in accordance with the Bond Loan Agreement.

“Preference Proof Moneys” means (i) moneys drawn on a letter of credit, (ii) proceeds of the Bonds, including any additional amount paid by the Underwriter to the Trustee in excess of the offering, or in the case of a remarketing, the reoffering, price of the Bonds, (iii) proceeds of a Lender Collateral Deposit, (iv) proceeds of the Subordinate Loan deposited with the Trustee on behalf of the Borrower, or (v) moneys in connection with which the Trustee shall have been delivered an opinion of bankruptcy counsel acceptable to it to the effect that the use of such moneys would not be avoidable as a preference under Section 547 of the United States Bankruptcy Code or give rise to a stay under Section 362(a) of the United States Bankruptcy Code. “Preference Proof Moneys” shall also include investment earnings derived from any of the foregoing.

“Project” means the multifamily rental housing development to be known as Oso Bay Apartments, which will consist of approximately 104 apartment units and related facilities to be located in Nueces County, Texas.

“Project Fund” means the Project Fund created in the Indenture.

“Purchase in Lieu of Redemption Date” means the date set forth in the Indenture.

“Qualified Project Costs” has the meaning assigned to such term in the Tax Exemption Agreement.

“Qualified Project Period” has the meaning assigned to such term in the Regulatory Agreement.

“Rating Agency” means Moody’s, S&P or any other nationally recognized securities rating agency rating the Bonds, or such rating agency’s successors or assigns, and initially means Moody’s so long as Moody’s is rating the Bonds.

“Rating Category” means one of the rating categories of the Rating Agency for the specific type and duration of the applicable Permitted Investment.

“Rating Confirmation” means a letter of confirmation from the Rating Agency to the effect that the proposed action would not result in a withdrawal, suspension or downgrade of the rating then in effect on the Bonds.

“Rebate Analyst” has the meaning assigned to such term in the Tax Exemption Agreement.

“Rebate Analyst Fee” means the fee payable by the Borrower to the Rebate Analyst upon delivery of its report in accordance with the Tax Exemption Agreement.

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

“Rebate Requirement” means the amount, if any, which is to be paid to the United States of America pursuant to Section 148(f) of the Code and the Indenture or to reduce the yield on investments to the yield on the Bonds pursuant to Section 148 of the Code.

“Record Date” means the 15th day of the month preceding the date on which interest is due and payable.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Regulatory Agreement” means the Regulatory and Land Use Restriction Agreement dated as of March 1, 2021, among the Issuer, the Trustee, and the Borrower, and any and all amendments or supplements thereto.

“Remarketing Agent” means initially Colliers Securities LLC, and any successor Remarketing Agent that may be appointed by the Borrower.

“Remarketing Agreement” means the Remarketing Agreement, dated as of even date with the Indenture, between the Borrower and the Remarketing Agent.

“Remarketing Notice Parties” means the Borrower, the Issuer, the Trustee, the Remarketing Agent, the Investor Limited Partner and the Rating Agency.

“Remarketing Rate” means the interest rate or rates established pursuant to the Indenture and borne by the Bonds then Outstanding from and including a Mandatory Tender Date to but not including the next Mandatory Tender Date or the Maturity Date, as applicable.

“Representation Letter” means the Blanket Letter of Representations from the Issuer to DTC, or any similar Letter of Representations at the time in use by DTC.

“Requisition” means (a) the request signed by the Borrower Representative to make a disbursement from the Project Fund on a Construction Draw Date in the manner provided pursuant to the Indenture or (b) the request signed by the Borrower Representative to make a disbursement from the Cost of Issuance Fund in the manner provided pursuant to the Indenture.

“Reserved Rights of the Issuer” and “Reserved Rights” means (a) all of the Issuer’s right, title and interest in and to all reimbursement, costs, expenses and indemnification; (b) the right of the Issuer to amounts payable to it pursuant to the Bond Loan Agreement, including the Issuer’s Fees; (c) all rights of the Issuer to receive any Rebate Amount (as defined in the Tax Exemption Agreement) required to be rebated to the United States of America under the Code in connection with the Bonds, as described in the Tax Exemption Agreement; (d) all rights of the Issuer to receive notices, reports or other information, and to make determinations and grant approvals or consent under the Indenture, the Bond Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement; (e) all rights of the Issuer of access to the Project and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Bond Loan Agreement, the Tax Exemption Agreement and the Regulatory Agreement; (f) any and all rights, remedies and limitations of liability of the Issuer set forth in the Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, or the Bond Mortgage, as applicable, regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act, the Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, the Bond Mortgage or the Note, (4) no liability of the Issuer to third parties, and (5) no warranties of suitability or merchantability by the Issuer; (g) all rights of the Issuer in connection with any amendment to or modification of the Indenture, the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement, Bond Mortgage and the Note; (h) any and all limitations of the Issuer’s liability and the Issuer’s disclaimers of warranties set forth in the Indenture, the Regulatory Agreement, the Tax Exemption Agreement or the Bond Loan Agreement, and the Issuer’s right to inspect and audit the books, records and permits of the Borrower and the Project.

“Resolution” means the resolution adopted by the Issuer on [January 14], 2021, duly authorizing and directing the issuance, sale and delivery of the Bonds.

“Responsible Officer” means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate, associate or other officer of the Trustee within the Trust Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

“Revenues” means, all payments paid or payable to the Trustee in accordance with the Bond Loan Agreement, the Bond Loan and the Note and all investment earnings derived or to be derived on any moneys or investments held by the Trustee under the Indenture, but excluding (a) amounts paid as fees, reimbursement for expenses or for indemnification of any Issuer Indemnified Party and the Trustee, (b) amounts paid to or collected by the Issuer in connection with any Reserved Rights of the Issuer and (c) any Rebate Requirement.

“S&P” means S&P Global Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with the approval of the Borrower.

“Securities Depository” means The Depository Trust Company, its successors and assigns, or any other securities depository for the Bonds designated by the Issuer or the Borrower to the Trustee in writing.

“SLGS” means Time Deposit Treasury Securities – State and Local Government Series.

“Sole Member” means Oso Bay Housing Partners, LP, a Texas limited partnership, as sole member and manager of the Borrower.

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

“Special Limited Partner” means Sterling Corporate Services LLC, a New York limited liability company.

“State” means the State of Texas.

“Subordinate Lender” means Regions Bank, and its successors and assigns.

“Subordinate Loan” means the equity bridge loan to the Borrower relating to the Project from the Subordinate Lender in the original principal amount of \$4,300,000*.

“Supplement” or “Supplements” means any and all extensions, renewals, modifications, amendments, supplements and substitutions to the Indenture.

* Preliminary; subject to change.

“Tax Exemption Agreement” means the Tax Exemption Certificate and Agreement dated as of March 1, 2021, among the Issuer, the Borrower and the Trustee, and any and all amendments or supplements thereto.

“Term of Agreement” means the term of the Bond Loan Agreement as specified therein.

“Trust Estate” has the meaning given such term in the Granting Clauses of the Indenture.

“Trust Office” means the corporate trust office of the Trustee located at the address set forth in the Indenture or such other office designated by the Trustee from time to time, or such other offices as may be specified in writing to the Issuer by the Trustee.

“Trustee” means Regions Bank, an Alabama banking corporation, duly organized and existing under the laws of the United States of America, and authorized to exercise corporate trust powers in the State, having a corporate trust office in Houston, Texas, and its successor or successors in the trust created by the Indenture.

“Trustee’s Fee” means the ongoing compensation and expenses payable to the Trustee as follows: (a) the acceptance fee of the Trustee of \$2,500 payable on the Closing Date; (b) the annual administration fees and expenses of the Trustee, as Trustee, Registrar and Paying Agent of \$4,000 per year for the ordinary services of the Trustee rendered under the Indenture during each twelve month period, payable annually in advance beginning on the Closing Date and thereafter on each anniversary of the Closing Date; (c) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture as and when the same become due, including reasonable counsel fees (including in-house counsel fees and fees prior to litigation, at trial, in insolvency proceedings or for appellate proceedings); provided, further, that the Trustee shall not be required to undertake any such extraordinary services unless provision for payment of extraordinary expenses satisfactory to the Trustee shall have been made; (d) for purposes of the Bond Loan Agreement, indemnification of the Trustee by the Borrower; and (e) the annual Dissemination Agent Fee under the Continuing Disclosure Agreement of \$1,000 per year, payable annually in advance on the Closing Date and thereafter on each anniversary of the Closing Date.

“Trustee Indemnified Party” or “Trustee Indemnified Parties” has the meaning set forth in the Bond Loan Agreement.

“Underwriter” means Colliers Securities LLC.

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APPENDIX B

DOCUMENT SUMMARIES

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Indenture to which reference is hereby made, a copy of which is on file with the Trustee. This summary uses various terms defined in the Indenture and such terms as used herein shall have the same meanings as so defined.

Funds and Accounts

The following trust funds are created by the Issuer under the Indenture to be held separately by the Trustee:

- (1) Bond Fund, and within the Bond Fund, a Capitalized Interest Account;
- (2) Project Fund;
- (3) Rebate Fund;
- (4) Expense Fund;
- (5) Collateral Fund; and
- (6) Cost of Issuance Fund.

Bond Fund. On the Closing Date, upon receipt of the Capitalized Interest Deposit in accordance with the Bond Loan Agreement, the Trustee shall deposit the Capitalized Interest Deposit to the Project Fund, and thereafter transfer or allocate to the Capitalized Interest Account of the Bond Fund the amounts set forth in the Closing Memorandum. All Revenues received by the Trustee, except for funds deposited in the Bond Fund (including the Capitalized Interest Account therein), the Project Fund or the Collateral Fund on the Closing Date and any investment earnings thereon, shall be deposited, first, to the credit of the Expense Fund to the extent any fees, costs, or expenses described under the caption "Expense Fund" below are due and payable, and then to the Bond Fund. In accordance with the Indenture, for so long as the Bonds are outstanding under the Indenture, funds on deposit in the Project Fund, the Collateral Fund or the Bond Fund (including the Capitalized Interest Account therein) shall not be deposited in the Expense Fund or otherwise used to pay fees, costs or expenses described under the caption "Expense Fund" below.

In connection with the issuance of the Bonds, certain moneys may be deposited with the Trustee before the Closing Date pursuant to one or more letters of instruction from the provider or providers of such moneys. Such moneys will be held by the Trustee subject to the terms and conditions of the Indenture in addition to terms provided in such letter(s) of instruction.

The funds on deposit in the Bond Fund shall be used by the Trustee to pay principal of and interest on the Bonds on each date a payment of principal or interest is due to be made, whether by maturity, redemption or scheduled Interest Payment Date.

In the event that amounts on deposit in the Bond Fund on any Interest Payment Date or Mandatory Tender Date or such other Bond payment date are insufficient to make the payment of principal of or interest on the Bonds when due, the Trustee shall transfer funds in the following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to make such payments when due:

- (a) first, from amounts on deposit in the Capitalized Interest Account of the Bond Fund;
- (b) second, from amounts on deposit in the Collateral Fund; and
- (c) third, from amounts on deposit in the Project Fund.

So long as there are any Outstanding Bonds, payments due under the Note and the Bond Loan Agreement shall be deemed made by the Trustee's transfer of funds on each Interest Payment Date from the Capitalized Interest Account of the Bond Fund or from the Collateral Fund to the Bond Fund, in an amount necessary to pay the interest on and principal (if any) of the Bonds.

Promptly following receipt by the Trustee of a Cash Flow Projection provided on behalf of the Borrower, the Trustee is authorized under the Indenture to take the actions and release from the Capitalized Interest Account the amount of Preference Proof Moneys set forth in such Cash Flow Projection to or at the written direction of the Borrower.

Project Fund. The proceeds received by the Trustee for such purpose upon the issuance and sale of the Bonds shall be deposited in the Project Fund in the amount set forth in the Closing Memorandum. Disbursements from the Project Fund shall be made upon the receipt by the Trustee of the following and shall be used solely to pay Costs of the Project incurred in connection with the acquisition and construction of the Project: (1) a request or requests therefor executed by the Borrower, in the form of a Requisition in substantially the form attached to the Indenture, (2) a request by the Lender accompanied by its approved FHA draw, and (3) an amount equal to the requested disbursement has been received by the Trustee and deposited to the Collateral Fund in accordance with the Indenture. Together with amounts on deposit in the Project Fund and any other Preference Proof Moneys on deposit in the Capitalized Interest Account of the Bond Fund, amounts on deposit in the Bond Fund and the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds as and when they become due to the next Mandatory Tender Date or the Maturity Date, as applicable.

Each Lender Loan Requisition shall be made in accordance with the Lender Loan Documents and FHA/HUD requirements. Upon approval of a Requisition by the Lender (each an "Approved Advance") and, if required, HUD, the Lender shall, in accordance with the Disbursement Agreement, deliver to the Trustee an amount equal to the Approved Advance to be held by the Trustee and to be deposited into the Collateral Fund, together with its request for a disbursement from the Project Fund in an amount equal to the Approved Advance, which disbursement shall be used by the Lender to provide for the payment of Costs of the Project. In the event that for any reason the Trustee is not prepared to promptly disburse funds from the Project Fund, the Trustee shall not deposit the amount of the Approved Advance in the Collateral Fund, shall so inform the Lender and the Borrower and shall return such deposit to the Lender in accordance with the written instructions of the Lender.

Notwithstanding any provision of the Bond Loan Agreement or the Indenture to the contrary, the Trustee shall not disburse moneys from the Project Fund, other than to pay principal and/or interest payments on the Bonds in accordance with the Indenture, unless and until the Trustee receives

satisfactory evidence that a Lender Collateral Deposit in an amount equal to or greater than the requested disbursement amount has been deposited in the Collateral Fund. Prior to making any disbursement, the Trustee shall verify that upon making the disbursement, the aggregate amount to be held in (i) the Collateral Fund, (ii) the Capitalized Interest Account of the Bond Fund, (iii) the Project Fund and (iv) the Bond Fund, will be sufficient to pay principal of and interest on the Bonds as and when they become due to the next Mandatory Tender Date or the Maturity Date, as applicable. Upon satisfaction of the conditions precedent described under this caption, and notwithstanding anything in the Bond Documents to the contrary, once the Lender deposits the Lender Collateral Deposit and upon satisfaction of the conditions described under this caption, the Trustee is irrevocably and unconditionally obligated to disburse an equal amount of moneys from the Project Fund in accordance with approved Requisitions.

All disbursements from the Project Fund will be made to or at the direction of the Lender, or shall be transferred to the Bond Fund.

The Trustee and the Issuer shall not in any event be responsible or liable to any Person for the disbursement of, or failure to disburse, moneys from the Project Fund, or any part thereof, and no contractor, subcontractor or material or equipment supplier shall have any right or claim against the Trustee or the Issuer under the Indenture.

Rebate Fund. The Rebate Fund is created for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation, the Issuer or the Holders of the Bonds. The Rebate Fund is established for the purpose of complying with Section 148 of the Code. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in the Tax Exemption Agreement. The Rebate Fund is not a portion of the Trust Estate and is not subject to any lien under the Indenture. Notwithstanding the foregoing, with respect to the Rebate Fund the Trustee is afforded all the rights, protections and immunities otherwise accorded to it under the Indenture.

Expense Fund. The Trustee shall deposit amounts received from the Borrower for the purpose of paying Trustee's Fees, the Issuer's Fees, the Rebate Analyst Fee and any other fees and expenses required under the Bond Loan Agreement into the Expense Fund. The Trustee shall pay such amounts to the proper persons on the dates and in the amounts due. Amounts on deposit in the Expense Fund shall be withdrawn or maintained, as appropriate by the Trustee to pay (i) to the Issuer, the Issuer's Fees, (ii) to the Trustee, the Trustee's Fee, (iii) to the Rebate Analyst, the Rebate Analyst Fee, (iv) upon receipt, to the Trustee, any amounts due to the Trustee which have not been paid, other than amounts paid in accordance with clause (ii) above, and (v) upon receipt, to the Issuer, the Issuer's Fees due and unpaid, other than amounts paid in accordance with clause (i) above.

Collateral Fund. Upon receipt of (a) proceeds of the sale of a GNMA security from the Lender, (b) a draw on the Lender's warehouse line of credit or (c) funds otherwise provided by the Lender (each, a "Lender Collateral Deposit") or other Preference Proof Moneys, the Trustee shall, in accordance with the Disbursement Agreement, deposit such amounts to the Collateral Fund. Together with amounts on deposit in the Project Fund and the Bond Fund (including the Capitalized Interest Account therein), amounts on deposit in the Collateral Fund, including any investment earnings thereon, shall be sufficient at all times to pay the principal of and interest on the Bonds to but not including the next Mandatory Tender Date or the Maturity Date, as applicable. On each date on which principal of or interest on the Bonds is due, the Trustee shall transfer a sufficient amount of funds from the Collateral Fund for deposit to the Bond Fund to enable the Trustee to make such payments as and when due.

Cost of Issuance Fund. On or before the Closing Date the Borrower shall deliver the Cost of Issuance Deposit to the Trustee. On the Closing Date, the Trustee shall deposit or transfer, as applicable, the Cost of Issuance Deposit into the Cost of Issuance Fund as designated in the Closing Memorandum.

Except as otherwise described under this caption, the amounts deposited in the Cost of Issuance Fund shall be expended for Costs of Issuance and for no other purpose. The Borrower shall deliver to the Trustee the Requisition in the form attached as an exhibit to the Indenture, executed by the Borrower (and approved by the Lender), specifying in detail the amount that constitutes Costs of Issuance to be paid or reserved to be paid under this caption, the respective firms or persons to whom such payments are to be made, and their respective payment instructions. The Trustee shall make the payments specified therein concurrently with or as soon as may be practicable after the delivery of the Bonds.

Any moneys remaining in the Cost of Issuance Fund twelve (12) months after the Closing Date and not needed to pay still unpaid Costs of Issuance will be returned to the Borrower upon the written instruction to the Trustee from the Borrower, in accordance with the provisions described under the caption "Payment to Borrower of Excess Moneys" below. Upon final disbursement, the Trustee shall close the Cost of Issuance Fund.

Payment to Borrower of Excess Moneys. Subject to the provisions of the Indenture, any amounts remaining in the Cost of Issuance Fund after the payment in full of all Costs of Issuance shall be paid (upon written direction from the Borrower to the Trustee) to the Borrower in accordance with the provisions described under the caption "Cost of Issuance Fund" above, and any amounts remaining in the Collateral Fund or the Bond Fund (except for amounts then held by the Trustee in the Bond Fund for payment of principal of, or interest on, any of the Bonds) after payment in full of the principal of and interest on the Bonds, payment of any and all fees and expenses due in accordance with the Indenture and the Bond Loan Agreement, and payment of all other costs associated with the discharge of the Bonds and receipt of the final rebate arbitrage report and payment of any rebate amount (if any), shall, upon written instruction to the Trustee from the Borrower (with a copy to the Issuer), be paid to the Borrower upon the expiration or sooner termination of the term of the Bond Loan Agreement.

Investment

On the Closing Date, a portion of the moneys on deposit in the Project Fund in the amount, if any, set forth in the Closing Memorandum will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with the Closing Memorandum. The balance of amounts on deposit in the Project Fund after any such disbursement shall be invested as set forth in the following paragraph.

In accordance with the Closing Memorandum, the Trustee has been directed to purchase, on the Closing Date, Permitted Investments maturing on or before the initial Mandatory Tender Date, with respect to the investment of certain amounts on deposit in the Special Funds, the principal and interest of which will be sufficient to pay principal and interest on the Bonds when due to the initial Mandatory Tender Date. All interest earned from the foregoing investments shall be deposited in the Bond Fund. Such funds shall remain on deposit, subject to reallocation pursuant to the Indenture, until the initial Mandatory Tender Date or earlier Optional Redemption Date, on which date they will be withdrawn to make payment on the Bonds. If any investments in the Special Funds must be liquidated prior to the Maturity Date, such investments shall be liquidated under the Indenture. Anything to the contrary contained in the Indenture notwithstanding, earnings received by the Trustee with respect to Permitted Investments purchased under the Indenture shall be invested in money market funds described in clause (ii) of the definition of Permitted Investments.

At no time shall the Borrower direct that any funds constituting Gross Proceeds (as defined in the Tax Exemption Agreement) of the Bonds be used in any manner as would constitute failure of compliance with Section 148 of the Code, all as set forth in the Tax Exemption Agreement. Following the Closing Date, at the direction of the Borrower, the Trustee is permitted to purchase, sell or exchange Permitted Investments so long as the Trustee has received a Cash Flow Projection.

As long as no Event of Default shall have occurred and be continuing, the Borrower shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or purchase of the investments made with the moneys in the Special Funds, provided that the Trustee shall be entitled to conclusively assume the absence of any such Event of Default unless it has notice thereof; if there has been an Event of Default, the Trustee shall have said right.

Except as otherwise specified in the Indenture, amounts on deposit in the Special Funds shall be invested at all times in Permitted Investments. The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided by the Indenture and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower. In the absence of investment instructions from the Borrower, the Trustee shall invest the moneys held in the Special Funds in money market funds described in clause (ii) of the definition of Permitted Investments.

Amounts, if any, on deposit in the Cost of Issuance Fund, until disbursed or returned to the Borrower pursuant to the provisions described under the caption "Cost of Issuance Fund" above, shall be invested at the direction of the Borrower Representative. The Expense Fund shall be invested at the direction of the Borrower Representative. In the absence of investment instructions from the Borrower, the Trustee shall not be responsible or liable for keeping the moneys held in the Cost of Issuance Fund or the Expense Fund under the Indenture fully invested in Permitted Investments.

Investment of Rebate Fund

Any moneys held as part of the Rebate Fund, and not immediately required for the purposes of the Rebate Fund, shall be invested or reinvested by the Trustee as set forth in the Tax Exemption Agreement.

Discharge of Lien

If and when the Bonds secured by the Indenture shall become due and payable in accordance with their terms as provided in the Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds, together with all other amounts payable under the Indenture by the Issuer and all fees and expenses of the Trustee and the Issuer, shall be paid, or provision shall have been made for the payment of the same, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon request of the Borrower, the Trustee shall turn over to the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing and after receipt of a rebate analyst report and, if necessary, funding for any rebate payment, any surplus in the Collateral Fund and all balances remaining in any other fund created under the Indenture and shall assign and transfer to the Borrower all other property then held by the Trustee under the Indenture and shall execute such documents as may be reasonably required by the Borrower.

If and when the Trustee shall hold sufficient moneys under the Indenture, as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly

experienced in performing such computations, to provide for payment of the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all the Bonds, together with all other amounts (exclusive of amounts in the Cost of Issuance Fund, the Rebate Fund or the Expense Fund) payable or which may thereafter become payable under the Indenture by the Issuer, notwithstanding that all the Bonds have not yet become due and payable and that consequently the right, title and interest of the Trustee in and to the Trust Estate shall not have ceased, terminated and become void as described under this caption, the Trustee, on demand of the Borrower, shall deposit with or at the direction of the Borrower, so long as there shall have occurred no Event of Default which is uncured and continuing, any surplus in the Collateral Fund in excess of the amount sufficient to pay the whole amount of the principal and interest due and payable and thereafter to become due and payable upon all Bonds together with all other amounts payable or which may thereafter become payable under the Indenture by the Issuer or the Borrower.

All Outstanding Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect described above if (a) there shall have been deposited with the Trustee (as verified to the Trustee in writing by an Independent public accounting firm of national reputation or other firm similarly experienced in performing such computations) either (i) moneys in an amount which shall be sufficient, or (ii) Government Obligations which are not subject to redemption prior to maturity, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and interest due and to become due on such Bonds on the maturity date thereof, and (b) the Borrower shall have given the Trustee, in form satisfactory to it irrevocable instructions to give, as soon as practicable, a notice to the Holders of such Bonds and the Rating Agency that the deposit required by (a) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions described under this caption and stating such maturity upon which moneys are to be available for the payment of the principal and interest on such Bonds.

Neither the securities nor moneys deposited with the Trustee pursuant to the provisions described under this caption nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest, on such Bonds; provided that any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, may be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on such Bonds on and prior to such maturity dates thereof, as the case may be, and interest earned from such reinvestment shall be invested in money market funds described in clause (ii) of the definition of Permitted Investments and be deposited into the Bond Fund.

The release of the obligations of the Issuer described under this caption shall be without prejudice to the right of the Trustee provided in the Indenture to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements, including those of its attorneys, agents and employees, and shall not affect the obligations of the Borrower to make the payments required by the Bond Loan Agreement or the Note.

Notwithstanding the foregoing, any provisions of the Indenture which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of money in trust, the rebate of money to the United States in accordance with the provisions described under the caption "Rebate Fund" above and the Tax Exemption Agreement, and the rights and duties of the Trustee in connection with all of the foregoing, or which by their terms survive payment and discharge of the Bonds, shall remain in effect and be binding upon the Trustee and the

Holders notwithstanding the release and discharge of the Indenture. The provisions described under this caption shall survive the release, discharge and satisfaction of the Indenture.

Notwithstanding anything in the Indenture to the contrary, the purchase of Permitted Investments in accordance with the provisions described under the caption "Investment" above, together with the Capitalized Interest Deposit, shall not cause a discharge of the Indenture as described under this caption.

Events of Default and Acceleration

The following events shall constitute an "Event of Default" under the Indenture:

- (a) any interest on any Bond is not paid on the date on which the same becomes due;
- or
- (b) the principal of any Bond is not paid on the date on which the same becomes due, whether at the stated maturity thereof, by acceleration or otherwise; or
- (c) an Event of Default occurs under the Bond Loan Agreement; or
- (d) the Issuer fails to duly and promptly perform, comply with, or observe any covenant, condition, agreement or provision (other than as described in (a) or (b) above) contained in the Bonds or in the Indenture on the part of the Issuer to be performed, and such failure shall continue for a period of ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Issuer and the Borrower by the Trustee, which notice may be given by the Trustee in its discretion and shall be given at the written request of the Holders of not less than 100% in principal amount of the Bonds then Outstanding; provided, however, that if such default be such that it is correctable but cannot be corrected within ninety (90) days, it shall not be an Event of Default if the Issuer or the Borrower is taking appropriate corrective action to cure such failure and if such failure will not impair the security for the Bond Loan or the Bonds.

If any Bond Loan payment required under the Bond Loan Agreement to avoid a default described in (a) or (b) above shall not have been received at the close of business on the last Business Day preceding the day on which payment must be made to avoid a default under such (a) or (b), the Trustee shall use its best efforts to give telephonic notice of such default to the Borrower and the Investor Limited Partner, which telephonic notice shall be confirmed by electronic, telegraphic or written notice to the Borrower and the Investor Limited Partner. If any other default shall occur under the provisions described under this caption, the Trustee shall, within five (5) days after having actual knowledge of such default, use its best efforts to give written notice of such default to the Issuer, the Borrower, the Investor Limited Partner, the Holders of the Bonds and the Rating Agency. A default or an Event of Default described in (a) through (d) above shall occur even though the Trustee fails to give the notice required by this paragraph, the giving of such notice being intended solely to aid in the enforcement of the rights of Bondholders and not in limitation of such rights.

If an Event of Default specified in (a) or (b) above shall occur and be continuing, the Trustee, may, and upon written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall, declare the principal of all Bonds then Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower, and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided in such notice, anything in the Indenture or in the Bonds to the contrary notwithstanding.

If an Event of Default specified in (c) or (d) above shall occur and be continuing, the Trustee, upon written request of the Holders of 100% in aggregate principal amount of the Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding to be immediately due and payable by notice in writing to that effect delivered to the Issuer, the Borrower and the Rating Agency, and upon such declaration such principal, together with interest accrued thereon, shall become immediately due and payable at the place of payment provided in such notice, anything in the Indenture or in the Bonds to the contrary notwithstanding.

Anything in the Indenture to the contrary notwithstanding, the Investor Limited Partner shall have the right, but not the obligation, to cure any default under the Indenture on the same terms provided to the Borrower.

Remedies

Upon the happening of any Event of Default and in addition to and not in limitation of any rights and remedies described under the caption “Events of Default and Acceleration” above, then and in every such case the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding and receipt of satisfactory indemnity, shall:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, and require the Issuer or the Borrower to carry out any agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act and the Documents including, but not limited to, foreclosing upon the security interest in or otherwise using funds on deposit in the Collateral Fund;
- (b) bring suit upon the Bonds; or
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

Notwithstanding anything contained in the Indenture to the contrary, upon the occurrence and continuance of an Event of Default, before taking any action which may subject the Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such action.

No Interference or Impairment of Lender Loan

Notwithstanding anything in the Indenture to the contrary, none of the Issuer, the Trustee nor any other Person shall:

- (a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or
- (b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the Reserved Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of the Indenture so long as it does not violate HUD Program Obligations (as defined in the HUD Regulatory Agreement).

Notwithstanding anything in the Indenture to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under the Indenture which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned by the default or breach even after such Person ceases to be the Borrower with regards the Project.

Promptly upon determining that an Event of Default under the Indenture has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders

The Issuer and the Trustee may, from time to time and at any time, without the consent of Bondholders, enter into Supplements or other agreements supplemental to the Indenture and the Bond Loan Agreement as follows:

- (1) to specify and determine any matters and things relative to Bonds which shall not materially adversely affect the interest of the Bondholders;
- (2) to cure any formal defect, omission or ambiguity in the Indenture or the Bond Loan Agreement if such action does not materially adversely affect the rights of the Bondholders;
- (3) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as previously in effect;
- (4) to add to the covenants and agreements of the Issuer in the Indenture or the Bond Loan Agreement other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture or the Bond Loan Agreement as theretofore in effect;
- (5) to add to the limitations and restrictions in the Indenture or the Bond Loan Agreement, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture or the Bond Loan Agreement as theretofore in effect;

(6) to confirm, as further assurance, any pledge under and the subjection to any claim, lien or pledge created, or to be created by, the Indenture, of the Revenues or of any other moneys, securities or funds; or

(7) to modify, amend or supplement the Indenture or the Bond Loan Agreement in any respect which, in the judgment of the Trustee, is not materially adverse to the interests of the owners of the Bonds.

Before the Issuer shall enter into any Supplement to the Indenture pursuant to the provisions described under this caption, there shall have been filed with the Trustee an opinion of Bond Counsel to the effect that such Supplement is authorized or permitted by the Indenture and complies with the terms thereof, and that upon adoption such Supplement will be valid and binding upon the Issuer in accordance with its terms. The opinion of Bond Counsel filed with the Trustee shall also include a Favorable Opinion of Bond Counsel.

The Trustee shall send written notice to the Rating Agency, the Borrower and the Investor Limited Partner of any amendment to the Indenture or the Bond Loan Agreement.

Amendments to Indenture Requiring Consent of Bondholders

Subject to the terms and provisions described under this caption and not otherwise, the Holders of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution and delivery by the Issuer and the Trustee of any Supplement to the Indenture as shall be deemed necessary or desirable by the Issuer and the Trustee for the purposes of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture; provided, however, that, unless approved in writing by the Holders of all of the Bonds then Outstanding, nothing contained in the Indenture shall permit, or be construed as permitting, (i) a change in the terms of maturity of the principal of or the interest on any Outstanding Bond, or a reduction in the principal amount of any Outstanding Bond or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge or assignment of, the Trust Estate ranking prior to or on a parity with the claim, lien, assignment or pledge created by the Indenture, or the release of the Trust Estate or any part thereof (except to the extent permitted pursuant to the Documents), or (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for any action or consent by Bondholders set forth in the Indenture, including (without limitation) that required for consent to such Supplements. The provisions described under this caption shall not limit or otherwise affect the ability of the Issuer to enter into Supplements to the Indenture without the consent of the Bondholders pursuant to the provisions described under the caption "Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders" above.

If at any time the Issuer and the Trustee shall determine to enter into any Supplement for any of the purposes described under this caption, the Trustee shall cause written notice of the proposed Supplement to be given to all Holders of the Bonds; provided, however, that failure to give such notice or any defect therein, shall not affect the validity of any proceedings pursuant to the indenture. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that a copy thereof is on file at the Trust Office of the Trustee for inspection by all Bondholders.

No later than 120 days after the date of giving such notice, the Issuer and the Trustee may enter into such Supplement in substantially the form described in such notice only if there shall have first been filed with the Issuer (i) the written consents of Holders of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding (or 100% if required under the Indenture) and (ii) an opinion of Bond

Counsel to the effect that (1) such Supplement is authorized or permitted by the Indenture and complies with the terms thereof, and that upon adoption it will be valid and binding upon the Issuer in accordance with its terms, and (2) the effectiveness of the Supplement will not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

If the Holders of at least the percentage of Bonds required by the provisions described under this caption shall have consented to and approved the Supplement as provided in the Indenture, no Holder of any Bond shall have any right to object to such Supplement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Issuer or the Trustee from entering into the same or from taking any action pursuant to the provisions thereof.

Upon the effectiveness of any Supplement entered into pursuant to the provisions described under this caption, the Indenture shall be, and be deemed to be, modified and amended in accordance with such Supplement, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments.

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SUMMARY OF CERTAIN PROVISIONS OF THE BOND LOAN AGREEMENT

The Bond Loan Agreement contains terms and conditions relating to the issuance and sale of the Bonds certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Bond Loan Agreement to which reference is hereby made, copies of which are on file with the Trustee. This summary uses various terms defined in the Bond Loan Agreement and such terms as used herein shall have the same meanings as so defined.

Loan of Proceeds

The Issuer agrees, upon the terms and conditions contained in the Bond Loan Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall, in accordance with the terms of the Indenture, be disbursed to or on behalf of the Borrower from the Project Fund to pay Costs of the Project in the manner consistent with the Tax Exemption Agreement. The Trustee shall make disbursements from the Project Fund as provided in the Indenture, and pursuant to the receipt of a Requisition in substantially the form attached to the Indenture as an exhibit. The Borrower agrees that the moneys transferred by the Trustee from the Project Fund to any reserve fund required by the Lender Disbursement Agreement shall only be disbursed for Qualified Project Costs as permitted by the Tax Exemption Agreement.

Borrower Required to Pay in Event Project Fund Insufficient

In the event the moneys in the Project Fund available for payment of the Costs of the Project are not sufficient to pay the Costs of the Project in full, the Borrower agrees to complete the Project and to pay that portion of the Costs of the Project in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Costs of the Project will be sufficient to pay all of the Costs of the Project. The Borrower agrees that, if after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the Costs of the Project pursuant to the provisions described under this caption, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds, nor shall the Borrower be entitled to any diminution of the amounts payable under the Bond Loan Agreement. Notwithstanding the foregoing, the terms, conditions and covenants described under this caption do not in any way affect the ability of the Issuer to pursue its rights and remedies under the Documents.

Amounts Payable

On or prior to the Closing Date, the Borrower shall have delivered or caused to be delivered the Capitalized Interest Deposit to the Trustee for deposit to the Project Fund.

The Borrower covenants and agrees to repay the Bond Loan on or before any date that any payment of interest or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in the Capitalized Interest Account of the Bond Fund and the Collateral Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. Deposits into the Bond Fund for payments by the Trustee of principal and interest on the Bonds from amounts in the Capitalized Interest Account of the Bond Fund or the Collateral Fund shall be credited against the Borrower's obligation to pay principal and interest on the Bond Loan.

It is understood and has been agreed to that all payments of principal and interest payable by the Borrower as described under this caption will be assigned by the Issuer in accordance with the terms of the Indenture to the Trustee for the benefit of the Holders of the Bonds (excluding amounts on deposit in the Rebate Fund and the Expense Fund). The Borrower consents to such assignment.

In the event the Borrower should fail to make any of the payments required under this caption, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

Lender Loan to the Borrower

To provide and secure funds for the completion of the Project, and to provide for the delivery of a Lender Collateral Deposit, the Borrower shall concurrently with the execution and delivery of the Bond Loan Agreement, obtain the Lender Loan from the Lender and enter into the Lender Mortgage. The Borrower will promptly take all necessary actions on its part to close the Lender Loan and to satisfy all other terms and conditions of the Lender Loan and the requirements of the Lender.

Pursuant to the terms of the Disbursement Agreement, the Borrower shall cause the Lender to advance funds in an aggregate amount not to exceed \$14,000,000* comprising one or more Lender Collateral Deposits to the Trustee for deposit into the Collateral Fund subject to the provisions described in “APPENDIX B – DOCUMENT SUMMARIES –SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Project Fund.”

Defaults Defined

The following shall be “Defaults” under the Bond Loan Agreement and the term “Default” shall mean, whenever it is used in the Bond Loan Agreement, any one or more of the following events:

(a) failure by the Borrower to pay any amount required to be paid under the Bond Loan Agreement for debt service on the Bonds or certain fees and expenses;

(b) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Bond Loan Agreement, other than as referred to in clause (a) above or failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Regulatory Agreement, or the Tax Exemption Agreement, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Borrower by the Issuer or the Trustee; provided, with respect to any such failure described in this clause (b), no event of default will be deemed to have occurred so long as a course of action adequate to remedy such failure will have been commenced within such sixty (60) day period and will thereafter be diligently prosecuted to completion and the failure will be remedied thereby;

(c) the dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which shall remain undismissed for ninety

* Preliminary; subject to change.

(90) days, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations at the Project, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with its creditors or the failure generally by the Borrower to pay its debts as they become due; or

(d) the occurrence and continuance of an Event of Default under the Indenture.

The provisions of clause (b) described under this caption are subject to the following limitation: if by reason of force majeure it is impossible for the Borrower in whole or in part, despite its best efforts, to carry out any of its agreements contained in the Bond Loan Agreement (other than certain obligations relating to the loan of the proceeds of the Bonds set forth in the Bond Loan Agreement), the Borrower shall not be deemed in Default during the continuance of such inability. Such force majeure event does not affect any obligations of the Borrower other than the timing of performance of such obligations. The term “force majeure” as used in the Bond Loan Agreement shall mean, without limitation, the following: acts of God; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or of any of their departments, agencies or officials, or of any civil or military authority; insurrections; riots; terrorism; landslides; earthquakes; fires; storms; droughts; floods; epidemics; pandemics; or explosions; not reasonably within the control of the Borrower. The Borrower agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreement.

Remedies on Default

A copy of any notice of default provided to Borrower under any of the Borrower Documents shall also be provided to the Investor Limited Partner and the Lender. Whenever any Default as described under the caption “Defaults Defined” above shall have happened and be continuing beyond the expiration of any applicable cure period, the Trustee, or the Issuer (in the event the Trustee fails to act), may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Bond Loan Agreement, the Note, the Regulatory Agreement or any other Document in the event of default thereunder. Any amounts collected pursuant to action taken under this caption shall be paid into the Collateral Fund.

No Remedy Exclusive

Subject to the provisions described in “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Acceleration,” no remedy in the Bond Loan Agreement conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Loan Agreement or existing at law or in equity as of or after the date of the Bond Loan Agreement. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power nor shall it be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in the Bond Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Bond Loan Agreement. Such rights and remedies as are given to the Issuer under the Bond Loan Agreement shall also extend to the Trustee, and the Trustee and the Holders of the Bonds, subject to the provisions of the Indenture, including, but not limited to the Reserved Rights of the Issuer, shall be entitled to the benefit of all covenants and agreements contained in the Bond Loan Agreement.

No Additional Waiver Implied by One Waiver

In the event any agreement contained in the Bond Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Bond Loan Agreement.

Right to Cure

Notwithstanding anything to the contrary in the Bond Loan Agreement or otherwise in the Borrower Documents, if the Borrower shall, for whatever reason, at any time fail to pay any amount or perform any act which it is obligated to pay or perform under any of the Borrower Documents and, as a result, a default or event of default occurs or may occur thereunder, the Investor Limited Partner shall have the right to perform such act or pay such amount on behalf of the Borrower and thereby cure or prevent such default or event of default, provided such default or event of default is cured within any applicable cure period or grace period provided to the Borrower in the Bond Loan Agreement or otherwise in the Borrower Documents. Any cure of any event of default by the Investor Limited Partner under the Borrower Documents shall be deemed a cure by Borrower thereunder.

No Interference or Impairment of Lender Loan

Notwithstanding anything in the Bond Loan Agreement to the contrary, none of the Issuer, the Trustee nor any other Person shall:

- (a) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Lender Loan; or
- (b) interfere with or attempt to interfere with or influence the exercise by the Lender of any of its rights under the Lender Loan, including, without limitation, the Lender remedial rights under the Lender Loan upon the occurrence of an event of default by the Borrower under the Lender Loan.

The foregoing prohibitions and limitations shall not be construed to affect the ability or rights of the Trustee to take any actions permitted under the Indenture or to affect the Reserved Rights of the Issuer or to limit the rights of the Issuer to enforce its rights against the Borrower under the indemnification provisions of the Bond Loan Agreement so long as it does not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

Notwithstanding anything in the Bond Loan Agreement to the contrary, any right of the Issuer or the Trustee to take any action at law or in equity to enforce the obligations, covenants and agreements of the Borrower under the Bond Loan Agreement which includes any claim for indemnification, damages or any other monetary obligation sought to be enforced shall be subject and subordinate in all respects to the repayment in full of all amounts due under the Lender Loan Documents.

No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligation of any prior Borrower unless specifically assumed in writing by a subsequent Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations shall be personal to the Person who was the Borrower at the time the default or breach was alleged to have

occurred and such Person shall remain liable for any and all damages occasioned by the default or breach even after such Person ceases to be the Borrower with regards the Project.

Promptly upon determining that an Event of Default under the Bond Loan Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Lender, inform the Lender that such Event of Default has occurred, the nature of such Event of Default and that such Event of Default has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such Event of Default, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Lender Loan or to foreclose on the Lender Mortgage.

No Pecuniary Liability of the Issuer; Issuer May Rely

(a) All obligations of the Issuer incurred under the Bond Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement and the Indenture shall be limited obligations of the Issuer, payable solely and only from Bond proceeds, Revenues and other amounts derived by the Issuer from the Trust Estate. NO DIRECTOR, OFFICER, AGENT, EMPLOYEE, OR ATTORNEY OR MEMBER OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE BOND LOAN AGREEMENT ON BEHALF OF THE ISSUER, SHALL BE LIABLE PERSONALLY UNDER THE BOND LOAN AGREEMENT OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE BOND LOAN AGREEMENT OR ANY AMENDMENT TO THE BOND LOAN AGREEMENT, AGAINST ANY DIRECTOR, OFFICER, AGENT, EMPLOYEE, ATTORNEY OR MEMBER OF THE ISSUER, OR ANY SUCCESSOR WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THE BOND LOAN AGREEMENT AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED.

(b) It is expressly understood and agreed by the parties to the Bond Loan Agreement that:

(i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, any Bondholder or the Borrower as to the existence of a fact or state of affairs required under the Bond Loan Agreement to be noticed by the Issuer;

(ii) the Issuer shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by the Borrower or such other appropriate party; and

(iii) none of the provisions of the Bond Loan Agreement shall require the Issuer to expend or risk its own funds (apart from the proceeds of Bonds issued under the Indenture) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under the Bond Loan Agreement unless it first shall have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

(c) No provision, representation, covenant or agreement contained in the Bond Loan Agreement or in the Indenture, the Bonds, or any obligation therein imposed upon the Issuer, or the

breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability (except to the extent of any loan repayments, revenues and receipts derived by the Issuer pursuant to the Bond Loan Agreement and other moneys held pursuant to the Indenture, other than in the Rebate Fund and the Expense Fund). No provision of the Bond Loan Agreement shall be construed to impose a charge against the general credit of the Issuer, the State or any other political subdivision or public body of the State, or any personal or pecuniary liability upon any director, officer, agent or employee of the Issuer.

(d) All covenants, obligations and agreements of the Issuer contained in the Bond Loan Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, agent or employee of the Issuer in other than his official capacity, and no official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in the Bond Loan Agreement or in the Indenture. No provision, covenant or agreement contained in the Bond Loan Agreement, the Indenture or the Bonds, or any obligation therein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability or a charge. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Issuer contained in the Bond Loan Agreement or in any Bond or for any claim based on the Bond Loan Agreement or otherwise in respect of the Bond Loan Agreement or upon any obligation, covenant, promise, or agreement of the Issuer contained in any agreement, instrument, or certificate executed in connection with the Project or the issuance and sale of the Bonds, against any member of the governing body of the Issuer, its officers, counsel, financial advisor, or agents, as such, in his or her individual capacity, past, present, or future, or of any successor thereto, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any member of the governing board, officers, counsel, financial advisors, or agents, as such, in his or her individual capacity, past, present, or future, of the Issuer or of any successor thereto, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Issuer and the Trustee or the Borrower to be implied therefrom as being supplemental thereto or to the Bond Loan Agreement, and that all personal liability of that character against every such director, officer, counsel, financial advisor, or agent, is, by the execution of the Bonds, the Bond Loan Agreement, and the Indenture, and as a condition of, and as part of the consideration for, the execution of the Bonds, the Bond Loan Agreement, and the Indenture, expressly waived and released.

Amendments, Changes and Modifications

Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise expressly provided in the Bond Loan Agreement, the Bond Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee, in accordance with the provisions of the Indenture. See “APPENDIX B – DOCUMENT SUMMARIES – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Amendments to Indenture and Bond Loan Agreement Not Requiring Consent of Bondholders” and “Amendments to Indenture Requiring Consent of Bondholders” as provided herein.

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The Regulatory Agreement contains terms and conditions relating to the acquisition, rehabilitation and equipping of the Project in order to preserve the exclusion of interest on the Bonds from gross income under the Code and to ensure compliance with certain provisions of the Act, including various covenants, restrictions and agreements, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Regulatory Agreement which reference is hereby made, a copy of which is on file with the Trustee. This summary uses various terms defined in the Regulatory Agreement and such terms as used herein shall have the same meanings as so defined.

“Annual Income” means the anticipated annual income of a person (together with the anticipated annual income of all persons that intend to reside with such person in one Unit) calculated pursuant to Section 8 of the Housing Act, as required by Section 142(d) of the Code.

“Available Unit” means a Unit (except for any Unit reserved for any resident manager, security personnel or maintenance personnel that is reasonably required for the Project) that has been leased at least once after becoming available for occupancy; provided that (a) a residential unit that is unoccupied on the later of (i) the date the Project is acquired by the Borrower or (ii) the Closing Date is not an “Available Unit” and does not become an “Available Unit” until it has been leased for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an “Available Unit” and does not become an “Available Unit” until it has been leased for the first time after the renovations are completed.

“Eligible Tenants” means (a) individuals and families of low, very low and extremely low income, (b) families of moderate income (in each case in the foregoing clauses (a) and (b) as such terms are defined by the Issuer under the Act), and (c) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income; provided that all Low-Income Tenants are Eligible Tenants.

“Housing Act” means the United States Housing Act of 1937, as amended, or a successor thereto.

“Loan Documents” means the Bond Mortgage, the Note, the Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Loan.

“Low-Income Tenant” means a tenant whose Annual Income is 60% or less of the Multifamily Tax Subsidy Program Income Limit, as determined under Sections 142(d)(2)(B) and (D) of the Code and in accordance with the Regulatory Agreement. If all the occupants of a Unit are students (as defined for the purposes of Section 152(f)(2) of the Code) no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants will not qualify as Low-Income Tenants unless such students meet the qualifications under Section 42(i)(3)(D) of the Code.

“Low Income Unit” means a Unit that is included as a Unit satisfying the requirements of the Set Aside.

“Multifamily Tax Subsidy Program Income Limit” (or successor term) means the income limits provided by HUD pursuant to Section 142(d) of the Code.

“Multifamily Tax Subsidy Program Imputed Income Limitation” means the income limitation which would apply to individuals occupying the Unit if the number of individuals occupying the Unit

were as follows: (i) in the case of a Unit which does not have a separate bedroom, 1 individual; or (ii) in the case of a Unit which has 1 or more separate bedrooms, 1.5 individuals for each separate bedroom.

“Persons with Special Needs” means persons who (a) are considered to be individuals having a disability under State or federal law, (b) are elderly, meaning 62 years of age or more or of an age specified by the applicable federal program, (c) are designated by the governing board of the Issuer as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (d) are legally responsible for caring for an individual described by clauses (a), (b) or (c) above and meet the income guidelines established by the governing board of the Issuer.

“Project” means the Project Facilities and the Project Site.

“Project Facilities” means the multifamily housing structure and related buildings and other improvements on the Project Site as more fully set forth in the Regulatory Agreement, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project.

“Project Site” means the parcel or parcels of real property described in an exhibit to the Regulatory Agreement, and all rights and appurtenances appertaining thereunto.

“Qualified Project Period” means, with respect to the Project, the period beginning on the first day on which 10% of the Units are occupied (which date may be the Closing Date) and ending on the latest of (a) the date that is 15 years after the date on which 50% of the Units are occupied (which date may be the Closing Date), (b) the first day on which no tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding for federal income tax purposes, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

“Related Person” has the meaning set forth in Section 144(a)(3) of the Code. A person is a “Related Person” to another person if the relationship between such persons would result in a disallowance of losses under Section 267 or 707(b) of the Code or such persons are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” is substituted for “at least 80 percent” each place it appears therein).

“Security Instrument” means the Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement from the Borrower, as the grantor, in favor of Lender, as the beneficiary, as the same may be supplemented, amended or modified.

“Set Aside” means the requirement that at least 40% of the Available Units be occupied or held vacant for occupancy at all times by Low-Income Tenants.

“State Conversion Date” means the date of the first amortization payment on the note relating to the Lender Loan.

“State Reserve Period” means, with respect to the Project, the period beginning on the State Conversion Date and ending on the earliest of the following dates: (a) the date of any involuntary change in ownership of the Project; (b) the date on which the Borrower suffers a total casualty loss with respect to the Project or the date on which the Project becomes functionally obsolete, if the Project cannot be or is not restored; (c) the date on which the Project is demolished; (d) the date on which the Project ceases to be used as multifamily rental property; or (e) the end of the State Restrictive Period.

“State Restrictive Period” means, with respect to the Project, the period beginning on the first day on which the Borrower takes legal possession of the Project and ending on the latest of (a) the date that is 30 years after the first day of the State Restrictive Period, (b) the first date on which no tax-exempt private activity bond issued with respect to the Project is outstanding for federal income tax purposes, and (c) the date on which any assistance provided with respect to the Project from the federal government terminates.

“Tenant Income Certification” means a certification form available on the Issuer’s website at the time of submission used to certify income and other matters executed by the household members of each Unit in the Project.

“Unit” means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Project; provided that, a unit will not fail to be treated as a Unit merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code).

Tax-Exempt Status of the Bonds

The Borrower will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds). With the intent not to limit the generality of the foregoing, the Borrower has covenanted and agreed:

(a) That the Project will be owned, managed and operated as a “qualified residential rental project” within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period. In particular, the Borrower has covenanted and agreed, continuously during the Qualified Project Period, as follows:

(i) that the Project will be comprised of residential Units and facilities functionally related and subordinate thereto;

(ii) that each Unit will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other Units; provided that, a Unit will not fail to meet these requirements merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code);

(iii) that the land and the facilities that are part of the Project will be functionally related and subordinate to the Units comprising the Project and will be of a character and size that is commensurate with the character and size of the Project;

(iv) that at no time will any of the Units be utilized (A) on a transient basis by being leased or rented for a period of less than six months (unless the Unit serves as a single room occupancy unit or transitional housing for the homeless (as described in Section 42(i)(3)(B) of the Code), in which case such lease may be on a month-to-month basis) or (B) as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, or trailer park or court used on a transient basis;

(v) that the Project will consist of one or more proximate buildings or structures, together with any functionally related and subordinate facilities containing one or more similarly constructed Units, all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous except for the interposition of a road, street, stream or similar property or their boundaries meet at one or more points, (B) will be owned by the same person for federal income tax purposes, and (C) will be financed pursuant to a common plan;

(vi) that substantially all of the Project will consist of similarly constructed Units together with functionally related and subordinate facilities for use by Project tenants at no additional charge, such as swimming pools, other recreational facilities, parking areas, and other facilities that are reasonably required for the Project, such as heating and cooling equipment, trash disposal equipment, and Units for resident managers, security personnel or maintenance personnel;

(vii) that at no time will any Unit in any building or structure in the Project that contains fewer than five Units be occupied by the Borrower;

(viii) that each Unit will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations and exceptions contained in the Regulatory Agreement, the Tax Exemption Agreement and the Loan Agreement) at all times during the longer of (A) the remaining term of the Bonds or (B) the Qualified Project Period, that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Persons with Special Needs, Low-Income Tenants and other Eligible Tenants as provided in the Regulatory Agreement, and that at no time will any portion of the Project be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

(ix) that except, if applicable, during the 12-month "transition period" beginning on the Closing Date, as provided under Revenue Procedure 2004-39, 2004-2 C.B. 49, the Project will meet the Set Aside. For the purposes of this clause (a)(ix), 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, at which time the character of such Unit must be redetermined. No tenant qualifying as a Low-Income Tenant will be denied continued occupancy of a Unit because, after the most recent Tenant Income Certification, such tenant's Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Annual Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of the Set Aside, then such tenant will only continue to qualify for so long as no Unit of comparable or smaller size in the same building (within the meaning of Section 42 of the Code) is rented to a tenant that does not qualify as a Low-Income Tenant;

(x) that the Borrower will obtain, complete and maintain on file (A) Tenant Income Certifications and supporting documentation from each Low-Income Tenant dated immediately prior to the initial occupancy of such Low-Income Tenant in the Project and (B) thereafter, annual certification regarding, at a minimum, information regarding household composition and student status in the form available on the Issuer's website; provided that, if any Units in the Project are ever made available to tenants who are not Low-Income Tenants, then the Borrower will obtain, complete and maintain

annual Tenant Income Certifications in accordance with Section 142(d)(3)(A) of the Code. The Borrower will obtain such additional information as may be required in the future by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service as of or after the date of the Regulatory Agreement with respect to obligations that are tax-exempt private activity bonds described in Section 142(d) of the Code. The Borrower will make a diligent and good-faith effort to determine that the income information provided by an applicant in any certification is accurate by taking steps required under Section 142(d) of the Code pursuant to provisions of the Housing Act. As part of the verification, the Borrower will document income and assets in accordance with HUD Handbook 4350.3 and the Issuer's Compliance Monitoring Rules;

(xi) that, on or before each March 31, the Borrower will submit to the Secretary of the Treasury, with a copy provided to the Issuer, the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of Section 142(d) of the Code; and

(xii) that the Borrower will prepare and submit the Unit Status Report in the form available on the Issuer's website at the time of such submission to the Issuer (via the electronic filing system available on the Issuer's website) in accordance with the provisions described in paragraph (e) under the caption "Housing Development During the State Restrictive Period" below. The Borrower will retain all documentation described in this clause (a)(xii) until the date that is three years after the end of the Qualified Project Period.

(b) That the Borrower will maintain complete and accurate records pertaining to the Low Income Units and will permit, at all reasonable times during normal business hours and upon reasonable notice, and subject to the rights of tenants in lawful possession, any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the Project Site to examine and inspect the Project and to inspect and photocopy the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units. The Borrower will retain all records maintained in accordance with the provisions described under this caption until the date that is three years after the end of the Qualified Project Period.

(c) That, as of the Closing Date, at least 50% of the Units are occupied. The Borrower will provide to the Trustee and the Issuer on the Closing Date a certificate in the form attached as an exhibit to the Regulatory Agreement certifying the dates on which (i) 10% of the Units were occupied, and (ii) 50% of the Units were occupied.

(d) That the Borrower will prepare and submit to the Issuer and the Trustee, within 60 days prior to the last day of the Qualified Project Period, a certificate setting forth the date on which the Qualified Project Period will end, which certificate must be in recordable form; however, failure to deliver such certificate shall not extend the Qualified Project Period.

Anything in the Regulatory Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties thereto that the Issuer and the Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the

Borrower in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Borrower, and which is required to be noticed, represented or certified by the Borrower under the Regulatory Agreement or in connection with any filings, representations or certifications required to be made by the Borrower in connection with the issuance and delivery of the Bonds.

Housing Development During the State Restrictive Period

The Issuer and the Borrower have recognized and declared their understanding and intent that the Project is to be owned, managed and operated as a “housing development,” as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer until the expiration of the State Restrictive Period.

To the same end, the Borrower has represented, covenanted and agreed as follows during the State Restrictive Period:

(a) except for Units occupied or reserved for a resident manager, security personnel and maintenance personnel that are reasonably required for the Project, to assure that 100% of the Units are reserved for Eligible Tenants and in accordance with the Borrower’s election under Section 1372.0321 of the Texas Government Code, 80% of the Units are reserved for tenants whose combined Annual Income is not more than 60% of the Multifamily Tax Subsidy Program Income Limit;

(b) to assure that the provisions described in clauses (a)(viii) and (a)(ix) under the caption “Tax-Exempt Status of the Bonds” above continue in full force and effect until the end of the State Restrictive Period;

(c) to obtain a Tenant Income Certification from each tenant in the Project (other than resident managers, security personnel and maintenance personnel) not later than the date of such tenant’s initial occupancy of a Unit in the Project, and, if required as described in clause (a)(x) under the caption “Tax-Exempt Status of the Bonds” above, at least annually thereafter in the manner as described in such clause, and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than three years after the end of the State Restrictive Period;

(d) to obtain from each tenant in the Project (other than resident managers, security personnel and maintenance personnel), at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form provided by the Issuer to the Borrower from time to time that (i) such lease is subordinate to the Security Instrument and the Regulatory Agreement, (ii) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (iii) the family income and eligibility requirements of the Regulatory Agreement and the Loan Agreement are substantial and material obligations of tenancy in the Project, (iv) such tenant will comply promptly with all requests for information with respect to such requirements from the Borrower, the Trustee and the Issuer, and (v) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Project;

(e) to cause to be prepared and submitted to the Issuer (via the electronic filing system available on the Issuer’s website) by the tenth calendar day of each January, April, July and October or other schedule as determined by the Issuer with written notice to the Borrower, a certified quarterly Unit Status Report in a form available on the Issuer’s website at the time of

submission or in such other form as the Issuer may reasonably prescribe in writing to the Borrower with the first quarterly report due on the first quarterly reporting date after leasing activity commences;

(f) to the extent legally permissible and upon reasonable notice to permit any duly authorized representative of the Issuer or the Trustee to inspect the books and records of the Borrower pertaining to the Project or the incomes of Project tenants, including but not limited to tenant files, during regular business hours and to make copies therefrom if so desired and file such reports as are necessary to meet the Issuer's requirements;

(g) that the Borrower is qualified to be a "housing sponsor" as defined in the Act and will comply with all applicable requirements of the Act, including submitting (via the electronic filing system available on the Issuer's website) the Annual Owner's Compliance Report to the Issuer in the form available on the Issuer's website at the time of submission by April 30 of each year, commencing April 30, 2023;

(h) to provide social services which must meet the minimum point requirement and be chosen from the list of Tenant Supportive Services attached to the Regulatory Agreement as an exhibit in the manner provided in such exhibit, or from any additional supportive services added to the Issuer's rules at any future date that are of similar value to the service it is intending to replace as agreed to in writing by the Issuer. The Borrower must maintain documentation satisfactory to the Issuer of social services provided and such documentation will be reviewed during onsite visits beginning with the second onsite review and must be submitted to the Issuer upon request. The Borrower must provide the social services throughout the State Restrictive Period;

(i) to comply with Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code and other Issuer rules regarding affirmative marketing and written policies and procedures, as such requirements may be amended from time to time;

(j) to maintain the property in compliance with HUD's Uniform Physical Condition Standards and to provide regular maintenance to keep the Project sanitary, safe and decent and to comply with the requirements of Section 2306.186 of the Texas Government Code; provided, however, that the Issuer must first provide notice of any default or breach to the Borrower and the Lender, and the Borrower will have 30 days to cure such default or breach;

(k) to renew any available rental subsidies which are sufficient to maintain the economic viability of the Project pursuant to Section 2306.185(c) of the Texas Government Code;

(l) the Borrower is not a party to and will not enter into a contract for the Project with, a housing developer that (i) is on the Issuer's debarred list, including any parts of that list that are derived from the debarred list of HUD; (ii) breached a contract with a public agency; or (iii) misrepresented to a subcontractor the extent to which the Borrower has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Borrower's participation in contracts with the agency and the amount of financial assistance awarded to the Borrower by the agency;

(m) to cooperate fully with the Issuer with respect to its compliance and oversight requirements and to cause the manager of the Project to so comply;

(n) to ensure that Units intended to satisfy the Set Aside in clause (a)(ix) under the caption “Tax-Exempt Status of the Bonds” above and the reservation of Units described in paragraph (a) under this caption will be distributed evenly throughout the Project and will include a reasonably proportionate amount of each type of Unit available in the Project;

(o) to ensure that the Project conforms to the federal Fair Housing Act; and

(p) to pay to the Issuer the Issuer Compliance Fee (as defined in the Indenture).

Maximum Allowable Gross Rents

During the State Restrictive Period, the Borrower has represented, covenanted and agreed that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, the maximum monthly rent charged by the Borrower for 80% of the Units shall not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding sentence, the amount of the income limitation for any period shall not be less than such limitation applicable, taking into consideration the gross rent floor provided in accordance with Revenue Procedure 94-57. Such initial maximum allowable gross rents are set forth in an exhibit to the Regulatory Agreement and will be annually redetermined by the Issuer and published on its website. The Borrower agrees to comply with the Issuer’s Compliance Monitoring Rules regarding utility allowances.

Persons with Special Needs

The Borrower has represented, covenanted and warranted that during the State Restrictive Period, it will make at least 5% of the Units within the Project available for occupancy by Persons with Special Needs.

Term

The Regulatory Agreement and all and each of the provisions thereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided in the Regulatory Agreement and, except as otherwise described under this caption, will terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture; provided, however, that the provisions related to the Qualified Project Period that are not incorporated into the State Restrictive Period will terminate in their entirety at the end of the Qualified Project Period.

The terms of the Regulatory Agreement to the contrary notwithstanding, the requirements set forth in the Regulatory Agreement will terminate, without the requirement of any consent by the Issuer or the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal or State law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions of the Regulatory Agreement, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a “qualified residential rental project” that meets the requirements of the Code and State law including, but not limited to, certain provisions set forth in the Regulatory Agreement. The provisions of the preceding sentence will cease to apply and the requirements referred to therein will be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements

as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Project for federal income tax purposes or for the purposes of State law.

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 of a Favorable Opinion of Bond Counsel.

Upon the termination of the terms of the Regulatory Agreement, the parties thereto have agreed to execute, deliver and record appropriate instruments of release and discharge of the terms of the Regulatory Agreement; provided, however, that the execution and delivery of such instruments are not necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms. All costs, including fees and expenses, of the Issuer and the Trustee incurred in connection with the termination of the Regulatory Agreement will be paid by the Borrower and its successors in interest.

Covenants to Run With the Land

The Borrower has subjected the Project (including the Project Site) to the covenants, reservations and restrictions set forth in the Regulatory Agreement. The Issuer, the Trustee and the Borrower have declared that the covenants, reservations and restrictions set forth in the Regulatory Agreement are covenants running with the land and will pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that upon the termination of the Regulatory Agreement said covenants, reservations and restrictions will expire. Each and every contract, deed or other instrument executed after the date of the Regulatory Agreement covering or conveying the Project or any portion thereof prior to the termination of the Regulatory Agreement will 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 instrument.

No breach of any of the provisions of the Regulatory Agreement will impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

HUD Requirements

The information under this caption describes some of the provisions included in the HUD Rider to Restrictive Covenants (the "HUD Rider") attached as an exhibit to the Regulatory Agreement.

(a) In the event of any conflict between any provision contained elsewhere in the Regulatory Agreement and any provision contained in the HUD Rider, the provision contained in the HUD Rider shall govern and be controlling in all respects as set forth more fully in the HUD Rider.

(b) The following terms shall have the following definitions:

"Code" means the Internal Revenue Code of 1986, as amended.

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

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

“Lender” means Regions Bank, an Alabama banking corporation, its successors and assigns.

“Mortgage Loan” means the mortgage loan made by Lender to the Borrower pursuant to the Mortgage Loan Documents with respect to the Project.

“Mortgage Loan Documents” means the Security Instrument, the HUD Regulatory Agreement and all other documents required by HUD or Lender in connection with the Mortgage Loan.

“National Housing Act” means the National Housing Act of 1934, as amended.

“Program Obligations” has the meaning set forth in the Security Instrument.

“Residual Receipts” has the meaning specified in the HUD Regulatory Agreement.

“Security Instrument” means the mortgage or deed of trust from Borrower in favor of Lender, as the same may be supplemented, amended or modified.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

(c) Notwithstanding anything in the Regulatory Agreement to the contrary, the provisions thereof are expressly subordinate to (i) the Mortgage Loan Documents, including without limitation, the Security Instrument, and (ii) Program Obligations (the Mortgage Loan Documents and Program Obligations are collectively referred to in the HUD Rider as the “HUD Requirements”). Borrower covenants that it will not take or permit any action that would result in a violation of the Code, HUD Requirements or Regulatory Agreement. In the event of any conflict between the provisions of the Regulatory Agreement and the provisions of the HUD Requirements, HUD shall be and remains entitled to enforce the HUD Requirements. Notwithstanding the foregoing, nothing in the HUD Rider limits the Issuer’s ability to enforce the terms of the Regulatory Agreement, provided such terms do not conflict with statutory provisions of the National Housing Act or the regulations related thereto. The Borrower represents and warrants that to the best of Borrower’s knowledge the Regulatory Agreement impose no terms or requirements that conflict with the National Housing Act and related regulations.

(d) In the event of foreclosure (or deed in lieu of foreclosure), the Regulatory Agreement (including without limitation, any and all land use covenants and/or restrictions contained therein) shall terminate with the exception of the requirements described under the caption “Term” above requiring that any outstanding Bonds be retired in full.

(e) Borrower and Issuer acknowledge that Borrower’s failure to comply with the covenants provided in the Regulatory Agreement does not and shall not serve as a basis for default under the HUD Requirements, unless a default also arises under the HUD Requirements.

(f) Except for Issuer’s reporting requirement, in enforcing the Regulatory Agreement the Issuer will not file any claim against the Project, the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Security Instrument or HUD Regulatory Agreement, or the rents or other income from the Project other than a claim against:

- i. Available Surplus Cash, if the Borrower is a for-profit entity;

ii. Available distributions of Surplus Cash and Residual Receipts authorized for release by HUD, if the Borrower is a limited distribution entity; or

iii. Available Residual Receipts authorized by HUD, if the Borrower is a non-profit entity.

(g) For so long as the Mortgage Loan is outstanding, Borrower and Issuer shall not further amend the Regulatory Agreement, with the exception of clerical errors or administrative correction of non substantive matters, without HUD's prior written consent.

(h) Subject to the HUD Regulatory Agreement, Issuer may require Borrower to indemnify and hold Issuer harmless from all loss, cost, damage and expense arising from any claim or proceeding instituted against Issuer relating to the subordination and covenants set forth in the Regulatory Agreement, provided, however, that Borrower's obligation to indemnify and hold Issuer harmless shall be limited to available Surplus Cash and/or Residual Receipts of Borrower.

(i) Notwithstanding anything to the contrary contained in the HUD Rider, it is not the intent of any of the parties thereto to adversely affect the exclusion of interest on the Bonds or any portion thereof related to any potential conflicts between the HUD Requirements and the Regulatory Agreement. Borrower represents and warrants that to the best of Borrower's knowledge the HUD Requirements impose no requirements which may be inconsistent with full compliance with the Regulatory Agreement. The acknowledged purpose of the HUD Requirements is to articulate requirements imposed by HUD, consistent with its governing statutes, and the acknowledged purpose of the Regulatory Agreement is to articulate requirements imposed by Section 142 of the Code. In the event an apparent conflict between the HUD Requirements and the Restrictive Covenant arises, the parties and HUD will work in good faith to determine which federally imposed requirement is controlling. It is the primary responsibility of the Borrower, with advice of counsel, to determine that it will be able to comply with the HUD Requirements and its obligations under the Regulatory Agreement. In the event that it is determined that a HUD requirement is controlling and renders compliance with any requirement imposed under Section 142 of the Code not feasible, the tax-exempt status of the Bonds may be jeopardized, and the Borrower expressly acknowledges and agrees that the Issuer assumes no liability or responsibility for that risk and that Borrower will take, at its own expense, any alternate action requested by Issuer to preserve the tax-exempt status of the Bonds.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

On the date of issuance of the Bonds in definitive form, Bracewell LLP, Bond Counsel, proposes to render its approving opinion in substantially the following form:

_____, 2021

Texas Department of Housing and Community Affairs
Austin, Texas

Regions Bank, as Trustee
Houston, Texas

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the “Issuer”) in connection with the issuance of its Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”) pursuant to a Trust Indenture dated as March 1, 2021 (the “Indenture”), between the Issuer and Regions Bank, as trustee (the “Trustee”). The Bonds bear interest, mature on the date, and are subject to mandatory tender and optional redemption prior to maturity as provided in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture or in the Regulatory and Land Use Restriction Agreement dated as of March 1, 2021 (the “Regulatory Agreement”), among the Issuer, the Trustee, and Oso Bay Apartments, LLC, a Texas limited liability company (the “Borrower”).

The Bonds are being issued for the purpose of obtaining funds to make a loan (the “Borrower Loan”) to the Borrower to provide financing for the acquisition, construction, and equipping of the multifamily rental housing development known as Oso Bay Apartments, to be located in Nueces County, Texas (the “Project”).

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents (the “documents”) submitted to us and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the Indenture by the parties thereto, and the validity and binding effect of the Indenture on such parties; (iii) that all documents submitted to us as originals are accurate and complete; (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted to us and on which we have relied was accurate and complete.

The scope of our representation extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefor and with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds. We have not assumed any responsibility with respect to the financial condition or capability of the Issuer or the Borrower or the disclosure thereof. We have participated in the preparation of and have examined a transcript of certain materials pertaining to the Bonds, including certain certified proceedings of the Issuer, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State of Texas, the Trustee, the Borrower and others. We also have analyzed such laws,

regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. We have also examined the Initial Bond registered by the Comptroller.

In providing the opinions set forth herein, we have relied on and assumed the accuracy and completeness of, representations made as of the date hereof by the Issuer, the Borrower and other parties involved with the issuance of the Bonds with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Bond Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on said examination, and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Issuer has duly authorized the issuance, execution and delivery of the Bonds. The Bonds constitute legal, valid and binding special limited obligations of the Issuer and are entitled to the benefit and security of the Indenture.
2. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except with respect to the interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the Project or a "related person" of such a "substantial user," as those terms are defined for purposes of Section 147(a) of the Code.
3. Interest on the Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of determining a taxpayer's alternative minimum tax liability.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. This opinion letter is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an opinion of Bond Counsel. We hereby express no opinion with respect to our ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability from gross income of interest on the Bonds for federal income tax purposes.

We express no opinion as to the priority or perfection of the security interest granted by the Issuer in the Trust Estate.

The enforceability of certain provisions of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Bonds may be limited by general principles of equity that permit the exercise of judicial discretion.

Prospective purchasers should be aware that the United States Department of Housing and Urban Development ("HUD") has required the inclusion of a rider to the Regulatory Agreement (the "HUD Rider") providing that the provisions of the Regulatory Agreement are subordinate to the HUD

Requirements (as defined in the HUD Rider). We express no opinion as to whether any of the covenants and requirements set forth in the Regulatory Agreement conflict with the HUD Rider. Furthermore, we express no opinion as to the initial and continuing exclusion of interest on the Bonds from gross income for federal income tax purposes in the event that the provisions of the HUD Rider preclude compliance with any of the covenants or requirements of the Regulatory Agreement.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) is executed and delivered by Oso Bay Apartments, LLC, a Texas limited liability company (the “Borrower”) and Regions Bank, an Alabama banking corporation, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$14,000,000* Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”). The Bonds are being issued under a Trust Indenture dated as of March 1, 2021 (the “Indenture”), between the Texas Department of Housing and Community Affairs (the “Issuer”) and Regions Bank, as trustee (the “Trustee”). The proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to a Loan Agreement dated as of March 1, 2021, between the Issuer and the Borrower (the “Bond Loan Agreement”), for the purpose of the acquisition and rehabilitation of a multifamily rental housing development located in Nueces County, Texas, known or to be known as Oso Bay Apartments.

The Borrower and the Dissemination Agent covenant and agree as follows:

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

“Annual Report” shall mean any Annual Report prepared by the Borrower pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

“Business Day” shall mean a day on which commercial banks located in [Dallas, Texas] are required or permitted by law to be open for the purpose of conducting a commercial banking business.

“Disclosure Representative” shall mean the authorized representative of the Borrower or his or her designee, or such other person as the Borrower shall designate in writing to the Trustee from time to time.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; provided, however, the term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the registered holder of any Bonds as reflected on the Bonds register maintained in accordance with the Indenture, or any beneficial owner reflected on the books of the registered holder.

“Material Event Filing” shall mean any of the material events listed in Section 4(a) of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended. All documents provided to the MSRB

* Preliminary; subject to change.

shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB's Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

“Participating Underwriter” shall mean the original underwriter for the Bonds, if any, required to comply with the Rule in connection with offering of the Bonds.

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

“SEC” means the Securities and Exchange Commission.

2. Provision of Annual Reports.

(a) Not later than the one hundred twenty (120) days after the end of the Borrower's fiscal year (currently December 31) except as provided in subsection (e) below, commencing with fiscal year 2021, the Borrower shall provide to the Dissemination Agent, an Annual Report prepared by an independent certified public accounting firm selected by the Borrower, together with sufficient copies of such Annual Report for filing with the MSRB. However, an annual financial statement compiled or reviewed by a licensed certified public accountant may be submitted in lieu of an audited financial statement for the Project prior to the issuance of a certificate of occupancy for any unit in the Project, provided that the subsequent annual audited financial statement shall include all operations since inception. If the Dissemination Agent has not received the Annual Report by such date, the Dissemination Agent shall notify the Borrower in writing by electronic means, confirmed by telephone.

(b) The Dissemination Agent shall, as soon as practical, but in no event later than the fourteenth (14th) Business Day following receipt of an Annual Report, provide such Annual Report to the MSRB.

(c) If an Annual Report is not filed on or before the date required in any year, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit “A”.

(d) Following the Dissemination Agent filing an Annual Report with the MSRB, the Dissemination Agent shall provide a written report to the Borrower stating that the Annual Report has been provided to the MSRB pursuant to this Continuing Disclosure Agreement, and stating the date it was provided.

(e) The Borrower shall deliver Annual Reports to the Dissemination Agent at least annually, notwithstanding any fiscal year longer than twelve (12) months. The Borrower shall notify the Dissemination Agent in writing of any change in the Borrower's fiscal year, and the Dissemination Agent shall notify the MSRB of each change in the Borrower's fiscal year.

3. Content of Annual Reports. The Annual Report prepared by Borrower shall contain or incorporate by reference the following:

The certified audited financial statements of the Borrower for the prior fiscal year, including income statement, balance sheet, and cash flows of operations of Oso Bay Apartments (the “Project”), prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. The Borrower shall also include in each Annual Report the Project's current

occupancy levels, current monthly rental rates and the current expenditures for monthly maintenance, taxes and property insurance.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “obligated person” (as defined by the Rule), which have been filed with the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borrower shall clearly identify each such other document so incorporated by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package.

The Dissemination Agent shall have no duty or obligation to review the content of the Annual Report for compliance with this Continuing Disclosure Agreement or the Rule, but shall file the Annual Report in the form it is received by the Dissemination Agent.

4. Reporting of a Material Event Filing.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events (each, a “Material Event”):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) events that may adversely affect the tax exemption of the Bonds, including issuance by the Internal Revenue Service of proposed and final decisions about whether such Bonds can be taxed;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bonds calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes (including those relating to the Bonds, the Borrower, reserve fund surety bonds, providers of guaranteed investment contracts, and other entities directly or indirectly securing payment of the Bonds);
- (xii) bankruptcy, insolvency, receivership, or similar proceeding of the Borrower. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, trustee or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the

existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower;

(xiii) mergers, consolidations, or acquisitions of the Borrower, the sale of all or substantially all of the assets of the Borrower, or the termination of the Borrower, if material;

(xiv) appointment of a successor or additional Trustee or paying agent or the change of the name of a Trustee or paying agent, if material;

(xv) incurrence of a Financial Obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties.

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Material Event, provide the Borrower with notice (by electronic means confirmed by telephone), and request that the Borrower promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). While the Dissemination Agent is also the Trustee, the Dissemination Agent shall be deemed to have actual knowledge of those items listed in clauses (i), (iii) (solely with respect to funds held by the Trustee), (iv), (v), (vii), (viii), (ix), (x), and (xiv) above without the Dissemination Agent having received written notice of such event. While the Dissemination Agent is not also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of any items listed in clauses (i) - (xvi) above without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Borrower, the Dissemination Agent shall assume that the unscheduled draws described in clauses (iii) and (iv) reflect financial difficulty. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Borrower, and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Borrower as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Issuer, Borrower, or any Holder or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) Whenever the Borrower obtains knowledge of the occurrence of a Material Event, because of notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Borrower shall, within five (5) Business Days of obtaining such knowledge and in any event no more than eight (8) Business Days after the occurrence of such event, determine if such event is required by the Rule to be disclosed and provide the Dissemination Agent with notice and instructions pursuant to subsections (d) or (e) below.

(d) If the Borrower has determined that a Material Event is required to be disclosed, the Borrower shall promptly prepare a written notice describing the Material Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (f) below.

(e) If the Borrower determines that a Material Event is not required to be disclosed, the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been provided with a written notice describing the Material Event and instructed by the Borrower to report the occurrence of a Material Event, the Dissemination Agent shall, within two (2) Business Days of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Material Event, file the notice with the MSRB, and send a copy to the Borrower. The foregoing notwithstanding, notice of a Material Event described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

5. Successors. If the Borrower's obligations under the Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Borrower and the original Borrower shall have no further responsibility hereunder. If the Trustee's obligations under the Indenture are assumed in full by a successor Trustee, such person shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Dissemination Agent and the original Dissemination Agent shall have no further responsibility hereunder.

6. Amendment, Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Borrower) if in the opinion of counsel expert in federal securities law matters affecting governmental bonds acceptable to the Borrower and the Dissemination Agent, (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Borrower, or the type of business it conducts, (ii) this Continuing Disclosure Agreement, as amended, would have complied with the Rule at the time the Bonds was issued, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) the amendment does not materially impair the interests of the Holders. A copy of any amendment to this Continuing Disclosure Agreement shall be delivered to the MSRB.

7. Termination. This Continuing Disclosure Agreement may be terminated by any party to this Continuing Disclosure Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Continuing Disclosure Agreement; provided the termination of this Continuing Disclosure Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a dissemination agent who agrees to continue to provide, to the MSRB and the Holders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) a nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all applicable state and federal securities laws, and (iii) notice of the termination of this Continuing Disclosure Agreement is provided to the MSRB.

The Dissemination Agent shall be fully discharged at the time any such termination is effective. This Continuing Disclosure Agreement shall terminate (i) automatically upon payment or provisions for payment of the Bonds, or (ii) when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at final maturity.

8. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to

include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under the Bond Loan Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

9. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Dissemination Agent may (and at the request of the Holders of at least 25% in aggregate principal amount of the Bonds, shall), or any Holder may, take such action as permitted hereby. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Bond Loan Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance. Anything in the Indenture to the contrary notwithstanding, the Dissemination Agent shall not be required to bring any enforcement action unless provision has been made to the satisfaction of the Dissemination Agent for payment of all fees and expenses of the Dissemination Agent and its counsel in connection with such action.

10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent has entered into this Continuing Disclosure Agreement solely in its capacity as Dissemination Agent under this Continuing Disclosure Agreement and the Indenture. Article XI of the Indenture is hereby made applicable to this Continuing Disclosure Agreement as if this Continuing Disclosure Agreement were contained in the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Dissemination Agent nor the Trustee shall have any obligation to make disclosure about the Bonds, the Borrower, or any other matter except as expressly provided herein. The fact that the Dissemination Agent and the Trustee, or any affiliate thereof, may have any fiduciary or banking relationship with the Issuer, the Borrower, any manager of the Project financed with the Bonds or any person with whom the Issuer or the Borrower contracts in connection with such Project, apart from the relationship created by the Indenture or this Continuing Disclosure Agreement, shall not be construed to mean (whether or not an Event of Default has occurred or is continuing under the Indenture) that (i) the Dissemination Agent or the Trustee has actual knowledge of any event or condition except in its capacity as Trustee under the Indenture when deemed pursuant to the Indenture to have actual knowledge or except as may be provided by written notice to the Dissemination Agent pursuant to this Continuing Disclosure Agreement or (ii) the Dissemination Agent or the Trustee has any duties or obligations under the Indenture or the Disclosure Agreement other than those expressly set forth in the Indenture and this Continuing Disclosure Agreement and in the capacity of agent to the Borrower.

11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Borrower, the Dissemination Agent, the Participating Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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

13. Notice. Any notice or other communication required or permitted to by this Continuing Disclosure Agreement must be in writing unless expressly provided otherwise herein, and to the following addresses or fax numbers (with telephone confirmation using the phone number given), or such other addresses or fax/phone numbers designated in a notice to the other party hereto:

If to the Dissemination Agent:

Regions Bank
400 Convention St., 9th Floor
Baton Rouge, Louisiana 70802

If to the Borrower:

Oso Bay Apartments, LLC
c/o Vitus Group, LLC
1700 Seventh Avenue, Suite 2000
Seattle, Washington 98101

with a copy to:

Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402-4629

with a copy to:

c/o Commonwealth Multifamily Housing Corporation
1610 S. 31st Street, Suite 200
Temple, Texas 76504

14. EMMA Contact Information. If contact information for the Borrower is requested while the Trustee is using EMMA for matters relating to this Continuing Disclosure Agreement, the Trustee shall provide the contact information listed for the Borrower included in Section 13 hereof.

(Remainder of Page Intentionally Left Blank)

(Borrower's Signature Page to Continuing Disclosure Agreement)

OSO BAY APARTMENTS, LLC,
a Texas limited liability company

By: Oso Bay Housing Partners, LP,
a Texas limited partnership,
its Sole Member and Manager

By: Oso Affordable Housing LLC,
a Texas limited liability company,
its General Partner

By: Commonwealth Multifamily Housing Corporation,
a Pennsylvania 501(c)3,
its Sole Member

By: _____
David P. Cole, Executive Vice President

(Counterpart Signature Page to Continuing Disclosure Agreement)

REGIONS BANK,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT "A"

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Texas Department of Housing and Community Affairs

Name of Issue: \$14,000,000*
 Multifamily Housing Revenue Bonds
 (Oso Bay Apartments)
 Series 2021

Name of Borrower: Oso Bay Apartments, LLC, a Texas limited liability company

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of March 1, 2021 between Regions Bank and the Borrower. [The Borrower anticipates that the Annual Report will be filed by _____.]

Dated: _____

REGIONS BANK, as Dissemination Agent

By: _____
 Name: _____
 Title: _____

cc: Borrower

* Preliminary; subject to change.

TAX EXEMPTION CERTIFICATE AND AGREEMENT

Dated as of

[March] 1, 2021

among

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Issuer

and

REGIONS BANK,
as Trustee

and

OSO BAY APARTMENTS, LLC,
as Borrower

regarding

\$14,000,000
Texas Department of Housing and Community Affairs
Multifamily Housing Revenue Bonds
(Oso Bay Apartments)
Series 2021

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TAX EXEMPTION CERTIFICATE AND AGREEMENT

THIS TAX EXEMPTION CERTIFICATE AND AGREEMENT (this “Agreement”) dated as of [March] 1, 2021, but effective as of the Closing Date (as defined in the Indenture described below) is among the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** (together with its successors and assigns, the “Issuer”), a public and official agency of the State (as defined herein), **REGIONS BANK**, an Alabama banking corporation, as Trustee under the hereinafter defined Indenture (together with any successor Trustee under the Indenture described below and their respective successors and assigns, the “Trustee”), and **OSO BAY APARTMENTS, LLC**, a Texas limited liability company (together with its permitted successors and assigns, the “Borrower”) and is entered into in connection with the issuance of the \$14,000,000 Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”). The representations of facts and circumstances and the covenants of the Issuer made herein are made in part for purposes of fulfilling the requirements set forth in section 1.148-2(b)(2) of the Regulations (as defined herein).

RECITALS

WHEREAS, the Governing Board of the Issuer has determined to authorize the issuance of the Bonds pursuant to and in accordance with the terms of an Indenture (as defined herein) by and between the Issuer and the Trustee for the purpose of obtaining funds to finance the Project (as defined herein), all under and in accordance with the Constitution and laws of the State (as defined herein); and

WHEREAS, the Issuer desires to use the Proceeds (as defined herein) of the Bonds to fund a mortgage loan to the Borrower (i.e., the Bond Loan, as defined herein) upon the terms and conditions set forth in the Loan Agreement (as defined herein) in order to finance Project Costs (as defined herein); and

WHEREAS, the Issuer and the Borrower desire that interest on the Bonds be excludable from gross income for federal income tax purposes under the Code (as defined herein); and

WHEREAS, the purpose of executing this Agreement is to set forth various facts, certifications, covenants, representations, and warranties regarding the Bonds and the Project and to establish the expectations of the Issuer, the Borrower, and the Trustee as to future events regarding the Bonds, the Project, and the use and investment of Proceeds of the Bonds.

NOW THEREFORE, in consideration of the premises and the mutual representations, covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby certify, covenant, represent, and agree on behalf of the Issuer, the Borrower, and the Trustee (but not in their individual capacities), respectively, as follows:

1. Definitions. Each capitalized term used in this Agreement has the meaning ascribed to such term below or has the meaning or is the amount, as the case may be, specified for such term in this Agreement or in Exhibits to this Agreement and for all purposes hereof has the meaning or is in the amount therein specified. All capitalized terms used but not defined herein, to the extent that such terms are defined in the Indenture, the Loan Agreement, or the Regulatory

Agreement for all purposes hereof have the meanings therein specified. All such terms defined in the Code or Regulations that are not defined herein will for all purposes hereof have the same meanings as given to those terms in the Code and Regulations unless the context clearly requires otherwise.

“Bond Counsel” means any counsel nationally recognized as having an expertise in connection with the excludability of interest on obligations of states and local governmental units from gross income for federal income tax purposes, and initially shall mean Bracewell LLP.

“Bond Fund” means the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Bond Fund” established pursuant to the Indenture, including the “Capitalized Interest Account” therein.

“Bond Loan” means the loan of proceeds of the Bonds from the Issuer to the Borrower pursuant to the terms of the Loan Agreement.

“Bond Year” means each one-year period that ends on the day selected by the Borrower in a certificate provided to the Issuer and the Trustee. The first and last bond years may be short periods. If no day is selected by the Borrower before the earlier of the final Maturity Date of the Bonds or the date that is five years after the Issue Date of the Bonds, a bond year will end on each anniversary of the Issue Date of the Bonds and on the final Maturity Date of the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference is deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Collateral Fund” means the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021– Collateral Fund” established pursuant to the Indenture.

“Computation Date” means each Installment Computation Date and the Final Computation Date.

“Costs of Issuance” means costs to the extent incurred in connection with, and allocable to, the issuance of an issuance of obligations within the meaning of section 147(g) of the Code. For example, Costs of Issuance include the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: underwriters’ spread; counsel fees; financial advisory fees; fees paid to an organization to evaluate the credit quality of an issue; trustee fees; paying agent fees; bond registrar, certification and authentication fees; accounting fees; printing costs for bonds and offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than qualified guarantees; and similar costs.

“Costs of Issuance Fund” means the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Cost of Issuance Fund” established pursuant to the Indenture.

“Expense Fund” means the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Expense Fund” established pursuant to the Indenture.

“Favorable Opinion of Bond Counsel” means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds under existing law (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Bonds or other customary exceptions acceptable to the recipient thereof).

“Final Computation Date” means the date on which the final payment in full of the Bonds is made.

“Financial Advisor” means Stifel, Nicolaus & Company, Incorporated.

“Form 8038” means IRS Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues.

“Gross Proceeds” means any Proceeds and any Replacement Proceeds.

“Indenture” means the Trust Indenture by and between the Issuer and the Trustee, dated as of [March] 1, 2021.

“Installment Computation Date” means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

“Investment Proceeds” has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from investing Proceeds.

“IRS” means the Internal Revenue Service.

“Issue Date” means, with respect to an issue of obligations, the first date on which an issuer receives the purchase price in exchange for delivery of the evidence of indebtedness representing any obligation.

“Issue Price” has the meaning ascribed to it in section 1.148-1(f) of the Regulations.

“Loan Agreement” means the Loan Agreement between the Issuer and the Borrower, dated as of [March] 1, 2021.

“Maturity Date” means [_____].

“Median Gross Income for the Area” means, with respect to the Project, the median income for the households in the area which includes the standard metropolitan statistical area in which the Project is located, as determined from time to time by the Secretary of HUD, under Section 8 of the Housing Act (or if such program is terminated, median income determined under

the program in effect immediately before such termination), in each case as adjusted for family size.

“**Minor Portion**” means that portion of the Gross Proceeds of the Bonds that does not exceed in the aggregate \$100,000.

“**Net Proceeds**” means Sale Proceeds, less the portion of any Sale Proceeds invested in a reasonably required reserve or replacement fund.

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

“**Official Intent Date**” means July 23, 2020.

“**Original Issue Discount**” means the excess of the Stated Redemption Price at Maturity over the Issue Price.

“**Original Issue Premium**” means the excess of the Issue Price over the Stated Redemption Price at Maturity.

“**Permitted Investments**” has the meaning set forth in the Indenture.

“**Placed in Service**” has the meaning set forth in section 1.150-2(c) of the Regulations and means, with respect to a facility, the date on which, based on all the facts and circumstances, (a) the facility reaches a degree of completion that will permit its operation at substantially its design level, and (b) the facility is, in fact, in operation at such level.

“**Pre-Issuance Accrued Interest**” has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, means amounts representing interest that accrued on an obligation for a period not greater than one year before its Issue Date but only if those amounts are paid within one year after the Issue Date.

“**Preliminary Expenditures**” are described in section 1.150-2(f)(2) of the Regulations and include architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that are incurred prior to commencement of acquisition, construction or rehabilitation of a project, but do not include land acquisition, site preparation and similar costs incident to the commencement of construction or rehabilitation.

“**Proceeds**” has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, means any Sale Proceeds and Investment Proceeds.

“**Project**” means an approximately 104-unit multifamily housing development located at 7502 McArdle Road, Corpus Christi, Nueces County, Texas 78412.

“**Project Costs**” means, to the extent authorized by the Act, any and all costs incurred by the Borrower with respect to the acquisition, rehabilitation, and equipping, as the case may be, of the Project, whether paid or incurred prior to or after the Issue Date of the Governmental Note,

including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and Borrower's overhead and supervisor's fees and costs directly allocable to the Project, and administrative and other expenses necessary or incident to the Project and the financing thereof.

“Project Fund” means the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 – Project Fund” established pursuant to the Indenture.

“Qualified Administrative Costs” are those (i) costs of issuing, carrying or repaying the Bonds, and any underwriter's discount. Qualified Administrative Costs do not include the costs of issuing, carrying or repaying the Bond Loan.

“Qualified Project Costs” means Project Costs that meet the following requirements:

(a) The costs are chargeable to a capital account with respect to the Project for federal income tax purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Bonds during, and fees for a “qualified guarantee” (within the meaning of section 1.148-4 of the Regulations) attributable to the period of, the rehabilitation of the Project will constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs.

(b) If any portion of the Project is being constructed or rehabilitated by the Borrower or a Related Person to the Borrower (whether as a general contractor or a subcontractor), such costs include only (i) the actual out-of-pocket costs incurred by the Borrower or such Related Person in constructing or rehabilitating the Project (or any portion thereof), (ii) any reasonable fees for supervisory services actually rendered by the Borrower or such Related Person (but excluding any profit component) and (iii) any overhead expenses incurred by the Borrower or such Related Person that are directly attributable to the work performed on the Project and do not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the rehabilitation of the Project or payments received by such Related Person due to early completion of the Project (or any portion thereof).

(c) The costs are not Costs of Issuance.

(d) (i) The costs were paid no earlier than 60 days prior to the Official Intent Date and (ii) the reimbursement allocation is made no later than 18 months after the later of (A) the date the expenditure was paid and (B) the date the Project is Placed in Service or abandoned, but in no event more than three years after the original expenditure is paid;

provided that such limitations do not apply to any amount not in excess of \$100,000 or to Preliminary Expenditures that do not exceed 20 percent of the Sale Proceeds of the Bonds.

“Qualified Project Period” means, with respect to the Project, the period beginning on the first day on which 10 percent of the Units are occupied (which date may be the Closing Date) and ending on the latest of (a) the date that is 15 years after the date on which 50 percent of the Units are occupied (which date may be the Closing Date), (b) the first day on which no tax-exempt private activity bond (as that phrase is used in section 142(d)(2) of the Code) issued with respect to the Project is outstanding for federal income tax purposes or, (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

“Qualifying Tenant” means a tenant whose Annual Income is 60 percent or less of Median Gross Income for the Area, as determined under sections 142(d)(2)(B) and (E) of the Code. If all the occupants of a Unit are students (as defined under section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under section 6013 of the Code, such occupants are not Qualifying Tenants, unless such students meet the qualifications under section 42(i)(3)(D) of the Code.

“Rebate Amount” has the meaning set forth in section 1.148-3(b) of the Regulations and, generally, means the excess, as of any date, of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with section 1.148-3 of the Regulations.

“Rebate Analyst” means a Person that is (a) qualified and experienced in the calculation of rebate payments under section 148 of the Code, (b) chosen by the Borrower, and (c) engaged for the purpose of determining the amount of required deposits, if any, to the Rebate Fund.

“Rebate Fund” means the “Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021– Rebate Fund” established pursuant to the Indenture.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Regulatory Agreement” means the Regulatory and Land Use Restriction Agreement, among the Issuer, the Trustee, and the Borrower, dated as of [March] 1, 2021.

“Related Party” means, in reference to a governmental unit or a 501(c)(3) organization, any member of the same controlled group, and, in reference to a person that is not a governmental unit or a 501(c)(3) organization, a Related Person.

“Related Person” has the meaning set forth in section 144(a)(3) of the Code. A person is a “Related Person” to another person if the relationship between such persons would result in a disallowance of losses under sections 267 or 707(b) of the Code or such persons are members of the same controlled group of corporations (as defined in section 1563(a) of the Code, except that “more than 50 percent” is substituted for “at least 80 percent” each place it appears therein).

“Replacement Proceeds” has the meaning set forth in section 1.148-1(c) of the Regulations and, generally, consist of amounts that have a sufficiently direct nexus to an issue of obligations or the governmental purpose of an issue of obligations to conclude that the amounts would have been used for that governmental purpose if the Proceeds were not used or to be used for that governmental purpose.

“Sale Proceeds” has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from the sale (or other disposition) of any obligation, including amounts used to pay underwriters’ discount or compensation and accrued interest other than Pre-Issuance Accrued Interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any obligation and that is described in section 1.148-4(b)(4) of the Regulations.

“State” means the State of Texas.

“Stated Redemption Price at Maturity” means the amount fixed by the last modification of the purchase agreement and includes interest and other amounts payable at that time (other than any interest based on a fixed rate and payable unconditionally at fixed periodic intervals of one year or less during the entire term of the debt instrument).

“Substantial User” has the meaning given to such term in section 1.103-11(b) of the Regulations, and generally includes any person (i) specifically for whom a facility, or part thereof, is constructed, reconstructed, or acquired or (ii) that (A) receives more than five percent of the total revenue derived by all users of such facility as gross revenue or (B) occupies more than five percent of the entire usable area of the facility.

“Underwriter” means Colliers Securities LLC.

“Unit” means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation; provided that, a residential accommodation will not fail to be treated as a “Unit” merely because it is a single-room occupancy unit (within the meaning of section 42 of the Code).

“Weighted Average Maturity” means the sum of the products of the Issue Price and the number of years to maturity (taking into account mandatory redemptions) of an obligation, divided by the aggregate Sale Proceeds of such obligation.

“Yield” on (a) an issue of obligations has the meaning set forth in section 1.148-4 of the Regulations and, generally, is the discount rate that when used in computing the present value of all payments of principal, interest and fees for qualified guarantees to be paid on the obligation produces an amount equal to the Issue Price of such issue and (b) any investment has the meaning set forth in section 1.148-5 of the Regulations and, generally, is the discount rate that when used in computing the present value of all payments to be received on the investment produces an amount equal to all payments for the investment.

“Yield Reduction Payments” means amounts paid in accordance with section 1.148-5(c) of the Regulations that are treated as payments that reduce the Yield on an investment.

“*40-60 Test*” means the requirement set forth in section 142(d)(1)(B) of the Code providing that 40 percent or more of the Units in the Project be occupied by individuals whose income is 60 percent or less of the Median Gross Income for the Area.

2. Authorized Representatives.

(a) Issuer. The undersigned representative of the Issuer represents that such representative (i) is charged, along with others, with the responsibility for the Bonds and, as such, the undersigned is familiar with the facts herein certified and is authorized on behalf of the Issuer to execute and deliver this Agreement and (ii) is aware of the provisions of sections 103 and 142 through 150, inclusive, of the Code. To the extent that the representations, expectations, certifications, covenants and warranties set forth herein are based on information and data accumulated and analyzed by Issuer personnel and consultants to the Issuer, the undersigned representative of the Issuer has reviewed such representations, expectations, certifications, covenants and warranties with such personnel and consultants to confirm their completeness and accuracy.

(b) Borrower. The undersigned representative of the Borrower represents that such representative (i) is a duly chosen, qualified and acting officer or other representative of the Borrower, which will be the owner of the Project and, as such, the undersigned is familiar with the facts herein certified and is authorized on behalf of the Borrower to execute and deliver this Agreement and (ii) is aware of the provisions of sections 103 and 142 through 150, inclusive, of the Code. To the extent that the representations, expectations, certifications, covenants and warranties set forth herein are based on information and data accumulated and analyzed by Borrower personnel and consultants to the Borrower, the undersigned representative of the Borrower has reviewed such representations, expectations, certifications, covenants and warranties with such personnel and consultants to confirm their completeness and accuracy.

(c) Trustee. The undersigned representative of the Trustee represents that such representative is a duly chosen, qualified and acting officer or other representative of the Trustee and is authorized on behalf of the Trustee to execute and deliver this Agreement.

3. Reasonable Expectations. The Issuer and the Borrower hereby affirm that the facts and estimates that are set forth in this Agreement are accurate and the expectations that are set forth in this Agreement are reasonable in light of such facts and estimates. There are no other facts or estimates that would materially change such expectations. The Issuer has also relied, to the extent appropriate, on the (a) Issue Price Certificate attached hereto as Exhibit A and (b) the Certificate of Financial Advisor attached hereto as Exhibit B. The undersigned representatives of the Issuer and the Borrower are aware of no fact, estimate or circumstance that would create any doubt regarding the accuracy or reasonableness of all or any portion of the representations set forth in such certificates.

4. Reliance on Borrower’s Representations and Covenants. Except as otherwise indicated in this Agreement, the representations, expectations, certifications, covenants and warranties of the Issuer concerning the use and investment of the Proceeds of the Bonds and certain other matters described in this Agreement are based solely upon representations, expectations,

certifications, covenants and warranties of the Borrower, as set forth in this Agreement or in the Exhibits attached hereto. In relying upon such representations, expectations, certifications, covenants and warranties of the Borrower, the Issuer has not made any independent investigations of the matters pertaining thereto. The Issuer is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation, expectations, certifications, covenants and warranties of the Borrower made in this Agreement or in the Exhibits attached hereto.

5. Completeness of Borrower Information. The Borrower has supplied or caused to be supplied to Bond Counsel all documents, instruments and written information requested by Bond Counsel, and all such documents, instruments and written information supplied by or on behalf of the Borrower at the request of Bond Counsel, which have been reasonably relied upon by Bond Counsel in rendering its opinion with respect to the excludability from gross income for federal income tax purposes of the interest on the Bonds, are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein to make the information provided therein, in light of the circumstances under which such information was provided, not misleading, and the Borrower is not aware of any other pertinent information for which Bond Counsel has not asked. After due investigation, there is no information not obtained, or any investigation or inspection not heretofore pursued, that would be relevant or material to the certifications set forth below.

6. General Requirements Relating to Issuance of the Bonds.

(a) Governmental Purpose. The Borrower has applied to the Issuer and been approved for the Bond Loan to be made from the Proceeds of the Bonds. The proceeds of the Bond Loan (and, thus, the Proceeds of the Bonds) will be used to finance a portion of the Project Costs.

(b) Public Hearing and Approval. As required under section 147(f) of the Code and in accordance with Revenue Procedure 2020-21 and 2020-49, the Issuer hosted a telephonic hearing that provided a reasonable opportunity for interested individuals to express their views on the Bonds and the location and nature of the Project on December 3, 2020. The Issuer provided notice reasonably designed to inform residents of the approving governmental unit of the proposed issue no fewer than seven days before the date of such public hearing by publication in the newspaper of general circulation available to residents of the governmental unit. The notice stated the time and access information for the public hearing, a general functional description of the type and use of the Project, the maximum stated principal amount of the Bonds, the name of the expected initial legal owner of the Project, and the location of the Project. The Attorney General of the State approved the issuance of the Bonds.

(c) Volume Cap. The Issuer has received from the Texas Bond Review Board a reservation of State private activity bond volume cap in an amount no less than the aggregate principal amount of the Bonds (or if greater, the Issue Price of the Bonds) for the purpose of issuing the Bonds to finance the Project.

(d) Issue. There are no other obligations that (i) are sold at substantially the same time as the Bonds (i.e., less than 15 days apart), (ii) are sold pursuant to the same plan of financing with the Bonds, and (iii) will be paid out of substantially the same source of funds as the Bonds.

(e) Form 8038. The Borrower has examined the completed Form 8038 with respect to the Bonds, including accompanying schedules and statements, and, to the best of the Borrower's knowledge and belief, the information in Parts IV and V, which was furnished by the Borrower, is true, correct, and complete. The Issuer will cause Form 8038 with respect to the Bonds to be filed timely with the IRS.

(f) Substantial User. No person that was a Substantial User of the Project at any time during the five-year period before the Issue Date of the Bonds or any Related Person to such Substantial User will (i) receive (directly or indirectly) more than five percent of the Proceeds of the Bonds for such user's interest in the Project and (ii) will be a Substantial User of the Project at any time during the five-year period after the Issue Date of the Bonds.

(g) Program Covenant. Neither the Borrower nor any Related Party of the Borrower is, or will be, a party to any agreement, formal or informal, pursuant to which it will purchase any of the Bonds in an amount related to the amount of the Bond Loan made to the Borrower unless the Borrower or such Related Party provides a Favorable Opinion of Bond Counsel to the Issuer.

(h) No Federal Guarantee. Neither the Issuer nor the Borrower will take any action that would result in all or any portion of the Bonds being treated as federally guaranteed within the meaning of section 149(b)(2) of the Code.

7. Sale Proceeds of the Bonds. The amount of Sale Proceeds received by the Issuer from the sale of the Bonds is \$14,000,000. The Sale Proceeds of the Bonds will be loaned to the Borrower used to pay Project Costs. The aggregate amount of the Project Costs is anticipated to exceed such amount. Any Project Costs not financed out of Proceeds of the Bonds will be financed out of the Borrower's available funds.

8. Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest on the Bonds.

9. Use of Proceeds of the Bonds.

(a) Qualified Project Costs. At least 95 percent of the Net Proceeds of the Bonds actually expended will be used to pay or reimburse Qualified Project Costs. Not more than five percent of the Net Proceeds of the Bonds will be expended for or allocated to Project Costs that are not Qualified Project Costs.

For purposes of this subparagraph (a) the Project includes only: (i) those portions of buildings included in the Project that are (A) separate and complete facilities for living, sleeping, eating, cooking and sanitation that will be used on other than a transient basis by one or more persons and that will be available on a regular basis for use by members of the

general public and will be rented, or available for rental, on a continuous basis during the Qualified Project Period, and (B) facilities in building areas that are functionally related and subordinate thereto, such as centrally located machinery and equipment and common areas in a typical apartment building (but not including any health club facilities, except a facility that will be available only to tenants and their guests with no separate fee to be paid for the use of such facility); and (ii) land and other facilities that are properly allocable to such living facilities, such as parking areas and recreational areas for occupants of the living facilities.

Further, all of the allocable functionally related and subordinate land areas, facilities, and building areas taken into account in determining Qualified Project Costs under this subparagraph (a) are of a character and size commensurate with the number and size of the living facilities and are not functionally related and subordinate to, or properly allocable to, any other facilities.

(b) Additional Limitations.

(i) Costs of Issuance. No Costs of Issuance are expected to be paid out of the Net Proceeds of the Bonds. Thus, Costs of Issuance financed out of Net Proceeds of the Bonds are not expected to exceed in the aggregate two percent of the Sale Proceeds of the Bonds (i.e., \$[_____]). In no event will Costs of Issuance paid from Proceeds of the Bonds exceed two percent of the Sale Proceeds of the Bonds, and any Costs of Issuance in excess of two percent of Sale Proceeds of the Bonds will be paid by the Borrower from sources other than Net Proceeds of the Bonds.

(ii) Acquisition of Existing Property. No portion of the Net Proceeds of the Bond will be used to pay or reimburse the cost of acquiring any property or an interest therein unless, (i) the first use of such property is pursuant to such acquisition, except for land, or (ii) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed 15 percent of the portion of the cost of acquiring such building and equipment financed with the Net Proceeds of the Bonds (with respect to structures other than buildings, this clause shall be applied by substituting 100 percent for 15 percent). For purposes of the preceding sentence, the term “rehabilitation expenditures” shall have the meaning set forth in section 147(d)(3) of the Code. If the Project has two or more buildings, the provisions regarding rehabilitation expenditures are to be applied on a project-wide basis. Net Proceeds of the Bonds in the amount of not more than \$[13,200,000] will be used to acquire the Project, and the rehabilitation expenditures with respect to the Project will equal or exceed 15 percent of such amount (i.e., \$[1,980,000]).]

(iii) Limitation on Land Acquisition. Less than 25 percent of the Net Proceeds of the Bonds will be used (directly or indirectly) to acquire land (or an interest therein) and no portion of the Net Proceeds of the Bonds will be used (directly or indirectly) for farming purposes. For this purpose, an amount is considered used for the acquisition of land (or an interest therein) to the extent of

that portion of the acquisition cost of the Project that is properly allocable for all federal income tax purposes to the land component (including interests in land) of the Project. Net Proceeds of the Bonds in the amount of not more than \$[760,000] are expected to be used (directly or indirectly) to acquire land (or an interest therein), and such amount is less than 25 percent of the Net Proceeds of the Bonds (i.e., \$[_____]).

(iv) Prohibited Facilities. None of the Proceeds of the Bonds will be used to acquire, construct, or equip, and no portion of the Project will be, an airplane, a skybox or any other type of luxury box, a health club facility, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises; provided that, any fitness room functionally related to and subordinate to the Project for use by tenants of the Project or their guest is not considered a health club facility for purposes of this subparagraph.

(v) Payments to Related Persons. Any amount of Proceeds of the Bonds paid to a Related Person to the Borrower or any affiliated person that is not a Related Person to the Borrower will not exceed an arm's-length charge that is the amount that would be charged to a person other than the Borrower. Further, any amount of Proceeds of the Bonds paid to a Related Person to the Borrower or any affiliated person that is not a Related Person to the Borrower would be paid under the same circumstances by a person other than the Borrower to such affiliated person or entity. Notwithstanding the foregoing, in no event will amounts of Proceeds of the Bonds that are paid to a Related Person to the Borrower be treated as spent until such amounts are spent on capital expenditures by such Related Person.

(vi) No Working Capital. Except for an amount that does not exceed five percent of the Sale Proceeds of the Bonds (and that is directly related to the Project), the Proceeds of the Bonds will only be expended for (A) costs that would be chargeable to the capital account of the Project if the Issuer's income were subject to federal income taxation; (B) interest on the Bonds in an amount that does not cause the aggregate amount of interest paid on the Bonds to exceed that amount of interest on the Bonds that is attributable to the period that commences on the Issue Date of the Bonds and ends on the later of (1) the date that is three years from the Issue Date of the Bonds or (2) the date that is one year after the date on which the Project is Placed in Service; and/or (C) fees for a qualified guarantee of the Bonds or payment for a qualified hedge on the Bonds.

(vii) No Pooling. The Proceeds of the Bonds are not being used to directly or indirectly make or finance loans to two or more ultimate unrelated borrowers.

(viii) Weighted Average Economic Life. The Weighted Average Maturity of the Bonds, as calculated by the Financial Advisor as set forth in Exhibit B hereto, is [WAM] years. The weighted average reasonably expected economic

life of the portion of the Project financed with Proceeds of the Bonds is at least [WAM/1.2] years. Thus, the Weighted Average Maturity of the Bonds is not more than 120 percent of the weighted average reasonably expected economic life of the portion of the Project financed with Proceeds of the Bonds. Such weighted average estimated economic life is determined in accordance with the following assumptions: (A) the weighted average is determined by taking into account the respective costs of each asset, excluding land; (B) the reasonably expected economic life of an asset is determined as of the later of (1) the Issue Date of the Bonds or (2) the date on which such asset is originally Placed in Service (or expected to be Placed in Service); and (C) the economic lives for the itemized assets are the useful lives that would have been used for depreciation purposes under section 167 of the Code prior to the enactment of the ACRS system under section 168 of the Code (i.e., the mid-point lives under the Class Life Asset Depreciation Range System of section 167(m) of the Code where applicable and the guideline lives under Revenue Procedure 62-21, 1962-2 C.B. 418, in the case of structures). The Borrower hereby covenants to not make any changes to the Project that would, at the time made, cause the remaining Weighted Average Maturity of the Bonds to be more than 120 percent of the remaining weighted average estimated economic life of the portion of the Project financed with Proceeds of the Bonds.

(c) Reimbursement. The Borrower expects that it will use Proceeds of the Bonds in the amount of approximately \$[13,200,000] to reimburse itself for expenditures paid prior to the Issue Date of the Bonds. Other than (i) an amount not greater than \$100,000 and/or (ii) Preliminary Expenditures up to an amount not in excess of 20 percent of the Issue Price of the Bonds, no portion of the Proceeds of the Bonds will be disbursed to reimburse the Issuer, the Borrower or any Related Person to the Borrower for any expenditures paid or incurred prior to the date that is 60 days before the Official Intent Date, which is the date on which the Issuer adopted a resolution describing the Project, stating the maximum principal amount of obligations expected to be issued for the Project and stating the Issuer's reasonable expectation that expenditures for costs of the Project would be reimbursed with Proceeds of an obligation. Such resolution was not an official intent declared as a matter of course or in an amount substantially in excess of the amount expected to be necessary for the Project. Neither the Issuer nor the Borrower has engaged in a pattern of failure to reimburse actual original expenditures covered by official intents. Such reimbursed portion will be treated as spent for purposes of the "Funds—Project Fund" subparagraph herein and the "Compliance with Yield Reduction and Rebate Requirements; Rebate Fund" paragraph herein.

(d) Allocations and Accounting. The Borrower will prepare a final allocation of the Proceeds of the Bonds to expenditures not later than 18 months after the later of the date the original expenditure is made or the date the Project is Placed in Service, but in no event later than the date that is 60 days after the fifth anniversary of the Issue Date of the Bonds or the retirement of the Bonds, if earlier; provided that, if such allocation is made pursuant to a reimbursement expenditure described above, such reimbursement allocation will in no event be made later than the date that is three years after the date each such original expenditure is paid. The Borrower hereby elects to consistently allocate the expenditure of Proceeds of the Bonds to Qualified Project Costs of the Project. No

Proceeds of the Bonds will be allocated to any expenditures to which Proceeds of any other tax-exempt obligations have heretofore been allocated.

10. Issue Price. In accordance with section 1.148-1(f)(2)(iv) of the Regulations, the Issuer hereby identifies in its books and records maintained for the Bonds the rule the Issuer will use to determine the Issue Price for each maturity of the Bonds as the rule set forth in the first sentence of section 1.148-1(f)(2)(i) of the Regulations, i.e. the Issue Price is the first price at which a substantial amount (i.e. 10%) is sold to the public. Based on the representations set forth in Exhibit A hereto, the aggregate Issue Price of the Bonds is \$14,000,000. The Issue Price of the Bonds represents the Stated Redemption Price at Maturity (excluding Pre-Issuance Accrued Interest for those Bonds the interest on which is paid at least once annually) of the Bonds.

11. Yield on the Bonds. The Issuer and the Borrower hereby represent, covenant and agree as follows:

(a) The Yield on the Bonds will be computed separately for each computation period. For the purposes of this Agreement, the Yield on the Bonds for each computation period is the discount rate that, when used in computing the present value as of the first day of the computation period of all payments of principal and interest on the Bonds that are attributable to the computation period, produces an amount equal to the present value, using the same discount rate, of the aggregate Issue Price (or deemed Issue Price, as determined by section 1.148-4(c)(2)(iv) of the Regulations) of the Bonds as of the first day of the computation period. No underwriter's discount, Costs of Issuance, or costs of carrying or repaying the Bonds is taken into account for purposes of computing the Yield on the Bonds.

(b) Neither the Issuer nor the Borrower has entered into any hedging transaction with respect to the Bonds, and each covenants not to enter into a hedging transaction with respect to the Bonds unless there is first received a Favorable Opinion of Bond Counsel.

12. Yield on the Bond Loan. The Issuer and the Borrower hereby represent, covenant and agree as follows:

(a) The Bond Loan is allocated to the Bonds. The Yield on the Bond Loan is computed using the same compounding interval and financial conventions used to compute the Yield on the Bonds. For the purposes of this Agreement, the Yield on the Bond Loan is the discount rate that, when used in computing the present value as of the Issue Date of the Bonds of all receipts with respect to the Bond Loan, produces an amount equal to the present value, using the same discount rate, of the aggregate payments with respect to the Bond Loan as of the Issue Date of the Bonds. The aggregate payments made to the Borrower with respect to the Bond Loan include no payments other than the "purchase price" of the Bond Loan. The purchase price of the Bond Loan is the amount loaned to the Borrower by the Issuer on the Issue Date of the Bonds, i.e. \$14,000,000.

(b) The Bond Loan is a purpose investment that the Issuer intends to treat as a "program investment" within the meaning of section 1.148-1 of the Regulations, because it is part of a governmental program (i) that involves the origination or acquisition of

purpose investments; (ii) in which at least 95 percent of the cost of the purpose investments acquired under the program represents one or more loans to a substantial number of persons representing the general public, states or political subdivisions, organizations exempt from tax under section 501(c)(3) of the Code, persons who provide housing and related facilities, or any combination of the foregoing; (iii) in which at least 95 percent of the receipts from the purpose investments are used to pay principal, interest, or redemption prices on issues that financed the program, to pay or reimburse administrative costs of those issues or of the program, to pay or reimburse anticipated future losses directly related to the program, to finance additional purpose investments for the same general purposes of the program, or to redeem and retire governmental obligations at the next earliest possible date of redemption; and (iv) in which the program documents prohibit any obligor on a purpose investment financed by the program or any “related party,” within the meaning of section 1.150-1(b) of the Regulations, to that obligor from purchasing bonds of an issue that finance the program in an amount related to the amount of the purpose investment acquired from that obligor. The Issuer has not waived the right to treat the Bond Loan as a program investment.

(c) The receipts from the Borrower with respect to the Bond Loan include interest and principal payments with respect to the Bond Loan and the Qualified Administrative Costs paid by the Borrower, and the Qualified Administrative Costs paid by the Borrower have been taken into account, as provided by section 1.148-5(e) of the Regulations, for purposes of computing the yield on the Bond Loan. Because the Issuer intends to treat the Bond Loan as a “program investment” within the meaning of section 1.148-1 of the Regulations, the Qualified Administrative Costs do not include the costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire the Bond Loan, which amounts are set forth in Exhibit C hereto.

(d) As set forth in the Certificate of Financial Advisor attached hereto as Exhibit B, the Yield on the Bond Loan, calculated in the manner set forth above does not exceed the Yield on the Bonds by more than 1.5 percentage points.

13. Investment of Proceeds Pending Expenditure; No Arbitrage.

(a) Investment Proceeds. Amounts on deposit in the Bond Fund and the Project Fund may be comprised of Proceeds of the Bonds and amounts that are not Proceeds of the Bonds or any tax-exempt obligation. If Proceeds of the Bonds and amounts that are not Proceeds of the Bonds are commingled, the Borrower will take into account for purposes of its covenant to comply with the arbitrage and rebate requirements that Proceeds of the Bonds and amounts that are not Proceeds of the Bonds have been commingled as an investment. Investment Proceeds resulting from the investment of any Proceeds of the Bonds pending expenditure of such Proceeds for Project Costs will be used to pay Qualified Project Costs or, if not used to pay Qualified Project Costs, such amounts will be treated as “bad costs.”

(b) Minor Portion and Yield Reduction Payments. All Gross Proceeds of the Bonds will be invested in accordance with the “Funds” paragraph herein. To the extent such amounts remain on hand following the periods set forth in the “Funds” paragraph

herein or exceed the limits set forth in the “Funds” paragraph herein, such amounts will be invested at a restricted Yield as set forth in such paragraph; provided, however, that an amount not to exceed the Minor Portion may be invested at a Yield that is higher than the Yield on the Bonds and, provided further, that, if permitted by section 1.148-5(c) of the Regulations, the Yield restriction requirements may be satisfied by making Yield Reduction Payments to the federal government.

(c) Bonds Are Not Hedge Bonds. Not more than 50 percent of the Proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more. Further, at least 85 percent of the spendable Proceeds of the Bonds are reasonably expected to be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the Issue Date of the Bonds.

(d) No Arbitrage. On the basis of the facts, estimates and circumstances set forth in this Agreement, it is expected by the Issuer and the Borrower that the Gross Proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code. To the best of the knowledge and belief of the undersigned representatives of the Issuer and the Borrower, there are no other facts, estimates or circumstances that would materially change such expectations. Except as provided in the Indenture and the Loan Agreement, the Borrower will not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement or the note relating to the Bond Loan, will not establish any segregated reserve or similar fund for such purpose and will not prepay any such amounts in advance of the redemption date of an equal principal amount of the Bonds, unless in each case there will have been delivered a Favorable Opinion of Bond Counsel. The Borrower will not, at any time prior to the final maturity of the Bonds, direct or permit the Trustee to invest Gross Proceeds of the Bonds in any investment (or to use Gross Proceeds of the Bonds to replace money so invested), if as a result of such investment the Yield of all investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Bonds to stated maturity, except as permitted by section 148 of the Code. The Issuer and the Borrower further covenant and agree that each will comply with and will take all action reasonably required to ensure that the Trustee complies with all applicable requirements of section 148 of the Code relating to the Bonds and the interest thereon.

14. Covenants of Trustee Relating to Investment of Proceeds. The Trustee will invest funds held under the Indenture in accordance with the respective terms of the Indenture and this Agreement, which covenant will extend throughout the term of the Bonds, to all funds and accounts created under the Indenture and this Agreement and all moneys on deposit to the credit of any fund or account.

Should the Issuer or the Borrower deliver notice (in the manner required under the Indenture or the Loan Agreement, as applicable) to the Trustee (it being understood that neither the Issuer nor the Borrower has an obligation to so deliver) or should the Trustee receive an opinion of Bond Counsel to the effect that any proposed investment or other use of Proceeds of the Bonds would cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the

Code, then the Trustee will comply with any written direction of the Borrower regarding such investment or use so as to prevent the Bonds from becoming an “arbitrage bond.”

The Issuer and the Borrower agree that, in complying with the provisions set forth under this subparagraph, the Trustee will be deemed to have complied with such provisions and will have no liability to the extent the Trustee materially follows the written directions of the Borrower or the Issuer.

15. Compliance with Yield Reduction and Rebate Requirements; Rebate Fund.

(a) Covenant to Comply with Rebate Requirements. The Issuer and the Borrower covenant to comply with the requirement that (i) if Gross Proceeds of the Bonds have been invested at a Yield that is “materially higher” than the Yield on the Bonds and Yield Reduction Payments are permitted under section 1.148-5(c)(3) of the Regulations, Yield Reduction Payments be made to the federal government and (ii) “rebateable arbitrage earnings” on the investment of the Gross Proceeds of the Bonds, within the meaning of section 148(f) of the Code, be rebated to the federal government.

(b) Rebate Fund. The Indenture established the Rebate Fund, which will be maintained and held in trust by the Trustee and which will be disbursed and applied only as herein authorized in this “Compliance with Yield Reduction and Rebate Requirements; Rebate Fund” paragraph. Notwithstanding anything herein to the contrary, all provisions of the Indenture relating to the general administration of the funds created thereunder will apply to the Rebate Fund, and the Trustee is afforded all the rights, protections and immunities otherwise accorded to it thereunder as if the provisions set forth in this “Compliance with Yield Reduction and Rebate Requirements; Rebate Fund” paragraph were set forth in the Indenture.

(c) Delivery of Documents and Money by Borrower on Computation Dates. The Borrower will deliver to the Trustee and the Issuer, within 55 days after each Computation Date:

(i) a statement, signed by an officer or other authorized representative of the Borrower, stating the Rebate Amount as of such Computation Date and the amount of any Yield Reduction Payments due; and

(ii) (A) if such Computation Date is an Installment Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to at least 90 percent of the Rebate Amount and Yield Reduction Payments due as of such Installment Computation Date, less any “previous rebate payments” (determined in accordance with section 1.148-3(f)(1) of the Regulations), made to the United States of America or (B) if such Computation Date is the Final Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to the Rebate Amount and Yield Reduction Payments due as of such Final Computation Date, less any “previous rebate payments” (determined in accordance with section 1.148-3(f)(1) of the Regulations) made to the United States of America; and

(iii) an IRS Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate (“Form 8038-T”) properly signed and completed as of such Computation Date.

(d) Administration of Rebate Fund and Payment of Rebate.

(i) The Trustee will deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto. Within five days after each receipt or transfer of funds to the Rebate Fund, the Trustee will withdraw such funds from the Rebate Fund and pay such funds to the United States of America. The Trustee may conclusively rely on the instructions of the Borrower with regard to any actions to be taken by it pursuant to this paragraph and will have no liability for any consequences of any failure of the Borrower to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided herein, the Trustee will have no duty or responsibility with respect to the Rebate Fund or the Borrower’s duties and responsibilities with respect thereto except to follow the Borrower’s specific written instructions related thereto.

(ii) Moneys and securities held by the Trustee in the Rebate Fund will not be deemed funds of the Bonds and are not pledged or otherwise subject to any security interest in favor of the owners of the Bonds to secure the Bonds or any other obligations.

(iii) Moneys in the Rebate Fund will be separately invested and reinvested by the Trustee, at the written direction of the Borrower, in Permitted Investments, subject to the Code. The Trustee will sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in the Rebate Fund is insufficient for its purposes.

(iv) The Borrower will provide to the Trustee and the Trustee will keep such records of the results of the computations made pursuant to this paragraph for a period of three years after the last Bond and any tax-exempt obligations issued to refinance the Bonds is retired. The Trustee will keep and make available to the Issuer and the Borrower such records concerning the investments of Gross Proceeds of the Bonds and the investments of earnings from those investments as may be requested by the Issuer or the Borrower in order to enable the Borrower to make the computations required under section 148(f) of the Code.

(e) Correction of Underpayments. If the Borrower discovers or is notified as of any date that any amount required to be paid to the United States of America pursuant to this Agreement has not been paid as required or that any payment paid to the United States of America pursuant to this Agreement has failed to satisfy any requirement of section 148(f) of the Code or section 1.148-3 of the Regulations (whether or not such failure is due to any default by the Borrower, the Issuer, or the Trustee), the Borrower will (i) deliver to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States of America from the Rebate Fund (A) the Rebate Amount or Yield Reduction

Payments due that the Borrower failed to pay, plus any interest specified in section 1.148-3(h)(2) of the Regulations, if such correction payment is delivered to and received by the Trustee within 175 days after such discovery or notice, or (B) if such correction payment is not delivered to and received by the Trustee within 175 days after such discovery or notice, the amount determined in accordance with clause (A) of this subparagraph plus the 100 percent penalty required by section 1.148-3(h)(1) of the Regulations, and (ii) deliver to the Trustee and the Issuer a Form 8038-T completed as of such date. If such Rebate Amount or Yield Reduction Payments, together with any penalty and/or interest due, is not paid to the United States of America in the amount and manner and by the time specified in the Regulations, the Borrower will take such steps as are necessary to prevent the Bonds from becoming “arbitrage bonds” within the meaning of section 148 of the Code.

(f) Fees and Expenses. The Borrower agrees to pay all of the fees and expenses of Bond Counsel, the Rebate Analyst, and any other necessary consultant employed by the Borrower, the Trustee, or the Issuer in connection with computing the Rebate Amount and the Yield Reduction Payments.

(g) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Bonds that is not purchased at fair market value (as defined in section 1.148-5(d)(6)(iii) of the Regulations) or includes terms that the Borrower would not have included if the Bonds were not subject to section 148(f) of the Code.

(h) Amounts Not Required in Certain Circumstances.

(i) Notwithstanding the foregoing, the Borrower will not be required to perform the obligations set forth in this “Compliance with Yield Reduction and Rebate Requirements; Rebate Fund” paragraph, except for the obligation to retain accounting records and the payment of expenses as described herein, if (A) the Gross Proceeds of the Bonds have not been invested at a Yield that is “materially higher” than the Yield on the Bonds and therefore is not required to pay Yield Reduction Payments and/or (B) the Borrower has not earned any rebatable arbitrage and, therefore, is not subject to the rebate obligation set forth in section 148(f) of the Code. To the extent that the Borrower will not be required to perform such obligations, the Borrower will send written notice to the Trustee and the Issuer within 55 days after the applicable Computation Date.

(ii) Notwithstanding anything to the contrary in this Agreement requiring a payment to be made based on the Rebate Analyst’s calculations showing a rebate being due, no payment will be made by the Trustee to the United States of America if the Borrower furnishes to the Issuer and the Trustee a Favorable Opinion of Bond Counsel. In such event, the Borrower will be entitled to withdraw funds from the Rebate Fund to the extent provided in such Favorable Opinion of Bond Counsel.

(i) Trustee Reliance on Written Directions. The Issuer and the Borrower agree that, in complying with the provisions set forth under this paragraph, the Trustee will be deemed to have complied with such provisions and will have no liability to the extent it materially follows the written directions of the Borrower, the Issuer, or the Rebate Analyst.

16. Funds.

(a) Bond Fund. Amounts on deposit in the Bond Fund will be used primarily to achieve a proper matching of payments made pursuant to the Loan Agreement and debt service on the Bonds within each Bond Year. Any amounts in the Bond Fund held for longer than 13 months will be invested in obligations the Yield on which is not “materially higher” than the Yield on the Bonds, except as set forth in the “Investment of Proceeds Pending Expenditure; No Arbitrage—Minor Portion and Yield Reduction Payments” subparagraph herein.

(b) Collateral Fund. Amounts on deposit in the Collateral Fund will be used for the purposes set forth in Section 4.03 of the Indenture. Any amounts held in the Collateral Fund will be invested in obligations the Yield on which is not “materially higher” than the Yield on the Bonds, except as set forth in the “Investment of Proceeds Pending Expenditure; No Arbitrage—Minor Portion and Yield Reduction Payments” and “—Investment Securities” subparagraphs herein.

(c) Costs of Issuance Fund. Amounts on deposit in the Costs of Issuance Fund will be used for the purpose of paying Costs of Issuance of the Bonds. Amounts remaining in the Costs of Issuance Fund after the payment of all Costs of Issuance of the Bonds, and in any event not later than six months following the Closing Date of the Bonds, will be (i) to the extent such amounts represent Proceeds of the Bonds, transferred to the Project Account of the Project Fund and (ii) to the extent such amounts represent amounts that are not Proceeds of the Bonds, transferred to the Borrower. There is no assurance that amounts on deposit in the Costs of Issuance Fund will be available to pay debt service on the Bonds.

(d) Expense Fund. Amounts on deposit in the Expense Fund will be used for the purposes of payment of fees and expenses required under the Loan Agreement. There is no assurance that amounts on deposit in the Expense Fund will be available to pay debt service on the Bonds.

(e) Project Fund. All of the Proceeds of the Bonds in the Project Account of the Project Fund are expected to be invested and disbursed as described in the Indenture to pay Project Costs. The Issuer and the Borrower hereby waive the temporary period available under section 1.148-2(e)(2) of the Regulations. Any amounts not so expended prior to the applicable dates set forth in the preceding sentence will thereafter be invested at a Yield that is not “materially higher” than the Yield on the Bonds, except as set forth in the “Investment of Proceeds Pending Expenditure; No Arbitrage—Minor Portion and Yield Reduction Payments” subparagraph herein.

(f) Rebate Fund. The Rebate Fund will be used in the event the Borrower is required to pay rebatable arbitrage earnings to the federal government, as described in the

“Compliance with Yield Reduction and Rebate Requirements; Rebate Fund” paragraph above. Amounts on deposit in the Rebate Fund are not subject to the lien of the Indenture; accordingly, there is no assurance that amounts on deposit, if any, in the Rebate Fund will be available to pay debt service on the Bonds.

17. Replacement Proceeds. The Issuer and the Borrower hereby represent as follows:

(a) No Sinking Funds. Other than the Bond Fund and the Collateral Fund there is no debt service fund, redemption fund, reserve fund, replacement fund, or similar fund reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds.

(b) No Pledged Funds. Other than amounts in the Bond Fund and the Collateral Fund, there is no amount that is directly or indirectly pledged to pay principal or interest on the Bonds, or to a guarantor of the Bonds, such that such pledge provides reasonable assurance that such amount will be available to pay principal or interest on the Bonds if the Issuer encounters financial difficulty. For purposes of this certification, an amount is treated as so pledged if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders or the guarantor of the Bonds.

(c) No Other Replacement Proceeds. There are no other Replacement Proceeds allocable to the Bonds because the Issuer reasonably expects that the term of the Bonds will not be longer than is reasonably necessary for the governmental purpose of the Bonds. Furthermore, even if the Bonds were outstanding longer than necessary for the purpose of the Bonds, no Replacement Proceeds will arise because the Issuer reasonably expects that no amounts will become available during the period that the Bonds remain outstanding longer than necessary based on the reasonable expectations of the Issuer as to the amounts and timing of future revenues. The Bonds would be issued to achieve the governmental purpose of the Bonds independent of any arbitrage benefit as evidenced by the expectation that the Bonds reasonably would have been issued if the interest on the Bonds were not excludable from gross income (assuming that the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate and that tax credits issued under section 42 of the Code would be available in connection therewith).

18. Not an Abusive Transaction. The Issuer and the Borrower hereby represent as follows:

(a) General. A device has not been and will not be employed in connection with the issuance of the Bonds to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates. Furthermore, no action taken in connection with the Bonds is or will be an abusive arbitrage device by having the effect of (i) enabling the Issuer or the Borrower to exploit, other than during an allowable temporary period, the difference between tax-exempt and taxable interest rates to obtain a material financial advantage (including as a result of an investment of any portion of the Gross Proceeds of the Bonds over any period of time, notwithstanding that, in the aggregate, the Gross Proceeds of the Bonds are not invested in higher yielding investments over the term of the Bonds) and (ii) overburdening the tax-exempt bond market by issuing more bonds,

issuing bonds earlier or allowing bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Bonds, based on all the facts and circumstances. Specifically, (A) the primary purpose of each transaction undertaken in connection with the issuance of the Bonds is a bona fide governmental purpose; (B) each action taken in connection with the issuance of the Bonds would reasonably be taken to accomplish the governmental purposes of the Bonds if the interest on the Bonds were not excludable from gross income for federal income tax purposes (assuming the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate on the Bonds); and (C) the Proceeds of the Bonds will not exceed by more than a Minor Portion the amount reasonably anticipated to be necessary to accomplish the governmental purposes of the Bonds and will in fact not be substantially in excess of the amount of Proceeds allocated to expenditures for the governmental purposes of the Bonds.

(b) No Sinking Fund. No portion of the Bonds has a term that has been lengthened primarily for the purpose of creating a sinking fund or similar fund with respect to the Bonds.

(c) No Window. No portion of the Bonds has been structured with maturity dates the primary purpose of which is to make available released revenues that will enable the Issuer to avoid transferred proceeds or to make available revenues that may be invested to be ultimately used to pay debt service on another issue of obligations.

(d) No Disposition. No portion of the Project is reasonably expected to be disposed of while the Bonds are outstanding.

(e) No Overissuance. The Net Proceeds of the Bonds do not exceed the total amount necessary for the governmental purposes of the Bonds. The issuance of the Bonds as sized is necessary to achieve the 50% of basis requirement of Section 42 of the Code in order for the Borrower to receive low-income housing tax credits, without which the Project could not be provided for low-income tenants. The funding of the Collateral Fund as described in this Tax Exemption Agreement is necessary to secure the rating on the Bonds and to enable the Bonds to be sold with terms acceptable to the Borrower.

19. The Project. The Borrower hereby represents and covenants as follows:

(a) The Project will be comprised of (i) Units, all of which will be rented to individuals or families for residential occupancy and none of which will be owner-occupied (other than any functionally related and subordinate Units used by management for the purpose of housing any reasonably required resident managers, security personnel or maintenance personnel for the Project) and (ii) facilities, all of which are functionally related and subordinate to the aforementioned Units (i.e., facilities that are of a size and character commensurate with the size and character of such Units).

(b) There has been and will be no substantial deviation from the description and location of the Project and the Borrower, operator or manager set forth in the notice of hearing published with respect to the Bonds for purposes of satisfying the requirements of section 147(f) of the Code.

(c) The Project will be designed and equipped and will be owned, maintained and operated on a continuous basis in accordance with the Loan Agreement and the Regulatory Agreement. For purposes of this subparagraph, each of the enumerated types of facilities includes the interior furnishings of such facility (including the facility's plumbing, electrical and decorating costs) and the structural components required for the facility (including the facility's walls, ceilings and special enclosures). Each such enumerated type of facility includes only those normal components of the structure in which it is located, such as the structure's structural supports, to the extent that those components are required because of the facility. The recreational facilities, if any, included as part of the Project will be available only to residential tenants and their guests and no separate fee will be required for the use of such facilities.

(d) Except to the extent that any Unit is a single room occupancy unit under section 42 of the Code, each Unit will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation. Specifically, each Unit will contain a living area, a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, full-size refrigerator and sink, all of which are separate and distinct from the facilities included in other Units.

(e) Parking spaces included in the Project are functionally related and subordinate to the Units included in the Project in that they are no greater in number than is normally appropriate for a residential rental facility that is of the size of the Project. Only tenants, prospective tenants, guests of tenants, employees of the Borrower, and employees of the manager are expected to use these parking spaces.

(f) If the Project contains a clubhouse, exercise or similar recreational facility, such facility exists as a tenant amenity and may be used by any tenant free of any separate charge and will be constructed for the exclusive use of tenants of the Project and their guests. Such facility, if any, is of a character and size commensurate with the character and size of the Project and will not be open to the general public on a membership basis.

(g) The Project will not include any nonresidential or commercial space, including particularly, without limitation, any other space or facility not described in this paragraph.

(h) No continual or frequent skilled or unskilled nursing services will be available at the Project, although the tenants will be permitted to engage such services from providers that are not affiliated with the Borrower or the manager. Thus, neither the Borrower nor the manager, nor any Related Person to either the Borrower or the manager, will provide any assistance to any tenant in connection with his or her activities of daily living, other than concierge and valet services. The Project will not be licensed as a convalescent or nursing home, continuing care facility, personal care facility, special care facility or other assisted living facility under State law.

(i) On the Closing Date, at least 50 percent of the Units in the Project are occupied.

20. Tenant Income Certifications. The Borrower hereby represents and covenants as follows:

(a) The Borrower will obtain and maintain tenant income certifications in a form that satisfies the requirements of section 1.103-8(b)(8) of the Regulations demonstrating that the 40-60 Test is met with respect to the occupied Units continuously throughout the Qualified Project Period. The Borrower expects that more than 10 percent of the Units in the Project will remain occupied throughout the rehabilitation of the Project and, as such, compliance with the 40-60 Test will not be required during the twelve-month “transition period” beginning on the Issue Date of the Bonds, as set forth in Revenue Procedure 2004-39, 2004 C.B. 49.

(b) The Borrower will ensure that each person who is intended to be a Qualifying Tenant will sign and deliver to the Borrower or a manager of the Project a tenant income certification in the form required by the Regulatory Agreement. In addition, the Borrower will ensure that such person will provide whatever other information, documents or certifications are deemed necessary to substantiate the tenant income certification.

(c) The Borrower will timely file, or take such actions as are necessary to cause any other person who is properly treated as the “operator” for purposes of section 142(d)(7) of the Code to file timely, the annual certifications described in section 142(d)(7) of the Code (currently, IRS Form 8703, Annual Certificate of Residential Rental Project).

(d) For a period of at least three years after the date the Bonds are retired, a tenant income certification in the form required by the Regulatory Agreement will at all times be maintained on file at the applicable location for the Project with respect to each Qualifying Tenant who resides or has resided in a Unit.

21. Form of Lease. The Borrower will ensure that the term of a lease of any Unit will be for a term of not less than six months, subject to the provision that any lease may be terminated if the tenant’s physical condition no longer permits full-time residence in the Project; provided, however, that the form of lease to be utilized by the Borrower in renting any Units to a person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by such person to immediate eviction in accordance with applicable law for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by such person with respect to the tenant income certification.

22. Change in Use. The Borrower acknowledges that any failure to satisfy the applicable requirements of sections 103 and 142 through 150, inclusive, of the Code, including the 40-60 Test, with respect to the Project will be treated as a change in use for purposes of section 150(b)(2) of the Code with the result that no deduction will be allowed for federal income tax purposes for interest paid by the Borrower with respect to the portion of the Bond Loan that is allocable to Proceeds of the Bonds that accrues during the period beginning on the first day of the taxable year in which the Project fails to meet such requirements and ending on the date that the Project meets such requirements.

On the earlier of (a) the date on which the Borrower reasonably determines that the Project will not be completed or (b) the date on which the Project is Placed in Service, the Borrower will identify the amount of unspent Net Proceeds of the Bonds, if any, and will use such amount to redeem or, if not permitted by the terms of the Bonds, defease the Bonds, all in accordance with the requirements of section 1.142-2 of the Regulations, the Indenture and the Loan Agreement, as applicable, including the requirement that, if a defeasance is necessary, timely written notice be provided to the IRS.

23. Cashflow Sufficiency. The Borrower reasonably expects that the cash flow from the Project on an annual basis (excluding cash generated from the investment of nonoperating funds or other investment funds maintained by the Borrower) will be sufficient to pay annual debt service on the Bond Loan during each year. Accordingly, the Borrower expects that debt service on the Bond Loan will not be paid, directly or indirectly, from non-operating or other investment funds maintained by the Borrower or any Related Person to the Borrower. Except for the funds described in the “Funds” paragraph above, the Borrower does not expect to create or establish, or otherwise set aside or dedicate, any fund or account that is expected to be used to pay principal of, or interest on, the Bonds or to be pledged, directly or indirectly, to the payment of principal of, or interest on, the Bonds. Investment Proceeds of the Bonds and amounts earned from the investment of such Investment Proceeds will not be commingled with other receipts or revenues of the Borrower.

24. Post-Issuance Compliance Procedures. The Issuer has implemented written post-issuance tax compliance procedures regarding federal tax compliance that include provisions to ensure that all nonqualified bonds are remediated according to the requirements under the Code and Regulations and to monitor the requirements of section 148 of the Code. A copy of the Issuer’s then-current post-issuance tax compliance procedures is and will be available on the Issuer’s website during the term of this Agreement. If the Issuer’s website is not available, a copy of the then-current post-issuance tax compliance procedures will be made available to the Borrower, upon request. The Borrower agrees to take such actions as required therein to be taken by the Borrower to maintain compliance with requirements in the Code. In the event that the terms of the Issuer’s post-issuance tax compliance procedures conflict with the terms of this Agreement, the terms of this Agreement will control.

25. Record Retention. The Borrower and the Trustee will retain or cause to be retained all pertinent and material records relating to any formal elections made for purposes of federal income tax law; the use of the Project; the investment, use and expenditure of the Proceeds of the Bonds; and the calculation of rebate in connection with the Bonds until three years after the Bonds, including any tax-exempt obligations issued to refinance the Bonds, are redeemed or paid at maturity, or such shorter period as authorized by subsequent guidance issued by the Department of the Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Issuer to retrieve and reproduce such books and records in the event of an examination of the Bonds by the IRS.

26. Examination by IRS. The Borrower acknowledges that, in the event of an examination by the IRS of the exclusion of interest on the Bonds from the gross income of the owners thereof for federal tax purposes, the Issuer will likely be treated as the “taxpayer”, and the Borrower agrees to respond in a commercially reasonable manner on behalf of, and at the direction of, the Issuer (and in consultation with the Trustee, who will have the right to participate in all related proceedings (including tax court challenges and appeals)) to such examination and to pay the costs of the counsel selected by the Issuer to provide a defense regarding the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. THE BORROWER WILL INDEMNIFY AND HOLD HARMLESS THE ISSUER AND THE TRUSTEE AGAINST ANY AND ALL COSTS, LOSSES, CLAIMS, DAMAGES, OR LIABILITY OF, OR RESULTING FROM, SUCH AN EXAMINATION AND THE SETTLEMENT THEREOF BY THE ISSUER AND THE TRUSTEE (INCLUDING THE COST OF THE ISSUER’S AND THE TRUSTEE’S LEGAL COUNSEL), EXCEPT AS A RESULT OF THE WILLFUL MISCONDUCT, BAD FAITH, OR FRAUD OF THE ISSUER (WITH RESPECT TO INDEMNIFICATION OF THE ISSUER) OR THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, BAD FAITH, OR FRAUD OF THE TRUSTEE (WITH RESPECT TO INDEMNIFICATION OF THE TRUSTEE).

27. Term. The obligations of the Issuer, the Borrower and the Trustee, under this Agreement will survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

28. Amendments.

(a) To the extent any amendments to the Code or the Regulations, which, as a matter of law, are applicable to the Project and, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Agreement, this Agreement will be deemed to be automatically amended to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as will be necessary to document such automatic amendment hereof.

(b) To the extent that the Code or the Regulations, or any amendments thereto, which, as a matter of law, are applicable to the Project and, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Agreement, this Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, the Trustee and the Borrower and upon receipt of a Favorable Opinion of Bond Counsel.

(c) All reasonable costs, including fees and out-of-pocket expenses actually incurred by the Issuer and the Trustee, in connection with an amendment to this Agreement will be paid by the Borrower and its successors in interest.

29. Remedies. The Issuer, the Trustee, and the Borrower each hereby agrees that the remedies available under Article X of the Indenture and Article VII of the Loan Agreement apply upon the occurrence of an Event of Default (as defined under the Indenture or the Loan Agreement, as applicable) resulting from an action or omission of an action by any party hereunder with respect to any provision of this Agreement.

30. Miscellaneous.

(a) Severability. If any provision of this Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such provision will not affect any of the remaining provisions hereof.

(b) Counterparts. This Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

(c) Notices. All notices, demands, communications and requests which may or are required to be given hereunder or by any party hereto will be deemed given on the date on which the same will have been mailed by registered or certified mail, postage prepaid, addressed to such parties at the addresses set forth in the Indenture and the Loan Agreement, as applicable.

(d) Successors and Assigns. The terms, provisions, covenants and conditions of this Agreement bind and inure to the benefit of the respective successors and assigns of the Issuer, the Borrower, and the Trustee.

(e) Headings. The headings of this Agreement are inserted for convenience only and will not be deemed to constitute a part of this Agreement.

(f) Governing Law. This Agreement is governed by the laws of the State, without regard to the choice of law rules of the State. Venue for any action under this Agreement will lie within the district courts of the State, and the parties hereto consent to the jurisdiction and venue of any such court and hereby waive any argument that venue in such forums is not convenient.

(g) The Trustee. Every provision of this Agreement relating to the conduct of, or affecting the liability of, or affording protection to, the Trustee shall be expressly subject to Article XI of the Indenture.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Issuer, the Borrower and the Trustee (but, as for the Trustee, it is only agreeing to sections 2(c), 14, 15, and 26 through 30) have caused this Agreement to be executed and delivered by duly authorized officers thereof as of Closing Date.

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS**, as Issuer

By: _____
Name: Monica Galuski
Title: Director of Bond Finance/Chief Investment
Officer

OSO BAY APARTMENTS, LLC, a Texas limited liability company

By: Oso Bay Housing Partners, LP,
a Texas limited partnership
Its: Sole Member and Manager

By: Oso Affordable Housing LLC,
a Texas limited liability company,
Its: General Partner

By: Commonwealth Multifamily Housing
Corporation, a Pennsylvania 501(c)3,
Its: Sole Member

By: _____
David P. Cole
Title: Executive Vice President

REGIONS BANK, as Trustee

By: _____
Name: Gregory Pulley
Title: Assistant Vice President

EXHIBIT A

ISSUE PRICE CERTIFICATE

I, the undersigned officer of Colliers Securities LLC (“Colliers”), make this certification in connection with the \$14,000,000 Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”). Each capitalized term used but not defined herein has the meaning or is the amount, as the case may be, specified for such term in the Tax Exemption Certificate and Agreement prepared in connection with the Bonds (the “Tax Exemption Agreement”).

1. I hereby certify as follows in good faith as of the Issue Date of the Bonds:

(a) I am the duly chosen, qualified and acting officer of Colliers for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of Colliers. I am the officer of Colliers charged, along with other officers of Colliers, with responsibility for the Bonds.

(b) The first price at which at least 10% of the Bonds was sold to the Public is the price set forth on the cover of the Official Statement prepared in connection with the Bonds (each, an “Actual Sales Price”).

(c) The aggregate of the Actual Sales Prices is \$14,000,000.

2. For purposes of this Issue Price Certificate, the following definitions apply:

(a) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(b) “Related Party” means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Colliers's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code. The undersigned understands that the foregoing information will be relied upon by the Issuer and the Borrower with respect to certain of the representations set forth in the Tax Exemption Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bracewell LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this _____ day of _____, 2021.

COLLIERS SECURITIES LLC

By: _____

Name: Frank J. Hogan

Title: Senior Vice President

EXHIBIT C

CERTIFICATE OF FINANCIAL ADVISOR

I, the undersigned officer of Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”), make this certificate in connection with the \$14,000,000 Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Oso Bay Apartments) Series 2021 (the “Bonds”). Each capitalized term used herein has the meaning or is the amount, as the case may be, specified for such term in the Tax Exemption Certificate and Agreement to which this Exhibit B is attached (the “Tax Exemption Agreement”). I hereby certify as follows as of the Issue Date of the Bonds:

1. I am the duly chosen, qualified and acting officer of the Financial Advisor for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Financial Advisor.

2. The Issue Price plus any Pre-Issuance Interest on the Bonds, based on the representations of the Underwriter in the Issue Price Certificate attached as Exhibit A to the Tax Exemption Agreement, is not more than \$14,000,000.

3. Solely for the purposes of demonstrating the fact that the Yield on the Loan is not more than 1.5 percentage points higher than the Yield on the Bonds, the Financial Advisor computed the Yield on the Bonds, based on the Issue Price and assuming [monthly] compounding, a rate of interest of [] percent per annum, and payment of the bonds on the mandatory tender of [], to be [Bond Yield] percent and the Yield on the Bond Loan to be [Loan Yield] percent. Accordingly, the Yield on the Bond Loan does not exceed the Yield on the Bonds by more than 1.5 percentage points.

4. For purposes of determining the Yields in paragraph 3 above, the Financial Advisor has performed certain calculations relating to the Bonds and the Bond Loan. Such calculations are attached hereto as Schedule I. The Financial Advisor hereby represents that such calculations are based on assumptions and methodologies provided by Bond Counsel and are in all material respects consistent with the assumptions and methodologies set forth in the “Yield on the Bonds” and “Yield on the Bond Loan” paragraphs of the Tax Exemption Agreement. These calculations include calculations based upon assumptions, information, and estimates obtained from the Borrower and the Issuer, which the Financial Advisor, based on its experience with similar transactions, has no reason to believe are not reasonable in light of the relevant facts and circumstances. To the best of the Financial Advisor’s knowledge, as of the Issue Date of the Bonds, no fact or circumstance has come to the Financial Advisor’s attention that conflicts with the assumptions, information and estimates described in the preceding sentence.

5. As shown in Schedule I attached hereto, the Financial Advisor computed the Weighted Average Maturity of the Bonds, calculated in accordance with the provisions of the Tax Exemption Agreement, to be [WAM] years.

6. The Financial Advisor represents that to the best of its knowledge as of the Issue Date of the Bonds, the statements set forth in paragraphs (a) through (c) of the “Not An Abusive Transaction” paragraph of the Tax Exemption Agreement are true.

The Issuer may rely on the statements made herein in connection with making the representations set forth in the Tax Exemption Agreement and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. Bracewell LLP also may rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes and the preparation of the Form 8038.

[EXECUTION PAGE FOLLOWS]

The foregoing Certificate of Financial Advisor has been duly executed as of the Closing Date.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____

Name: _____

Title: _____

Signature Page to Certificate of Financial Advisor

SCHEDULE I
TO CERTIFICATE OF FINANCIAL ADVISOR

Schedule I to Certificate of Financial Advisor

EXHIBIT D
SCHEDULE OF BOND LOAN COSTS

Paid Prior to Closing

Application Fee	\$2,080
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Paid at Closing

Issuer Administration Fee (first two years)	\$[_____]
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Issuer Compliance Fee (first year)	\$2,600
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Annual Fees

Issuer Administrative Fee (beginning February 1, 2023)	0.10% per annum of the aggregate principal amount of the Bonds outstanding
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Issuer Compliance Fee (beginning February 1, 2024)	\$25 per unit in the Project
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FUNDING AGREEMENT

This Funding Agreement (this “**Agreement**”) is dated as of _____, 2021, by and among _____ (the “**Borrower**”), **Regions Bank**, an Alabama banking corporation (the “**Lender**”), the **Texas Department of Housing and Community Affairs**, a public and official agency of the state of Texas (the “**Issuer**”) and **REGIONS BANK**, an Alabama banking corporation, as Trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Borrower desires to acquire, rehabilitate and equip a _____ multifamily housing development to be known as “Oso Bay Apartments” located in the Corpus Christi, Nueces County, Texas and identified as FHA Project No. 115-35927 (the “**Project**”); and

WHEREAS, the Issuer has agreed to issue its Multifamily Housing Revenue Bonds, (Oso Bay Apartments), Series 2021 in the principal amount of \$_____ (the “**Bonds**”) to finance a portion of the costs of acquisition, rehabilitation and equipping of the Project (“**Project Costs**”); and

WHEREAS, the proceeds from the sale of the Bonds have been or will be deposited in Funds created by that certain Trust Indenture dated as of [the date hereof] (the “**Indenture**”), by and between the Issuer and the Trustee; and

WHEREAS, pursuant to the Indenture and a Loan Agreement, dated as of [the date hereof] (the “**Loan Agreement**”), among the Issuer and the Borrower, the Issuer has agreed to finance a loan (the “**Bond Loan**”) to the Borrower to enable the Borrower to acquire, rehabilitate and equip the Project and the Borrower will be entitled to receive disbursements from the Project Fund established pursuant to the Indenture (the “**Project Fund**”) for the payment of or reimbursement for certain Project Costs; and

WHEREAS, to provide long-term financing for the Project, the Borrower is obtaining from the Lender a mortgage loan in the principal amount of \$_____ (the “**HUD Loan**”), the repayment of which will be insured (the “**FHA Insurance**”) by the Federal Housing Administration (“**FHA**”) of the United States Department of Housing and Urban Development (“**HUD**”); and

WHEREAS, the Borrower desires that a portion of the Project Costs be financed with proceeds of the Bonds as provided in the Indenture and the Loan Agreement, which permit disbursements from the Project Fund to be made for such purpose only upon the receipt by the Trustee of an amount of funds equal to such requested disbursement comprised of funds from the Lender prior to FHA Insurance (the “**Lender Funds**”) [in accordance with the Indenture][in each case (as applicable) equal to the amount of the requested disbursement of proceeds of the Bond Loan].

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties hereto hereby agree as follows:

Section 1. Definitions. Capitalized terms used in this Agreement and not otherwise defined in it shall have the meanings ascribed to them in the Loan Agreement and Indenture.

Section 2. Mortgage Loan Advances. The Lender, the Issuer, the Trustee, and the Borrower hereby agree that to the extent that any Lender Funds are to be advanced to the Trustee to be used as collateral for the Bonds, such amounts will be disbursed in accordance with this Section as follows:

(i) Upon approval by the Lender and, if required, HUD, of a request from the Borrower for an advance of the Lender Funds (a "**Mortgage Loan Advance**"), the Lender shall notify the Trustee of the amount of such Mortgage Loan Advance and the amount of the related Lender Funds to be delivered by the Lender to the Trustee and deposited in the Collateral Fund. [The Trustee may conclusively rely on the Lender's approval of a Requisition (as defined herein) as approval of a Mortgage Loan Advance.]

(ii) Notwithstanding anything to the contrary contained herein, the Borrower shall submit to the Trustee a requisition and such other documentation as is required pursuant to the Indenture and the Loan Agreement (such documentation collectively referred to herein as a "Requisition") and other documents evidencing the Bonds and the Bond Loan (the "**Bond Documents**") for a disbursement of Bond Loan proceeds in connection with a Mortgage Loan Advance. The Trustee shall confirm to the Lender and title escrow agent, as applicable, that it is prepared to disburse pursuant to the Requisition an amount of Bond Loan proceeds equal to the Lender Funds upon receipt by the Trustee of the Lender Funds. Upon receipt of such confirmation from the Trustee, the Lender shall immediately forward the Lender Funds to the Trustee. Upon receipt of said funds, the Trustee shall (assuming continued compliance with the Bond Documents as previously confirmed) deposit the Lender Funds in the Collateral Fund in accordance with the Indenture and then immediately disburse from the Project Fund [to the Lender (or to the title escrow agent at the Lender's direction) for disbursement to the Borrower][in accordance with the Requisition] an amount of Bond Loan proceeds equal to the Lender Funds. In the event that the Trustee is not prepared to make such disbursement, the Trustee shall not deposit the Lender Funds into the Collateral Fund and shall so inform the Lender, and shall return the Lender Funds to the Lender.

Section 3. Disbursements of Bond Loan Proceeds; Requisitions. Pursuant to the Indenture, Trustee has agreed to disburse at the direction of the Issuer, the Lender, Trustee and the Borrower, as applicable, advances of the Bond Loan upon the satisfaction of the terms and provisions of the Indenture, the Loan Agreement, and the other Bond Documents. Upon (i) deposit by the Trustee of Lender Funds in the Collateral Fund in accordance with Section 2(ii) hereof, and (ii) receipt of a Requisition, the Trustee shall be unconditionally and irrevocably obligated to disburse an equal amount from the Project Fund [to the Lender (or to the title escrow agent at the Lender's direction)][in accordance with the Requisition]. If for any reason the Trustee determines that it is unable

to disburse from the Project Fund an amount equal to the Lender Funds, received by the Trustee, the Trustee must immediately wire transfer back such Lender Funds it has received to the Lender.

Section 4. Status of Lender; Status of Issuer; Notification of Issuer and Trustee. The Lender hereby agrees to advise the Issuer, Trustee, Borrower and the Trustee in writing immediately if the Lender's status as either a GNMA approved issuer of mortgage-backed securities or a HUD-approved mortgagee engaged in the servicing of FHA loans has been revoked, suspended, limited or otherwise restricted or if the Lender has been advised by GNMA or HUD of any such pending revocation, suspension, limitation or other restriction. In the event of any actual or pending revocation of the Lender's status as a GNMA approved issuer or HUD-approved mortgagee, the Lender agrees to cooperate with the Issuer and the Borrower in a commercially reasonable manner to ensure that servicing of the HUD Loan is transferred in an orderly and expedient manner to another lender which is a qualified GNMA-approved issuer and HUD-approved mortgagee.

Section 5. Warranty of Truth. Upon information and belief, the Borrower and Lender each represent that the information, certificates, written statements and reports required by the Loan Agreement or otherwise furnished hereunder by such party contain true statements of material facts without omitting material facts necessary to make such information, certificates, statements or reports not misleading.

Section 6. Tax Exempt Status of the Bonds. Subject to the Loan Agreement, the Lender shall not take any action which the Lender knows would adversely affect the excludability from gross income for purposes of federal income taxation of interest on the Bonds. The Lender shall use commercially reasonable efforts and act in good faith to cooperate with the Borrower, the Trustee and the Issuer to ensure the continued excludability from gross income for purposes of federal income taxation of interest on the Bonds. If the Lender knows that any such action of the Lender required by the FHA Insurance Regulations, the GNMA Regulations, and/or administrative requirements will adversely affect the excludability from gross income for purposes of federal income taxation of interest on the Bonds, the Lender shall notify the Trustee, the Borrower, and the Issuer of such action in writing as soon as commercially practicable. The Issuer acknowledges that the Lender and Trustee do not have knowledge of the statutes, rules and regulations pertaining to the excludability from gross income for purposes of federal income taxation of interest on the Bonds and that the Lender and Trustee shall have no obligation to make any inquiry into the requirements of any such statutes, rules and/or regulations. The Lender hereby agrees, subject to any FHA Insurance Regulations, GNMA Regulations and/or administrative requirements, or requirements of HUD, that if the Issuer or the Borrower advises the Lender as to any specific issues or problems relating to any such statutes, rules and/or regulations with respect to the Project, the Bond Loan, and/or the HUD Loan, the Lender, subject to the provisions of the Loan Agreement, shall perform, observe and comply with the covenants set forth therein, as required by the Issuer or its Bond Counsel, and the Borrower agrees to pay any costs incurred by the Lender in connection therewith.

Section 7. Yield Restriction. If and to the extent requested by the Issuer, the Lender (subject to any FHA Insurance Regulations, and GNMA Regulations and/or administrative requirements, or requirements of HUD), the Borrower agrees to restrict the yield on any or all reserves or other deposits held by the Lender, Trustee, the Issuer, or the Borrower under or in connection with the Bond Loan, or the HUD Loan, including, without limitation, reserve funds for replacements, operating deficit reserves and working capital reserves, if the Issuer determines in its discretion that any such yield must or should be restricted to comply with the requirements of the Internal Revenue Code of 1986, as amended.

Section 8. Lender Obligations. As long as the Loan Agreement remains in effect, the Lender agrees to provide to the Issuer such information relating to the servicing of the HUD Loan, including all reports related to the Project. Lender shall make available all reports which it must or does make to HUD or GNMA, as the Issuer may reasonably request from time to time, which information may be disclosed by the Issuer to the Trustee, any holder or potential holder of the Bonds (including beneficial owners), the Issuer's underwriters, financial advisors, attorneys and other participants in its bond financings, and to any information repository, analyst, public officer or employee, or other similar persons having an interest in the Bonds, notwithstanding any provision of law relating to confidentiality of such information.

Section 9. Affirmative Covenants of Borrower. The Borrower hereby covenants and agrees that it will:

(a) Keep, perform, enforce and maintain in full force and effect all of the terms, covenants, conditions and requirements of this Agreement, the Loan Agreement, and the HUD Loan documents.

(b) Observe and comply with the reasonable requirements of the Lender, Trustee, and the Issuer promptly and fully.

Section 10. HUD Loan Documents and Regulations Control. In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of this Agreement and the provisions of any requirements of HUD and/or GNMA or the HUD Loan documents, the HUD and/or GNMA requirements or HUD Loan documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of such HUD and/or GNMA requirements and HUD Loan documents, as applicable.

Enforcement of the covenants in this Agreement will not result in, and the Trustee does not have nor shall be entitled to assert, any claim against the Project, the HUD Loan proceeds, any reserves or deposits required by HUD in connection with the HUD Loan transaction, the rents or deposits or other income of the Project, or the assets of the Lender.

Failure of the Issuer or the Borrower to comply with any of the covenants set forth in this Agreement will not serve as a basis for default on the HUD Loan, the Mortgage securing the HUD Loan, or any of the other HUD Loan documents.

Section 11. Agreement Controls. In the event that this Agreement conflicts with the Indenture or the Loan Agreement, this Agreement shall control.

Section 12. Amendments. No amendment, change, waiver or modification of this Agreement shall be valid unless the same be in writing and signed by all of the parties hereto.

Section 13. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be an original, but all of which shall constitute one agreement.

Section 14. Governing Law. This Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of Texas.

Section 15. Term. This Agreement shall remain effective until the maturity date or earlier redemption date of the Bonds and shall terminate on such maturity date or earlier redemption date; provided, however, that any cause of action for breach of this Agreement shall survive such termination.

Section 16. Notices. Any notices required or contemplated hereunder shall be effective upon personal delivery or upon the placing thereof in the United States mail, registered or certified mail, postage prepaid, and addressed as provided in the Loan Agreement.

Section 17. Severability. If any term, covenant or condition of this Agreement or the application thereof to any person or circumstances shall, to any extent, be held to be invalid or unenforceable, the remainder thereof, and the application of such term, covenant or condition to other persons or circumstances, shall not be affected thereby, and this Agreement and all the terms, covenants and conditions hereof shall, in all respects, continue to be valid and enforceable and to be complied with to the full extent permitted by law.

Section 18. Compliance with Texas Government Code. Each of the Borrower, the Lender, and the Trustee, hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each of the Borrower, the Lender, and the Trustee

Oso Bay Apartments
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understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Each of the Borrower, the Lender, and the Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes any of the Borrower, the Lender, and the Trustee and each of such entity's parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each of the Borrower, the Lender, and the Trustee understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

IN WITNESS WHEREOF, the parties hereto have caused this Funding Agreement to be executed the date and year first above written.

[COUNTERPART SIGNATURE PAGES FOLLOW]

Oso Bay Apartments
Corpus Christi, Nueces County, Texas
FHA Project No. 115-35927

COUNTERPART SIGNATURE PAGE TO FUNDING AGREEMENT

BORROWER:

Oso Bay Apartments
Corpus Christi, Nueces County, Texas
FHA Project No. 115-35927

COUNTERPART SIGNATURE PAGE TO FUNDING AGREEMENT

LENDER:

REGIONS BANK
an Alabama banking corporation

By: _____
Sophia White-Oden
Director

Oso Bay Apartments
Corpus Christi, Nueces County, Texas
FHA Project No. 115-35927

COUNTERPART SIGNATURE PAGE TO FUNDING AGREEMENT

TRUSTEE:

Oso Bay Apartments
Corpus Christi, Nueces County, Texas
FHA Project No. 115-35927

COUNTERPART SIGNATURE PAGE TO FUNDING AGREEMENT

ISSUER:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____

Name: James B. "Beau" Eccles

Title: Secretary to Board

[Deal Name]
[City, county, state]
FHA Project No. _____

LOAN DISBURSEMENT PROCEDURES AGREEMENT

This Loan Disbursement Procedures Agreement (this "Agreement") is entered into as of _____, by and among _____, a Texas partnership in commendam ("Borrower"), the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas ("Issuer"), **REGIONS BANK**, an Alabama banking corporation ("Lender"), **REGIONS BANK**, an Alabama banking corporation, as Trustee (the "Trustee"), **REGIONS BANK**, an Alabama banking corporation (the "Bridge Lender"), _____, a _____ limited liability company ("Tax Credit Investor"), _____, a _____ limited liability company ("Contractor"), _____ ("Title Company" and "Disbursing Agent"), and the Title Company as agent for _____ ("First American").

RECITALS

WHEREAS, Borrower plans to rehabilitate a _____ multifamily housing facility to be known as "_____" located in _____ and identified as FHA Project No. _____ (the "**Project**"); and

WHEREAS, the "Mortgageable Costs" of the construction of the Project, as determined by HUD, total \$ _____ (the "Mortgageable Costs of Development"); and

WHEREAS, the "Non-Mortgageable Costs" of the construction of the Project is estimated to be \$ _____ ("Non-Mortgageable Costs of Development"); and

WHEREAS, the Borrower and Lender have entered into a Building Loan Agreement, whereby Borrower has obtained a HUD insured first mortgage loan dated as of _____, with respect to a HUD insured construction loan in the principal amount of \$ _____ insured through HUD's Multifamily Mortgage Insurance Program ("HUD Insurance Program"), pursuant to Section 221(d)(4) of the National Housing Act, as amended, and in accordance with HUD's Commitment for Insurance of Advances with respect to the Project dated _____, as amended (the "HUD Loan" the proceeds of which are referred to herein as the "Lender Funds"); and

WHEREAS, Tax Credit Investor is a limited partner of the Borrower pursuant to that certain Amended and Restated Agreement of Limited Partnership of the Borrower dated as of _____, as amended (the "Partnership Agreement"), and will be contributing installments of equity to the Borrower in the aggregate amount of \$ _____ and subject to the funding conditions and

all other requirements contained in the Partnership Agreement (the “Tax Credit Equity”); and

WHEREAS, the proceeds (“Bond Proceeds”) from the sale of those certain \$ _____ Multifamily Housing Revenue Bonds (Oso Bay Apartments Project), Series 2021 (the “Bonds” the proceeds of which are referred to herein as the “Bond Proceeds”) issued by the Issuer have been deposited with the Trustee. Pursuant to (i) a Loan Agreement between Issuer and Borrower (the “Bond Loan Agreement”), (ii) a Trust Indenture between Issuer and Trustee (the “Indenture”), and (iii) a Regulatory and Land Use Restriction Agreement among the Borrower, Issuer and Trustee (collectively, the “Bond Documents”) the Bond Proceeds are to be loaned to the Borrower to pay certain costs and expenses of the Project (the “Bond Loan”); and

[WHEREAS, Borrower has obtained a second priority loan (“CDBG Loan”) from _____, a public body corporate and politic constituting an instrumentality of the State of Louisiana (“LHC”) in the principal amount of \$ _____. The proceeds of the CDBG Loan are to be disbursed to or for the account of the Borrower in accordance with the terms and conditions of a loan agreement by and between Borrower and LHC (“CDBG Loan Agreement”). The CDBG Loan will be evidenced by a Gap Financing Note from the Borrower to LHC (“CDBG Note”), and the CDBG Note will be secured by a CDBG Act of Mortgage from the Owner to LHC (“CDBG Mortgage”); and]

[WHEREAS, Borrower has obtained a bridge loan from **REGIONS BANK**, an Alabama banking corporation (“Bridge Loan”) in the principal amount of \$ _____. The proceeds of the Bridge Loan are to be disbursed to or for the account of the Borrower in accordance with the terms and conditions of a Credit Agreement dated as of _____, by and between Borrower and Bridge Lender (as amended, restated, or otherwise modified, “Bridge Loan Agreement”). The Bridge Loan will be evidenced by a bridge loan note from the Borrower to Bridge Lender (as amended, restated, or otherwise modified, “**Bridge Note**”), and the Bridge Note will be secured by separate collateral pledge, assignment and security agreements from affiliates of the Borrower (as amended, restated, or otherwise modified, “**Bridge Loan Security Documents**”); and]

WHEREAS, the Title Company has issued a First American Lender’s ALTA 2006 Form Title Insurance Policy with respect to the HUD Loan and has agreed to provide Endorsements and disburse the proceeds of the HUD Loan, Bridge Loan, and Equity, as defined herein, in accordance with the terms of this Agreement; and

WHEREAS, this Agreement is entered into in accordance with HUD regulations, handbooks, guides, forms and other HUD Insurance Program requirements (collectively, the “HUD Program Obligations”) that are applicable in connection with the financing of the Project; and

WHEREAS, the HUD Program Obligations require that disbursement of Borrower equity must be in accordance with an appropriate agreement for the timely infusion of equity, including that at least twenty percent of the Total Tax Credit Equity required for the Mortgageable Costs of Development is to be funded and available for Project purposes by or at the Initial Closing (as defined below) of the HUD Loan; and

WHEREAS, the Borrower and the Contractor have entered into a Cost Plus Construction Contract (Form HUD-92442M) (the "Construction Contract") with respect to construction of the Project; and

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

DESCRIPTION OF FUNDS

LENDER FUNDS

1. Lender Funds. Pursuant to that certain Building Loan Agreement entered into by Lender and Borrower of even date herewith (the "Building Loan Agreement"), Lender has agreed to make the HUD Loan to Borrower for the Project. The HUD Loan is evidenced by a Note (Multistate) in the amount of \$ _____ (the "HUD Note"), and secured by a [Multifamily Act of Mortgage, Pledge of Lease and Rents and Security Agreement (Texas)] with Exhibits and Riders, from the Borrower for the benefit of Lender, along with the documents evidencing or securing the HUD Loan (the "HUD Loan Documents"). Funds disbursed or to be disbursed under the HUD Note are hereinafter referred to as "Lender Funds." Notwithstanding any provision to the contrary herein, the Lender Funds will be disbursed in connection with each approved Draw Request in a manner to ensure compliance with Program Obligations.

BOND LOAN

2. Tax-Exempt Bond Proceeds. Pursuant to the Indenture and Bond Loan Agreement, Trustee has been directed to disburse [with the approval] of the Lender advances of the Bond Loan upon the satisfaction of the terms and provisions of the Indenture, the Bond Loan Agreement, and the other Bond Documents and as more fully set forth herein.

BORROWER EQUITY

3. Developer's Fee. Payment of a portion of the developer's fee, the entire amount of which is estimated to be \$ _____, shall be deferred until after construction of the Project, provided that the developer's fee may be paid sooner if permitted in accordance with the terms of Borrower's Partnership Agreement to the extent funds other than Lender Funds are available.

4. Tax Credit Equity.

a. The Tax Credit Equity will be contributed by the Tax Credit Investor to the Borrower pursuant to the Partnership Agreement and subject to the funding conditions and all other requirements contained in the Partnership Agreement. An initial payment of not less than \$_____ of Tax Credit Equity shall be contributed to the Title Company for credit to the Borrower, all or part of which shall be applied to Mortgageable Costs of Development on or before Initial Closing. Upon receipt of each contribution, Borrower will provide Lender with notice and evidence of receipt of the Tax Credit Equity.

b. Pursuant to and subject to satisfaction of the conditions of the Partnership Agreement, Tax Credit Investor will contribute additional tax credit equity to the Borrower pursuant to the terms and conditions of the Partnership Agreement.

5. Loan Documents. The terms of the Bond Documents, Partnership Agreement, and the HUD Loan Documents, to the extent applicable, shall govern the rights and obligations among the Tax Credit Investor, the Lender, and the Borrower, unless this Agreement explicitly provides otherwise, it being the intent of the parties to comply with the HUD Program Obligations relative to the use of separate sources of funds, and not to alter the terms of the Bond Documents, Partnership Agreement, or the HUD Loan Documents for the Project. In the event of any inconsistency between the Bond Documents, Bridge Loan Security Documents, Partnership Agreement, the HUD Loan Documents and this Agreement, the terms of this Agreement shall control, subject to the HUD Program Obligations. The Developer's Fee, and Tax Credit Equity shall be collectively referred to herein as "Equity".

ADVANCE OF PROCEEDS

8. Sources and Uses. Attached hereto as Exhibit A and incorporated herein by this reference is a sources and uses for the costs of development (the attached Sources and Uses, as it may be subsequently modified in accordance with applicable HUD Program Obligations, is referred to hereinafter as the "Sources and Uses") that shall govern disbursements of Lender Funds, Bond Proceeds and Equity, as provided herein. All disbursements of the Equity, Bond Proceeds and Lender Funds shall be made in accordance with the Sources and Uses. Notwithstanding anything to the contrary contained herein, Lender Funds shall only be disbursed and applied to the Mortgageable Costs of Development. Furthermore, all fund(s) contemplated herein shall be disbursed in accordance with the Funding Schedule attached as an exhibit to the Building Loan Agreement.

9. Advances of Lender Funds and Bond Proceeds. The Lender, Issuer, Trustee, and the Borrower hereby agree that to the extent that any Lender Funds are to be advanced to the Trustee to be used as collateral for the Bonds, such amounts will be disbursed in accordance with this Section as follows:

a. Upon approval by the Lender and, if required, HUD, of a request from the Borrower for an advance of the Lender Funds (a "Mortgage Loan Advance"), the Lender shall notify the Trustee of the amount of such Mortgage Loan Advance and the amount of the related Lender Funds to be delivered by the Lender to the Trustee and deposited in the Collateral Fund.

b. Notwithstanding anything to the contrary contained herein and pursuant to that certain Funding Agreement dated of even date herewith and by and among Borrower, Lender, Trustee, and Issuer (the "Funding Agreement") and the Indenture, the Borrower shall submit to the Trustee a requisition in the form attached as an exhibit to the Indenture (each a "Requisition") and such other documentation as is required pursuant to the Indenture and the Bond Loan Agreement for a disbursement of Bond Loan proceeds in connection with a Mortgage Loan Advance. The Trustee shall confirm to the Lender that it is prepared to disburse to the Lender an amount of Bond Loan proceeds equal to the Lender Funds upon receipt by the Trustee of the Lender Funds. Upon receipt of such confirmation from the Trustee, the Lender shall immediately forward the Lender Funds to the Trustee. Upon receipt of said Lender Funds, the Trustee shall (assuming continued compliance with the Bond Documents as previously confirmed) deposit the Lender Funds in the Collateral Fund in accordance with the Indenture and then immediately disburse from the Project Fund [to the Lender (or to the title escrow agent at the Lender's direction) for disbursement to the Borrower][in accordance with the Requisition] an amount of Bond Proceeds equal to the Funds. In the event that the Trustee is not prepared to make such disbursement, the Trustee shall not deposit the Funds into the Collateral Fund and shall so inform the Lender, and shall return the Lender Funds to the Lender.

10. Disbursement of Lender Funds

a. Disbursement of Initial and Final Advances. Subject to the provisions of this Agreement, the Lender may advance funds to the Disbursing Agent for the initial advance of Lender Funds (the "Initial Advance") and the final advance of Lender Funds (the "Final Advance"). The Initial Advance and Final Advance shall be funded with Equity and/or HUD Loan proceeds and shall be disbursed by the Disbursing Agent in accordance with the Lender's closing statement, signed and approved by the Borrower and Disbursing Agent. An authorization notice will be delivered by e-mail, scan or facsimile to Disbursing Agent, signed by the Lender directing disbursement of the Initial Advance and the Final Advance.

b. Funding of Initial Draw. The closing of the HUD Loan and initial endorsement by HUD of the HUD Note for mortgage insurance is referred to herein as the "Initial Closing". At the time of the Initial Closing, the initial installments of Equity and Bond Proceeds shall be funded for application, in whole or in part, to Mortgageable Costs of Development, and Lender shall disburse Lender Funds to be deposited with the Trustee at Initial Closing, which amount shall be insured by HUD. Both Lender Funds and Equity shall be [disbursed by the Disbursing Agent] at the Initial Closing in accordance with the Lender's settlement statement. For the purpose of determining interest under the provisions of the HUD Note evidencing the Loan, the proceeds of the

Loan will be deemed to have been disbursed as of the respective dates the same are made available to the Disbursing Agent or Borrower.

c. Funding of Subsequent Approved Draws. After the Initial Closing, each subsequent approved Draw Request shall be fully funded by [Bond Proceeds until exhausted and thereafter by] Lender Funds and/or Equity as to Mortgageable Development Costs and by Equity proceeds as to Non-Mortgageable Development Costs in accordance with the procedures set forth below.

d. Other Agreements Binding. This Agreement shall not be construed to vary or affect the rights or obligations of the Borrower and the Lender under the Building Loan Agreement or of the Borrower and the Contractor under the Construction Contract executed in connection with the Project.

11. Disbursement Procedures for Funding of Subsequent Advances. After the Initial Closing, each subsequent approved Draw Request shall be fully funded in accordance with the Sources and Uses, including the Final Advance, shall be fully funded by [Bond Proceeds until exhausted and thereafter by] Lender Funds and Equity proceeds as to Mortgageable Development Costs and by Equity proceeds as to Non-Mortgageable Development Costs.

Disbursement Procedures.

a. Project Inspections. HUD, Borrower, Tax Credit Investor, and Lender and their respective agents shall have access to the Project at all reasonable times for the purpose of inspection of construction work and progress of work, provided that such inspection shall not unreasonably interfere with construction work. In advance of submission of a draw request that includes a Contractor's Requisition, Borrower shall schedule a Project inspection (each, a "Progress Inspection") to be attended by the Contractor and HUD's inspecting architect (the "HUD Architect"), and shall provide notice to the Tax Credit Investor and Lender (orally or in writing) at least three business days in advance of each Progress Inspection. The Tax Credit Investor and Lender shall have the right (but shall not be obligated) to attend any Progress Inspection. At a Progress Inspection, the HUD Architect shall inspect the construction of the Project and determine the percentage of completion for, and amount of, each Contractor's Requisition.

b. Draw Documentation. Borrower shall initiate each request for a disbursement of Lender Funds by delivering the following documentation to Lender (the "Draw Documentation"):

(i) for draws of Mortgageable Costs, an executed Application for Insurance of Advance of Mortgage Proceeds (Form HUD-92403), and (B) for draws of Non-Mortgageable Costs, such draw request documentation as may be reasonably acceptable to Tax Credit Investor; both together with supporting invoices and documentation, and a statement of the portion(s), if any, of the disbursement to be paid from each funding source identified on Exhibit A hereto, as applicable (the "Draw Request"); and

(ii) if the disbursement includes payment of amounts due to Contractor under the Construction Contract (other than disbursements for bond premium or other fees), an executed Contractor's Requisition for Payment (HUD Form 92448) including therein an executed Prevailing Wage Certificate, and any supporting documentation required by HUD or the Lender (the "Contractor's Documentation");

(iii) such other documents as may be reasonably requested by HUD, Trustee, or Tax Credit Investor; and

(iv) with respect to the Bond Proceeds to be disbursed in connection with a [corresponding draw and Collateral Payment][disbursement of Lender Funds for deposit into the Collateral Fund], an executed Requisition, which Requisition shall have been provided by Borrower to the Trustee. The Trustee shall have no responsibility or over-sight for any supporting documentation and may rely solely on executed Requisitions.

c. Approving a Draw Request.

(i) Review of Draw Requests by Tax Credit Investor. Tax Credit Investor will review each Draw Request received by it in accordance with the applicable Partnership Agreement and this Agreement. Notwithstanding any provision herein to the contrary, all advances of Equity shall be subject to satisfaction of all conditions in the Partnership Agreement for such advance. In the event that the Tax Credit Investor has any objection to any such Draw Request, Tax Credit Investor will provide notice thereof (an "Objection Notice") via email and overnight delivery to, Lender and Borrower within ten (10) business days after the date on which the Tax Credit Investor received the Draw Documentation with respect to such Draw Request (the "Objection Period"). Any Objection Notice shall specify in detail the basis for each of the objections and requirements for correction of each such objection. In the event that Tax Credit Investor fails to deliver an Objection Notice within the Objection Period, the party failing to object will have no further right to object to such Draw Request, but, subject to Section 15 hereof, shall have all of its rights and remedies under the Partnership Agreement other than the right to withhold funding of advances that satisfy the conditions therein.

(ii) Review of Draw Requests by Lender. Lender will review each Draw Request received by it pursuant to this Agreement and in accordance with HUD Program Obligations. For any Draw Request that is to be funded in whole or in part from Tax Credit Equity, Lender will not approve such Draw Request prior to the earlier of (i) receipt of Tax Credit Investor's approval of such Draw Request or (ii) the expiration of the Objection Period. In the event that Lender receives an Objection Notice prior to the expiration of the Objection Period, Lender, Tax Credit Investor, and Borrower will attempt to resolve the objection set forth therein within five (5) Business Days after the Lender's receipt of such Objection Notice. However, Lender may elect to approve such Draw Request as submitted or

approve the funding of a lesser amount, notwithstanding any objections by the Tax Credit Investor or Borrower. In the event that the parties are unable to resolve any objection so made by the Tax Credit Investor, such objection shall be referred to HUD for resolution in accordance with Section 11(d)(v) hereof. As used herein, "Business Day" means any day that is not a Saturday, Sunday, or federal holiday. The approval of Lender shall not be required for the funding of a Draw Request utilizing only Tax Credit Equity to fund only Non-Mortgageable Costs.

(iii) Submission of Draw Requests to HUD. If Lender is required, or elects, to submit a Draw Request to HUD for HUD's review of same, Lender shall deliver the Draw Request and HUD will review such Draw Request for appropriateness. Neither HUD nor Lender shall be responsible for the content, completeness or sufficiency of the Draw Documentation, nor shall HUD or Lender be responsible for the servicing, administering, or monitoring draws of the Equity. For Draw Requests that HUD is required (or requests) to approve, the amount of each disbursement of funds shall be determined by HUD; however, prior to the approval of construction disbursements, HUD shall consider any comments received from Lender, the Tax Credit Investor, the Trustee and/or Borrower, and may consult with the Lender, Tax Credit Investor, and Borrower regarding the amount of any disbursement. HUD shall have sole authority to resolve differences or disputes in the Project inspection process and disbursement of the Funds.

(iv) Approved Draws. As used herein, "Approved Draw" means a Draw Request that has been approved by Lender and, if applicable, HUD pursuant to this Agreement. Lender shall provide a copy of the approved Form HUD-92403 with respect to each Approved Draw to the Borrower, and Borrower shall provide a copy to Tax Credit Investor.

d. Funding of Approved Draw Requests. Upon approval of a Draw Request, the Lender shall notify Title Company of a pending advance and request a title update and provide notification of the scheduled funding date.

(i) The Title Company will search the public records and issue an endorsement to the Lender's First American title policy in the form agreed to by the Lender (the "Update Endorsement"). Title Company will forward a copy of the Update Endorsement to Lender by facsimile or email, which facsimile or email must be received by Lender not later than 12:00 P.M. Central Time on the date on which funding of the Advance is to occur.

(ii) Upon receipt by Lender of confirmation from the Title Company or Borrower that the proper amount of Equity has been so deposited and satisfaction of all other conditions to Lender's obligation to disburse, including but not limited to those requirements set out in Section 9 hereof Lender shall deposit (by wire transfer) the portion of such Approved Draw that is to be funded with Lender Funds with the Title Company or Borrower; provided, however, that Lender shall not be obligated to deposit such funds with the Title Company or Borrower unless and until (A) Lender has received an endorsement to the Lender's title

policy issued by the Title Company with respect to the Loan which is in form and substance reasonably satisfactory to Lender, and (B) the Title Company or Borrower has confirmed in writing or by email, scan or fax to Lender that the Title Company or Borrower has, in its account, good funds representing any funds which may be required to fund such Approved Draw.

(iii) Upon satisfaction of all conditions to Lender's obligation to disburse, Lender shall disburse by wiring or causing to be wired pursuant to Section 9 hereof the portion of an Approved Draw that is to be funded by Lender Funds directly to Trustee pursuant to the Funding Agreement, upon which Trustee shall then proceed with disbursements as agreed upon in Section 2 of that certain Funding Agreement, provided, however, that Lender shall not be obligated to disburse such funds unless and until (A) Lender has received an endorsement to the First American mortgage loan title policy issued by Title Company with respect to the HUD Loan which is in form and substance reasonably satisfactory to Lender, and (B) the Borrower has confirmed in writing or by email to Lender that Borrower has received any Tax Credit Equity proceeds which may be required to fund the Approved Draw.

(iv) Once Bond Proceeds are no longer available, upon satisfaction of all conditions to Lender's obligation to disburse, the Lender shall disburse Lender Funds for each Approved Draw directly to Borrower or Title Company;

(v) Draw Request Disputes. In the event that Tax Credit Investor sends an Objection Notice, Lender, Tax Credit Investor, and Borrower will attempt to resolve the objection(s) set forth therein. If Lender, Tax Credit Investor, and Borrower are unable to resolve the objection(s), either Lender or Tax Credit Investor may submit such objection(s) to HUD for consideration. HUD shall consider any comments received from Tax Credit Investor, the Lender, and/or the Borrower, and may consult with Tax Credit Investor, Lender and/or the Borrower regarding such objection(s). Tax Credit Investor shall be responsible for presenting to HUD the reasons for their objections. HUD may consider noncompliance with the Partnership Agreement as a factor in HUD's decision with respect to such objection(s). HUD, in HUD's sole and absolute discretion, shall have the sole authority to resolve any objections and HUD may elect to reduce the amount of one or more future advances based upon the objection(s). Any decision by HUD shall be binding and conclusive on all parties, subject, however, to the Tax Credit Investor's rights and remedies under the Partnership Agreement (other than the right to withhold advances that satisfy the conditions therein).

(vi) Funding Shortfalls. The parties acknowledge that the uses of Bond Proceeds, Lender Funds and Equity are restricted in accordance with the applicable statutes, regulations, administrative, and contractual requirements governing the allocation and disbursement of such funds. Due to the restrictions on funding with respect to the various sources of funds required under this

Agreement, and due to the limitations on the amounts of disbursements of Bond Proceeds, Lender Funds and Equity provided in this Agreement, there may be instances when Bond Proceeds, Equity and Lender Funds cannot be used to fund certain payments required in an approved Draw Request. Any payments which are required to be made in connection with an approved Draw Request, and for which available Bond Proceeds, Equity and Lender Funds, or any combination thereof, may not be used, are referred to as "Funding Shortfalls". The Borrower shall be solely responsible for paying any Funding Shortfalls and shall, if required by Lender or HUD, if not funded directly by Borrower, deposit with the Lender on or before the date of funding by Lender hereunder, funds sufficient to pay any such funding shortfalls.

e. Notice of Funding. Borrower shall promptly notify Lender upon receipt of each Equity disbursement and shall provide evidence of such receipt as reasonably requested by Lender.

MISCELLANEOUS

12. Captions. The headings and captions in this Agreement are included for convenience of reference only and shall not limit or alter the terms of this Agreement or any Section hereof.

13. Counterparts. This Agreement may be executed in multiple counterparts and, when executed by all parties, shall be binding on the parties hereto notwithstanding that not all of the parties may have signed the same counterpart. Lender is authorized to combine signature pages from separate counterparts to constitute a single instrument (with one or multiple originals) evidencing execution by each party. Lender shall immediately following execution provide to all parties a copy of the document that is deemed to constitute the single instrument. This document shall not be binding or have any force or effect unless and until executed by each party.

14. Entirety: No Binding Effect Prior To Execution. This Agreement and any exhibits attached hereto contain the entire agreement between the parties as to the matters contained herein. Any oral representations or oral modifications concerning this Agreement shall be of no force and effect. Notwithstanding legislative approval, any representations to the contrary, or other facts, the parties are not bound to the provisions of this Agreement prior to full and final execution of this document by all parties.

15. HUD Requirements Take Precedence. For so long as the Project is subject to a loan insured or held by HUD, Tax Credit Investor may not assert any monetary claims or liens against the Project or any reserve or deposit with respect to the Project required by the Program Obligations, or the rents or other income from the Project without the written permission of HUD other than a claim against: (i) available surplus cash (as such term is defined in the HUD Regulatory Agreement).

16. Excess Disbursement of Funds. As required by HUD, the Tax Credit Investor assumes the risk for any Tax Credit Equity disbursed in excess of the amounts

approved for disbursement by HUD under the procedures in this Agreement (an “Excess Disbursement”) and will provide the Tax Credit Equity described herein pursuant to the terms of this Agreement. Tax Credit Investor agrees that the entire amount of Tax Credit Equity shall be available for disbursement pursuant to this Agreement notwithstanding any such Excess Disbursement.

17. Notices. For purposes of this Agreement, the addresses of the parties are as follows:

HUD: United States Department of Housing and Urban Development

Lender: Regions Bank
1180 West Peachtree St, NW, Suite 1400
Atlanta, GA 30309
Attn: Graham Dozier

With a copy to: Krooth & Altman LLP
1850 M Street NW, Suite 400
Washington, DC 20036
Attn: Deborah Turner, Esq.

Borrower:

Tax Credit Equity Investor:

With a copy to:

To the Trustee:

To the Issuer: Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711
Attention: Director of Multifamily Bonds
Telephone: (512) 475-3344
Facsimile: (512) 475-1895

Bridge Lender: Regions Bank
1717 McKinney Avenue, Suite 1200
Dallas, Texas 75202
Attn: David N. Payne

With a copy to:

Title Company:

Any party may change its address upon ten (10) business days notice to the other parties hereto.

18. Default Notice. Borrower and Tax Credit Investor agree to promptly notify Lender, Trustee and Issuer of any default under the Partnership Agreement. Borrower agrees to promptly notify Lender, Trustee and Issuer of any default under the Bond Documents. Lender shall not be obligated to make any disbursement of Lender Funds in the event of a default under the HUD Loan Documents, Bridge Loan Security Documents, Partnership Agreement, or Bond Documents.

19. Trustee. Trustee is entering into this Agreement and the Funding Agreement upon the written direction of Lender, Borrower, Tax Credit Equity Investor, and Issuer.

20. Compliance with Texas Government Code. Each of the Borrower, the Lender, the Trustee, the Bridge Lender, the Tax Credit Investor and the Disbursing Agent hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each of the Borrower, the Lender, the Trustee, the Bridge Lender, the Tax Credit Investor and the Disbursing Agent understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

Each of the Borrower, the Lender, the Trustee, the Bridge Lender, the Tax Credit Investor and the Disbursing Agent represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,

<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>,

<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes any of the Borrower, the Lender, the Trustee, the Bridge Lender, the Tax Credit Investor and the Disbursing Agent and each of such entity's parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government

has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each of the Borrower, the Lender, the Trustee, the Bridge Lender, the Tax Credit Investor and the Disbursing Agent understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first set forth above.

[SEE ATTACHED COUNTERPART SIGNATURE PAGES]

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

LENDER:

REGIONS BANK

an Alabama banking corporation

By: _____
Sophia White-Oden
Director

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

TITLE COMPANY:

By: _____

**[TITLE AGENT]
(AS TO ALL RESPONSIBILITIES OF TITLE COMPANY AND DISBURSING AGENT)**

By: _____

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

BORROWER:

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

CONTRACTOR:

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

TRUSTEE:

REGIONS BANK

an Alabama banking corporation

By: _____
Kesha Jupiter
Vice President

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

TAX CREDIT INVESTOR:

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

BRIDGE LENDER:

REGIONS BANK

an Alabama banking corporation

By: _____
David N. Payne
Senior Vice President

**COUNTERPART SIGNATURE PAGE TO
LOAN DISBURSEMENT PROCEDURES AGREEMENT**

ISSUER:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____

Name: James B. "Beau" Eccles

Title: Secretary to Board

EXHIBIT A

Sources and Uses

**Unless the above schedule specifies that an item in the Mortgageable Costs of Development will be funded from a specific source, any combination of sources may be used to fund that item.*