

NEW ISSUE—BOOK ENTRY ONLY**RATING: Standard & Poor's: "A-"**

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, except for interest on any Tax-Exempt Bond for any period during which such bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Code. Interest on the Tax-Exempt Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that the interest on the Bonds is exempt from State of New Mexico income taxation. Bond Counsel is further of the opinion that interest on the Taxable Bonds is included in gross income for federal income tax purposes. For a more complete description, see "TAX MATTERS" herein.

\$5,340,000

**CITY OF HOBBS, NEW MEXICO
MULTIFAMILY HOUSING REVENUE BONDS
(WASHINGTON PLACE APARTMENTS)
SERIES 2015A**

\$1,160,000

**CITY OF HOBBS, NEW MEXICO
MULTIFAMILY HOUSING REVENUE BONDS
(WASHINGTON PLACE APARTMENTS)
TAXABLE SERIES 2015B**

Dated: Date of Issuance**Due: As shown on inside front cover**

City of Hobbs, New Mexico (the "Issuer") is issuing its Multifamily Housing Revenue Bonds (Washington Place Apartments), Series 2015A (the "Tax-Exempt Bonds") and its Multifamily Housing Revenue Bonds (Washington Place Apartments) Taxable Series 2015B (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds"). The principal of and premium, if any, and interest on the Bonds are payable at the designated trust office of Wilmington Trust, National Association, as Trustee (the "Trustee"), in Dallas, Texas. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2015. The Bonds are being issued only as fully registered bonds in the denominations of \$5,000 each and integral multiples thereof. The Bonds will be issued in book-entry form only under a global book-entry system operated by The Depository Trust Company, New York, New York ("DTC"), and purchasers will not be entitled to receive certificates representing their Bonds for so long as the global book-entry system is in effect. Principal of and interest on the Bonds will be paid by the Trustee directly to DTC, as the registered Holder thereof. Any purchaser as a Beneficial Owner of a Bond must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bond. The Bonds are subject to redemption prior to maturity as more fully described herein.

The Bonds are being issued pursuant to and secured by a Trust Indenture dated as of September 1, 2015 (the "Indenture") between the Issuer and the Trustee. The Issuer will use the proceeds of the Bonds to (i) finance the cost of the acquisition, rehabilitation and equipping of a scattered-site multifamily housing facility containing 76 residential rental units and related facilities located in Hobbs, Lea County, New Mexico (the "Project"), (ii) fund a Debt Service Reserve Fund for the Bonds, and (iii) pay certain costs of issuance of the Bonds. The Issuer will enter into a Lease Agreement, dated as of September 1, 2015 ("Lease Agreement") with the Trustee and Washington Place Partners, LLLP, a New Mexico limited liability partnership (the "Lessee"), pursuant to which the Issuer will lease the Project to the Lessee.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. NONE OF THE ISSUER, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) OR ANY PUBLIC AGENCY, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

INVESTMENT IN THE BONDS INVOLVES A DEGREE OF RISK AND EACH PROSPECTIVE INVESTOR SHOULD CONSIDER ITS FINANCIAL CONDITION AND THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE BONDS. SEE "RISK FACTORS AND INVESTMENT CONSIDERATIONS" HEREIN.

The Bonds are payable solely from and are secured by a pledge and assignment of the Trust Estate (as defined in the Indenture), including (i) Lease Payments made by the Lessee pursuant to the Lease Agreement, (ii) the Lease Agreement (other than the Issuer's rights to indemnification, amounts payable to the Issuer under the Lease Agreement and its rights to receive notices), the HAP Payments and the Deed of Trust (each as defined herein), (iii) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (except with respect to moneys in the Administration Fund, the Costs of Issuance Account of the Project Fund and the Rebate Fund), and (iv) any and all other real and personal property from time to time thereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds are offered when, as, and if issued by the Issuer, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the Issuer by the Hobbs, New Mexico City Attorney; for the Lessee, by Winthrop & Weinstine, P.A., Minneapolis, Minnesota and by and by Laflin, Pick & Heer, PA, Albuquerque, New Mexico, Lessee's local counsel and for the Underwriter by its counsel Kutak Rock LLP, Omaha, Nebraska. It is expected that delivery of the Bonds will be made against payment therefor through the facilities of DTC on or about September 14, 2015.

This cover page contains limited information for reference only. It is not a summary of the issue. The entire Official Statement, including the Appendices, must be read to make an informed investment decision.



Dated: September 8, 2015

MATURITY SCHEDULE

\$5,340,000

**City of Hobbs, New Mexico
Multifamily Housing Revenue Bonds
(Washington Place Apartments)
Series 2015A**

Maturity Dates (December 1)	Principal Amount	Rate of Interest	Price	CUSIP⁺ Number
2025	\$710,000	3.50%	97.475%	43385PAE9
2034	1,085,000	4.50	97.481	43385PAF6
2050	3,545,000	5.00	97.565	43385PAG4

\$1,160,000

**City of Hobbs, New Mexico
Multifamily Housing Revenue Bonds
(Washington Place Apartments)
Taxable Series 2015B**

Maturity Dates (December 1)	Principal Amount	Rate of Interest	Price	CUSIP⁺ Number
2017	\$1,160,000	3.75%	100.000%	43385PAD1

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No person has been authorized to give any information or to make any representation not contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Lessee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, 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 it is unlawful to make such offer, solicitation or sale. The information set forth herein under the heading "THE ISSUER" has been obtained from the Issuer, and all other information contained in this Official Statement has been obtained from sources that are believed to be reliable, including the Lessee, but it is not guaranteed as to its accuracy or completeness. Nothing contained in this Official Statement is, or shall be relied on as, a promise or representation by the Issuer 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 made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Lessee since the date hereof.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is unlawful.

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

This Official Statement contains "forward-looking" information within the meaning of the federal securities laws. The forward-looking information includes statements concerning the Lessee's outlook for the future, as well as other statement of beliefs, future plans and strategies or anticipated events, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and similar expressions concerning matters that are not historical facts. Forward-looking information and statements are subject to many risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the statements. These risks and uncertainties include the availability and amount of governmental reimbursements, appropriations, the competitive environment and related market conditions, operating efficiencies, access to capital, the cost of compliance with environmental and health standards, litigation and other risks and uncertainties described herein under "RISK FACTORS." Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement made in this Official Statement speaks only as of the date of such statement, and the Lessee and the Issuer undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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OFFICIAL STATEMENT

relating to the original issuance of

\$5,340,000
CITY OF HOBBS, NEW MEXICO
MULTIFAMILY HOUSING REVENUE BONDS
(WASHINGTON PLACE APARTMENTS)
SERIES 2015A

\$1,160,000
CITY OF HOBBS, NEW MEXICO
MULTIFAMILY HOUSING REVENUE BONDS
(WASHINGTON PLACE APARTMENTS)
TAXABLE SERIES 2015B

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, is provided to furnish information in connection with the original issuance by City of Hobbs, New Mexico (the “Issuer”) of its \$5,340,000 aggregate principal amount Multifamily Housing Revenue Bonds (Washington Place Apartments) Series 2015A (the “Tax-Exempt Bonds”) and its \$1,160,000 aggregate principal amount Multifamily Housing Revenue Bonds (Washington Place Apartments) Taxable Series 2015B (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”).

The Bonds are to be issued pursuant to the provisions of the Municipal Revenue Bond Act, Sections 3-31-1 through 3-31-12, NMSA 1978, as amended and the Municipal Housing Law Act, Sections 3-45-1 through 3-45-25, NMSA 1978, as amended (collectively, the “Act”), and a Trust Indenture dated as of September 1, 2015 (the “Indenture”), between the Issuer and Wilmington Trust, National Association, Dallas, Texas, as Trustee (the “Trustee”).

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

For the definitions of certain other terms used in this Official Statement and not otherwise defined herein, see APPENDIX A – “DEFINITIONS OF CERTAIN TERMS” hereto.

The Bonds will be issued in the amounts, will be dated, will bear interest at the respective rates, will be payable on the dates and will mature on the respective dates set forth on the inside cover page of this Official Statement. The Bonds are subject to redemption as described herein under the caption “THE BONDS – Mandatory Redemption of Bonds; – Optional Redemption of Bonds; and – Mandatory Sinking Fund Redemption.” For a more complete description of the Bonds, see “THE BONDS” herein.

The Issuer has determined to issue and sell the Bonds to finance the acquisition, construction, and equipping of the Project (as defined below). The Issuer proposes to lease the Project to Washington Place Partners, LLLP, a limited liability limited partnership duly organized and existing under the laws of the State of New Mexico (the “Lessee”) and the Lessee desires to lease the Project from the Issuer upon the terms and conditions as set forth in the Lease Agreement (the “Lease Agreement”) dated as of September 1, 2015 among the Issuer, the Trustee and the Lessee.

The Issuer will use the proceeds of the Bonds to (i) finance a portion of the cost of the acquisition, rehabilitation and equipping of a 76-unit scattered site multifamily housing facility located in Hobbs, New Mexico (the “Project”), (ii) fund a Debt Service Reserve Fund for the Bonds and (iii) pay certain costs of issuance of the Bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Lessee is obligated under the Lease Agreement to make payments (the “Lease Payments”) in such amounts and at such times as will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds, as well as certain other fees and expenses in connection with the Bonds. The Lessee’s obligations under

the Lease Agreement will be secured by (i) a Leasehold and Fee Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the “Deed of Trust”), dated as of September 1, 2015, from the Lessee and the Issuer to the Trustee for the benefit of the Holders of the Bonds and (ii) an Assignment of Housing Assistance Payments Contract and Payments (the “HAP Assignment”) irrevocably pledging and assigning certain rights and interest under the HAP Contract (as defined below) from the Lessee to the Trustee, which documents create a first priority lien in favor of the Holders of the Bonds on, and security interest in, the Project and on all of the revenues from the operation of the Project (the “Project Revenues”) including all amounts payable under the HAP Contract and all rentals and fees payable with respect to the Project, as provided in the Deed of Trust. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Deed of Trust” and “– Assignment of Housing Assistance Payments” herein.

The Bonds are secured by a lien on the Trust Estate created in the Indenture which includes all right, title and interest of the Issuer and the Trustee in and to (a) the Lease Agreement and Lease Payments thereunder (other than the Issuer’s rights to indemnification, amounts payable to the Issuer under the Lease Agreement and its rights to receive notices), the Deed of Trust and the HAP Assignment; (b) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (except with respect to money in the Administration Fund, the Costs of Issuance Account of the Project Fund and the Rebate Fund); (c) any and all other real and personal property from time to time thereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is thereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture as additional security for the Bonds; and (d) all of the right, title and interest of the Issuer in and to all of the proceeds of (a) through (c) above. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Pursuant to the provisions of Section 8 of the United States Housing Act of 1937, as amended (the “U.S. Housing Act”), the United States of America acting through the Department of Housing and Urban Development (“HUD”) and the New Mexico Mortgage Finance Authority (the “Administrator”) have entered into an Option 1B Mark-up-to-Market and Chapter 15 renewal of a Section 8 Housing Assistance Payments Contract expiring October 1, 2035 with the Lessee (the “HAP Contract”), which would become effective on the Closing Date. Subject to the terms of the HAP Contract, the Lessee is entitled to receive certain payments from HUD (“HAP Payments”) with respect to all of the Project units (the “Section 8 Units”) occupied by low-income families eligible to receive rental assistance under Section 8 of the U.S. Housing Act. See “SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM.” Under the HAP Assignment, the Lessee will provide for the HAP Payments to be paid directly to the Trustee in accordance with the Indenture.

The amount of the HAP Payments equals the difference between rent permitted by the HAP Contract (“Contract Rents”) for Section 8 Units and that portion of the rent paid by tenants, up to the maximum aggregate annual amount established by the HAP Contract (which amount may be exceeded under certain circumstances and may be increased or decreased by HUD pursuant to the HAP Contract). The tenant-paid portion of Contract Rents (the “Tenant Rents”) is limited to a percentage of the tenant’s adjusted gross income. Contract Rents are established by HUD and are adjusted at least annually. See “SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM.”

HUD has agreed to execute a renewal of the HAP Contract with the Lessee simultaneously with the issuance of the Bonds, which will extend the expiration date of the HAP Contract to October 1, 2035, at which time a portion of the Bonds is expected to remain outstanding. There can be no assurance that upon the expiration of the terms of the HAP Contract any other HUD subsidy program will be available to the Lessee or the Project. See the captions “SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM” and “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Housing Assistance Payments Risks – Scheduled Termination of Housing Assistance Payments” herein.

Termination of the HAP Contract may make it more difficult for the Lessee to continue to comply with the Regulatory Agreement (as hereinafter defined) which is necessary to maintain the exclusion from gross income for federal income tax purposes of interest paid on the Tax-Exempt Bonds. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Taxability of Bonds” herein.

Concurrently with the issuance of the Bonds, the Lessee will enter into a management agreement (the "Management Agreement") with Weigand-Omega Management, Inc. (the "Manager"). See "THE LESSEE AND THE PROJECT – The Manager" herein. Pursuant to the Collateral Assignment of Management Agreement, the Lessee has assigned certain of its rights under the Management Agreement to the Trustee as additional security for the Bonds.

The Lessee's obligations under the Lease Agreement, and the Deed of Trust are limited, nonrecourse obligations and the Lessee has no obligation to make payments of amounts due under the Lease Agreement except from Project Revenues. No other revenues or assets of the Lessee will be available for the payment of, or as security for, the Bonds. The right of the Issuer to collect and receive payments under the Lease Agreement has been assigned to the Trustee under the Indenture for the benefit of the Holders. No assets or other revenues of the Issuer are or will be available for the payment of, or as security for, the Bonds.

The Lessee's operation of the Project will be subject to the terms and restrictions of a Tax Regulatory Agreement, dated as of September 1, 2015 entered into among the Issuer, the Lessee and the Trustee (the "Regulatory Agreement") which, among other things, will require that for the Qualified Project Period (as defined in the Regulatory Agreement), at least 100% of the dwelling units in the Project be occupied by families of low income (the "Low-Income Tenants"), defined as families or individuals whose aggregate income does not exceed 60% (adjusted for family size) of the median gross income for the Lea County, New Mexico MSA. The Lessee has covenanted under the Low Income Housing Tax Credit Land Use Restriction Agreement that it will restrict rents of Low Income Tenants to a level that does not exceed 30% of 60% of the median adjusted gross income for the Lea County, New Mexico MSA.

The Regulatory Agreement will have the effect of reducing the potential universe of tenants eligible to reside in the Project. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Project Risks;" herein and APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – "THE REGULATORY AGREEMENT" herein.

In addition to the extensive Project regulations imposed by the Regulatory Agreement, additional requirements are imposed under the HAP Contract. See "THE LESSEE AND THE PROJECT" and "SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM" herein.

The General Partner will not have any liability on account of financial obligations of the Lessee under the Lease Agreement or the other Bond Documents. The General Partner will enter into certain other of the Bond Documents for the sole purpose of agreeing to comply with the tax covenants therein, but the Trustee's recourse against the General Partner for any violation of these covenants will be limited to the General Partner's interest in the Lessee.

The Bonds are subject to mandatory, extraordinary and optional redemption respectively as described herein. See "THE BONDS" herein.

AN INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK, INCLUDING, AMONG OTHERS, RISKS ASSOCIATED WITH THE LIMITED SOURCE OF PAYMENT FOR THE BONDS AND VARIOUS REAL ESTATE AND OPERATING RISKS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY CONSIDER THE STATEMENTS AND INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, INCLUDING THE MATERIAL UNDER THE CAPTION "RISK FACTORS AND INVESTMENT CONSIDERATIONS."

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. NONE OF THE ISSUER, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) OR ANY PUBLIC AGENCY, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS

OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

This Official Statement and the Appendices attached hereto contain descriptions of, among other matters, the Bonds, the Lessee, the Project, the Manager, the Indenture, the Lease Agreement, the Deed of Trust, the HAP Assignment, the Management Agreement, the Regulatory Agreement and the Continuing Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. Definitions of certain terms and words used in this Official Statement and not otherwise defined are set forth in the Indenture. All references herein to any agreements are qualified in their entirety by reference to such agreements and documents, and all references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture. Copies of such agreements and all other documents referenced herein are available to the recipient of this Official Statement during the initial offering period by contacting the Underwriter.

THE BONDS

The Bonds are available in book-entry only form. See “BOOK-ENTRY-ONLY SYSTEM” below. So long as Cede & Co., as nominee of The Depository Trust Company (“DTC”), is the registered owner of the Bonds, references herein to the Bondholders or Holders or registered owners of the Bonds means Cede & Co. and not the beneficial owners of the Bonds.

General Description

The Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 each and integral multiples thereof. The Bonds will be dated their Date of Issuance. The Bonds will bear interest at the rates, and will mature on the dates and in the amounts, all as set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on each June 1 and December 1 of each year (the “Interest Payment Dates”) commencing December 1, 2015, and be payable as to principal on the dates and in the amounts as set forth in the Indenture. Interest shall be computed on the basis of a year of 360 days and twelve 30-day months.

Each Bond shall bear interest from the Interest Payment Date preceding the date of its registration, unless it is registered as of an Interest Payment Date for which interest has been paid or after a Record Date in respect thereof, in which case it will bear interest from the next succeeding Interest Payment Date succeeding the fifteenth day (whether or not a Business Day) of the calendar month preceding the applicable Interest Payment Date (the “Record Date”), or unless no interest has been paid on such Bond, in which case from the Closing Date; provided, however, if at the time of registration of any Bond the interest thereon is in default, as shown by the records of the Trustee, such Bond shall bear interest from the date to which interest has been paid in full.

Transfer and Exchange of the Bonds

So long as the Bonds are in book-entry only form, Cede & Co., as nominee of DTC, will be the sole registered owner of the Bonds. Transfers of beneficial interests in the Bonds will be made as described below under “Book-Entry-Only System.”

Book-Entry-Only System

The following has been provided by DTC for use herein. While the information is believed to be reliable, none of the Issuer, the Trustee, the Lessee or the Underwriter, subject to the standard of review found on the inside cover hereof, or any of their respective counsel, members, officers or employees, make any representations as to the accuracy or sufficiency of such information.

The Bonds initially are being issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners (as hereinafter defined) will not be or be considered to be, and will not have any rights as, owners or holders of the

Bonds under the Indenture. The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. None of the Issuer, the Lessee or the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's 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 ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

directly to them. 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 issuer of the Bonds, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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 interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered to DTC. The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer and the Lessee take no responsibility for the accuracy thereof.

NONE OF THE ISSUER, LESSEE OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Revision of Book-Entry-Only System

In the event that either: (i) the Issuer receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Bonds or (ii) the Issuer elects to discontinue its use of DTC as a clearing agency for the Bonds, then the Issuer and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Bonds and to transfer the ownership of each of the Bonds to such person or persons, including any other clearing agency, as the holder of such Bonds may direct in accordance with the Indenture. Any expense of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Bonds, will be paid by the Lessee.

Mandatory Redemption of Bonds

Bonds shall be called for redemption (1) in whole or in part in the event the Project or any portion thereof is damaged or destroyed or taken in a condemnation proceeding and Net Proceeds resulting therefrom are to be applied to the payment of the Lease Payments as provided in the Lease Agreement and the Lessee pursuant to the Lease Agreement has elected to use the Net Proceeds to redeem Bonds, (2) in whole in the event the Lessee exercises its option to terminate the Lease Agreement, (3) in whole or in part from proceeds of the Title Policy, or (4) in whole in the event the Lessee is required to prepay the Lease Payments following a Default under the Lease Agreement. (See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – “THE LEASE AGREEMENT.”)

If called for mandatory redemption at any time pursuant to (1) through (4) above, the Bonds to be redeemed shall be subject to redemption by the Issuer prior to maturity, in whole at any time or (in the case of redemption pursuant to clause (1) or (3) above) in part at any time (less than all of such Bonds to be selected in accordance with the provisions of the Indenture (as described under the caption “Selection of Bonds to be Redeemed” below)) at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date; such redemption date to be determined by the Lessee, and in the case of redemption pursuant to clause (4) above, to be the earliest practicable date following acceleration of amounts due under the Lease Agreement.

Optional Redemption of Bonds

The Tax-Exempt Bonds maturing on or after June 1, 2026 are subject to optional redemption by the Issuer, at the direction of the Lessee, on or after December 1, 2025, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Tax-Exempt Bonds being redeemed plus accrued interest.

The Taxable Bonds maturing on or after December 1, 2016 are subject to optional redemption by the Issuer, at the direction of the Lessee, on or after June 1, 2016, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Taxable Bonds being redeemed plus accrued interest.

Mandatory Sinking Fund Redemption

The Tax-Exempt Bonds maturing on December 1 in the years 2025, 2034 and 2050 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest on June 1 and December 1 of each year in the principal amounts shown below:

2025 Term Bond

Date	Principal Amount	Date	Principal Amount
12/01/17	\$25,000.00	06/01/22	\$40,000.00
06/01/18	\$35,000.00	12/01/22	\$45,000.00
12/01/18	\$40,000.00	06/01/23	\$40,000.00
06/01/19	\$40,000.00	12/01/23	\$50,000.00
12/01/19	\$40,000.00	06/01/24	\$50,000.00
06/01/20	\$40,000.00	12/01/24	\$45,000.00
12/01/20	\$40,000.00	06/01/25	\$45,000.00
06/01/21	\$40,000.00	12/01/25 (maturity)	\$50,000.00
12/01/21	\$45,000.00		

2034 Term Bond

Date	Principal Amount	Date	Principal Amount
06/01/26	\$45,000.00	12/01/30	\$65,000.00
12/01/26	\$55,000.00	06/01/31	\$60,000.00
06/01/27	\$50,000.00	12/01/31	\$65,000.00
12/01/27	\$55,000.00	06/01/32	\$65,000.00
06/01/28	\$50,000.00	12/01/32	\$65,000.00
12/01/28	\$60,000.00	06/01/33	\$65,000.00
06/01/29	\$55,000.00	12/01/33	\$70,000.00
12/01/29	\$60,000.00	06/01/34	\$75,000.00
06/01/30	\$55,000.00	12/01/34 (maturity)	\$70,000.00

2050 Term Bond

Date	Principal Amount	Date	Principal Amount
06/01/35	\$70,000.00	06/01/43	\$110,000.00
12/01/35	\$80,000.00	12/01/43	\$110,000.00
06/01/36	\$75,000.00	06/01/44	\$120,000.00
12/01/36	\$80,000.00	12/01/44	\$115,000.00
06/01/37	\$80,000.00	06/01/45	\$120,000.00
12/01/37	\$85,000.00	12/01/45	\$125,000.00
06/01/38	\$90,000.00	06/01/46	\$125,000.00
12/01/38	\$85,000.00	12/01/46	\$130,000.00
06/01/39	\$90,000.00	06/01/47	\$135,000.00
12/01/39	\$90,000.00	12/01/47	\$135,000.00
06/01/40	\$95,000.00	06/01/48	\$145,000.00
12/01/40	\$95,000.00	12/01/48	\$140,000.00
06/01/41	\$100,000.00	06/01/49	\$145,000.00
12/01/41	\$100,000.00	12/01/49	\$150,000.00
06/01/42	\$105,000.00	06/01/50	\$160,000.00
12/01/42	\$105,000.00	12/01/50 (maturity)	\$155,000.00

Selection of Bonds to be Redeemed

Bonds may be redeemed only in Authorized Denominations. If less than all of the Bonds are being redeemed: (i) the principal amount and Series of the Bonds to be redeemed shall, in the case of optional redemption, be designated by the Lessee in writing to the Trustee and (ii) the particular Bonds of the Series or portions thereof to be redeemed shall be selected by the Trustee by lot or in such manner as the Trustee in its discretion may deem proper. If it is determined that less than all of the principal amount represented by any Bond is to be called for redemption, then, following notice of intention to redeem such principal amount, the Holder thereof shall surrender such Bond to the Trustee on or before the applicable redemption date for (a) payment on the redemption date to such Holder of the redemption price of the amount called for redemption and (b) delivering to said Holder of a new Bond or Bonds of such Series in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond, which shall be an Authorized Denomination. A new Bond of such Series representing the unredeemed balance of such Bond shall be issued to the Holder thereof, without charge therefor. Such provision shall not apply to mandatory sinking fund redemptions. If the Holder of any Bond or integral multiple of the Authorized Denomination selected for redemption shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the amount called for redemption (and to that extent only), and interest shall cease to accrue from the date fixed for redemption.

Notice of Redemption

(a) In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Issuer, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed (including the Series), and the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable (which shall be the Designated Office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of the Bonds, to be so redeemed, (ii) state any condition to such redemption, including but not limited to a statement that redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds, including any redemption premium, and (iii) state that on the redemption date, and upon satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption. Such notice shall be given by Mail to the Holders of the Bonds to be redeemed, at least thirty (30) days but no more than sixty (60) days prior to the date fixed for redemption. If a notice of redemption shall be unconditional, or if the conditions of a conditional notice of redemption shall have been satisfied, then upon presentation and surrender of the Bonds so called for redemption at the place or places of payment, such Bonds shall be redeemed.

(b) The Trustee may give any other or additional redemption notice as it deems necessary or desirable, but is not obligated to give or provide any additional notice or information.

(c) Any Bonds which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the specified redemption date.

Payment of Redemption Price

For the redemption of any of the Bonds, the Trustee shall cause to be deposited in the Special Redemption Account of the Bond Fund, whether out of Project Revenues or any other moneys constituting the Trust Estate, including Net Proceeds available for such purpose pursuant to the Lease Agreement, or otherwise, an amount sufficient to pay the principal of, premium, if any, and interest to become due on the date fixed for such redemption. The obligation of the Trustee to cause any such deposit to be made under the Indenture shall be reduced by the amount of moneys in the Special Redemption Account available for and used on such redemption date for payment of the principal of, premium, if any, and accrued interest on the Bonds to be redeemed.

No Partial Redemption After Default

Anything herein to the contrary notwithstanding, if there has occurred and is continuing certain specified Events of Default under the Indenture, there shall be no redemption of less than all of the Bonds Outstanding. See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – “THE INDENTURE.”

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations of Issuer

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. NONE OF THE ISSUER, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) OR ANY PUBLIC AGENCY, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

Payments due under the Lease Agreement

The Lease Agreement obligates the Lessee to cause to be paid to the Trustee from Project Revenues, Lease Payments and Additional Payments, which, together, shall be sufficient to pay the interest coming due on each Interest Payment Date with respect to the Bonds, plus the principal amount of the Bonds maturing or required to be redeemed as well as certain third-party fees and expenses that the Lessee is required to pay pursuant to the terms of the Lease Agreement.

The Lessee's obligations to make Lease Payments with respect to the Bonds are limited obligations of the Lessee, and holders of the Bonds will have recourse only to the Project and the Project Revenues to satisfy the obligations of the Lessee with respect to the Bonds. No other revenues or assets of the Lessee or the General Partner or any of its affiliates will be available for the payment of, or as security for, the Bonds.

Pursuant to the Indenture, the Issuer will pledge and assign all its rights and interests (except certain reimbursement and indemnification rights of the Issuer and its rights to perform discretionary acts) and all amounts payable (other than certain fees and expenses due to the Issuer) under the Lease Agreement, and the Deed of Trust to the Trustee, in trust, to be held and applied pursuant to the provisions of the Indenture, for the benefit of the Holders.

The Deed of Trust

To secure the payment of the Lease Payments and the Additional Payments payable under the Lease Agreement, the Lessee and the Issuer will grant to the Trustee under the Deed of Trust, with respect to the Bonds, a first priority lien, on and a security interest in the Project (the "Property") and the right, title and interests of the Lessee in the Project Revenues, subject only to certain Permitted Encumbrances. The Property includes generally all the land, buildings, fixtures and equipment comprising the Project, including the Project site. See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – "THE DEED OF TRUST."

Assignment of Housing Assistance Payments

Under and pursuant to the HAP Assignment, the Lessee has transferred to the Trustee all of the Lessee's right, title and interest in and to the HAP Contract and the HAP Payments payable thereunder, and the Lessee has consented to the payment of all HAP Payments directly to the Trustee. See "SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM – The HAP Contract" herein.

The Lessee has covenanted in the Lease Agreement to request increases in the HAP Payments from HUD to cover escalations in the operating expenses of the Project and to renew the HAP Contract to the maximum extent permitted thereunder and has further covenanted to waive its right to cancel under the HAP Contract or amend or modify the same (except as necessary to reflect increases in Contract Rents thereunder) without the written consent of the Trustee as long as any Bonds remain outstanding.

Operation of the Project

Lease Payments to be made by the Lessee pursuant to the Lease Agreement will be derived solely from revenues generated by the operation of the Project. In addition, the liability of the Lessee under the Lease Agreement is limited to the Lessee's interest in the Project and the monies held in the Funds and Accounts held under the Indenture. NO REPRESENTATIONS OR ASSURANCES CAN BE MADE THAT PROJECT REVENUES WILL BE REALIZED BY THE LESSEE IN AMOUNTS NECESSARY TO ENABLE THE LESSEE TO MAKE PAYMENTS PURSUANT TO THE LEASE AGREEMENT SUFFICIENT TO PAY THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS.

Rate Covenant

The Lessee has agreed in the Lease Agreement to fix, charge and collect, or cause to be fixed, charged and collected, rents, fees and charges in connection with the operation and maintenance of the Project, such that for each Fiscal Year, commencing with the Fiscal Year beginning on January 1, 2016, the Debt Service Coverage Ratio will

not be less than the applicable Coverage Test determined as of the end of each such Fiscal Year based on and supported by Audited Financial Statements. In the event that the Lessee should fail to meet such rate covenant, the Lessee is required to retain a Management Consultant to make recommendations with respect to the operations of the Project and the sufficiency of the rates, fees and charges imposed by the Lessee to enable the Lessee to improve the Debt Service Coverage Ratio to meet the Coverage Test for the current Fiscal Year. If, in the judgment of the Management Consultant, it is not possible for the Lessee to increase the Debt Service Coverage Ratio to at least the Coverage Test, the Management Consultant shall so indicate and shall also indicate the projected Debt Service Coverage Ratio which could be achieved if the recommendations of the Management Consultant are followed. Continuous retention of a Management Consultant in the years covered by the Management Consultant's report shall not be required, provided that a Lessee Representative delivers a certificate to the Trustee within 45 days after the end of each quarter setting forth the actual results for such quarter (which may be based on unaudited financial statements) and such results show that the Lessee is meeting the results projected by the Management Consultant. The Lessee shall, to the extent lawful and feasible, follow the recommendations of the Management Consultant.

Failure of the Lessee to satisfy the Coverage Test covenant constitutes a Default under the Lease Agreement only if (a) the Lessee fails to engage the Management Consultant or, (b) to the extent that the Rating Agency agrees with such recommendations, the Lessee fails to implement its reasonable recommendations.

See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – “THE LEASE AGREEMENT.”

Debt Service Reserve Fund

A Debt Service Reserve Fund will be established under the Indenture. The Debt Service Reserve Fund will be funded in the amount of approximately one-half of the Maximum Annual Debt Service for the Tax-Exempt Bonds. Amounts on deposit in the Debt Service Reserve Fund will be used solely to pay the principal of and interest on the Bonds when due to the extent moneys on deposit in the Principal Account or Interest Account are insufficient therefor after the transfer of any amounts from the Surplus Fund, the Operations and Maintenance Reserve Fund and the Repair and Replacement Fund pursuant to the Indenture.

If the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, the Lessee is required to pay the Trustee the amount of such deficiency to the extent of available Project Revenues. In addition, if the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, investment earnings thereon will remain in such Fund. See Appendix B “SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – The Indenture.”

No Credit Enhancement Facility

THERE IS NO CREDIT ENHANCEMENT FACILITY SECURING ANY OF THE BONDS AS INITIALLY ISSUED, NOR IS THERE ANY PROVISION FOR A CREDIT ENHANCEMENT FACILITY EVER TO BE PROVIDED TO SECURE ANY OF THE BONDS.

Other Covenants of the Lessee

Under the Lease Agreement, the Deed of Trust, and the Regulatory Agreement, the Lessee is required to comply with certain other covenants and agreements. See “THE LEASE AGREEMENT,” “THE DEED OF TRUST” and “THE REGULATORY AGREEMENT” in APPENDIX B.

THE ISSUER

The Issuer is a city duly organized and existing under the laws of the State of New Mexico. The Issuer is authorized pursuant to the Act, to issue revenue bonds for the purpose of financing, among other things, the acquisition, construction, rehabilitation and development of multifamily housing projects for persons and families of low income.

The Issuer has sold and delivered obligations other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture, the Deed of Trust and the Bonds. The holders of such obligations of the Issuer have no claim on the security for the Bonds, and the Holders of the Bonds will have no claim on the security for such other obligations issued by the Issuer.

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 "LITIGATION," as such information applies to the Issuer.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. NONE OF THE ISSUER, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) OR ANY PUBLIC AGENCY, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

The responsibility for the operation of the Project will rest entirely with the Lessee and not with the Issuer or any officer of the Issuer.

THE LESSEE AND THE PROJECT

The following information has been provided by the Lessee. None of the Issuer, the Trustee, Bond Counsel, or the Underwriter have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Issuer, the Trustee, Bond Counsel, or the Underwriter assumes any responsibility or liability therefor.

The Lessee

Washington Place Partners, LLLP, a New Mexico limited liability limited partnership (the "Lessee") is newly created single asset entity of which Washington Place Management LLC, a New Mexico limited liability company (the "General Partner"), is the general partner. The Developer (described and defined below) recently formed the Lessee and the General Partner. The Lessee and the General Partner have no operating history and no financial statements. The General Partner owns a 0.01% partnership interest in the Lessee. The remaining interests in the Lessee are (i) a special limited partnership interest owned by CREA SLP, LLC (0.001%) (the "Special Limited Partner") and (ii) a limited partnership interest owned by CREA Washington Place, LLC (99.989%) (the "Limited Partner").

The Lessee and the General Partner do not intend to acquire any substantial assets or engage in any substantial business activities other than those related to the leasehold interest in the Project, and the Lessee is required to be a single asset/sole purpose entity by the Bond Documents. However, entities that are affiliated with the General Partner may engage in the acquisition, development, rehabilitate, ownership and management of similar types of housing projects.

None of the partners, managers, directors, officers, partners or employees of the Lessee or the General Partner or any of their affiliates will be personally liable for Lease Payments. Furthermore, no representation is made that the Lessee will have substantial funds to meet operating deficits of the Project should they occur. Accordingly, neither the Lessee's financial statements nor those of the General Partner are included in this Official Statement.

Federal Low Income Housing Tax Credits

Simultaneously with the issuance of the Bonds, the Lessee will sell (i) the Limited Partner a 99.989% ownership interest in the Lessee and (ii) the Special Limited Partner a 0.001% ownership interest in the Lessee. Pursuant to the sale, the funding of the Federal low income housing tax credit equity will total approximately \$2,444,067. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth in the Amended and Restated Agreement of Limited Partnership and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

The Developer

Huntley Witmer Development, LLC (the “Developer”) is a Los Angeles-based real estate development firm focusing on the acquisition and development of multifamily housing assets across the United States. The Developer specializes in the development of affordable housing funded with low-income housing tax credits (“LIHTCs”) and/or operated under a housing assistance payment contract from HUD. The Developer was established in late 2012 by principals Mr. Joshua Latter and Mr. Matthew Segerdal. Both Messrs. Latter and Segerdal have extensive experience in affordable housing development with 20 years of combined development experience at prominent real estate firms. Mr. Segerdal served at the director level with L.A. Family Housing and Century Housing and as a Senior Project Manager with AMCAL Multi-Housing Inc. Mr. Latter was Vice President with Enhanced Affordable Development Company and a project manager at AMCAL Multi-Housing Inc. Both principals worked extensively on development projects funded by 9% and 4% LIHTCs. Their work resulted in the acquisition and rehabilitation of several thousand units throughout California, Georgia, Florida, and Iowa.

The Developer currently is constructing its first project, Hotel President, in Waterloo, Iowa. Hotel President is the preservation and rehabilitation of a historic building for seniors funded by 9% LIHTCs provided by the Iowa Finance Authority. Originally built as a hotel in the late 1920’s, the 100% Section 8 property was converted to senior housing in the 1960’s. The rehabilitation project will renovate all units, restore historic features, add a community and computer room, install energy efficient heating and cooling systems and add fire sprinklers along with other critical life-safety systems. The project is expected to be completed in December 2015.

The Project

The Project consists of 76-units on four sites located at (i) 1313 to 1425 East Marland Street, (ii) 321 to 421 East Clearfork Drive, (iii) 400 to 420 East Wolfcamp Drive, 419 to 421 East Wolfcamp Drive, and (iv) 101 to 131 West Main Street, Hobbs, New Mexico 88240. The HAP Contract covers 100% of the units in the Project. The Project will undergo a \$2,553,183 rehabilitation of the project. This planned rehabilitation will address critical needs at the Project and will include replacing mechanical systems, replacing building roofs, adding water saving fixtures to all units, converting landscape area to drought tolerant plants, updating all units with new flooring, replacing appliances with energy efficient models, resurfacing the parking areas, and adding carports among many other features. It is anticipated that the rehabilitation will take 6 months to complete.

Additional information concerning the Project and the Hobbs area is contained in the Appraisal Report dated March 6, 2015, and effective as of February 26, 2015, with respect to the Washington Place Apartments (the “Appraisal”) prepared by the Gill Group (the “Appraiser”). A summary of the Appraisal is set forth in this Official Statement below. The summary of the Appraisal does not purport to be complete or definitive and is qualified in its entirety by reference to the full Appraisal. During the initial offering period, the full Appraisal will be provided to any prospective purchaser upon request to the Underwriter. See “APPRAISAL” herein.

HAP Contract

Rents on all 76 of the units of the Project (the “Section 8 Units”), are subsidized under the HAP Contract. As of the Closing Date, HUD is obligated to pay a maximum of \$851,400, an amount sufficient to provide housing assistance payments for approximately twelve (12) months of the first annual increment of the HAP Contract. HUD will provide additional funding for the remainder of the first annual increment subject to the availability of sufficient

appropriations. HUD's obligations after the first twelve months of the contract are subject to future appropriations to be made by Congress.

Effective October 1, 2015, the Contract Rents on each of the Section 8 Units were adjusted to:

<u>Type of Unit</u>	<u>Number of Units</u>	<u>Square Footage</u>	<u>Rent Per Unit</u>
1 bed/1 bath	14	594	\$765
2 bed/1 bath	42	731	\$900
3 bed/1 bath	16	921	\$1,085
4 bed/1.75 bath	<u>4</u>	1,116	\$1,270
	76		

Limitation on Obligations of the Lessee

The obligations of the Lessee under the Lease Agreement, and the Deed of Trust are payable solely from Project Revenues and the Funds and Accounts created under the Indenture (except as specifically set forth therein), without recourse to the assets of any other person or entity, including any partner, member or manager of the Lessee. The Lessee's obligations to make Lease Payments with respect to the Bonds are limited recourse obligations of the Lessee; as a result, holders of the Bonds will have recourse only to the Funds and Accounts created under the Indenture (except as specifically set forth therein), the Project and the other equipment and personal property secured under the Deed of Trust to satisfy the obligations of the Lessee with respect to the Bonds. No other revenues or assets of the Lessee will be available for the payment of, or as security for, the Bonds. No representation is made that the Lessee will have funds available sufficient to make payments due pursuant to the Lease Agreement. Accordingly, neither the Lessee's financial statements nor those of the members or manager of the Lessee are included in this Official Statement.

The Manager

Weigand-Omega Management, Inc. located in Wichita, Kansas (the "Manager") will manage the Project. The Manager currently manages more than 56 apartment communities totaling 6,400 units, located in six states throughout the country. The Manager was formed more in 1976 and currently has a staff of approximately 240 employees across the country. The Manager is headquartered in Kansas.

Pursuant to the Management Agreement to be dated as of September 1, 2015, between the Lessee and the Manager, the Manager will be the exclusive agent for the management of the Project, including marketing, rental activities, collection of rents, enforcement of leases, maintenance and repair of the Project, provision of utilities and services, and for obtaining and keeping in effect all insurance policies with respect to the Project. Under the Management Agreement, the Manager will initially be paid a fixed monthly fee and a variable fee which will not exceed the fixed portion.

Prior Operating History

The Project will be acquired on the Closing Date acquired from 2001 Washington Place Apartments, LP (the "Seller") for \$2,850,000. No assurance can be given that the operating revenues from the Project or operating expenses of the Project will be consistent with those historically experienced. The Lessee may not incur certain expenses incurred by the Seller, and the Lessee may incur expenses that were not incurred by the Seller.

Occupancy

The Lessee expects occupancy to be at least 95% in each year. Occupancy is computed using actual lease-up as a percentage of total available units. Historical occupancy figures set forth below are for the fiscal years ending December 31 of each year:

<u>2012</u>	<u>2013</u>	<u>2014</u>
92%	94%	97%

As of August 1, 2015, the Project was 98.6% occupied.

Pro Forma Financial Projection

Attached as APPENDIX D hereto is a pro forma financial projection prepared by the Lessee setting forth an estimate of revenues and expenses for the Project for the twelve months post the closing of the Bonds based upon results from the three previous years. The estimates of revenues and expenses do not reflect certain adjustments to the assumptions that were utilized by the Rating Agency in assigning a rating to the Bonds as required by its rating criteria.

There are no assurances that operating revenues will not be less than, or that operating expenses will not be greater than those listed in the projection, and it is reasonably expected that such expenses will increase during the term of the Bonds. In the event of increases in the operating expenses of the Project, the Lessee will be primarily dependent upon increases in tenant rents in order to adequately operate and maintain the Project. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Future Project Revenues and Expenses” herein.

Environmental Assessment

Partner Engineering & Science, Inc. (“PES”) prepared four site-specific Phase I Environmental Site Assessment Reports for the Project (collectively, the “Environmental Assessment”) each dated June 24, 2015. The Environmental Assessment was conducted utilizing the generally accepted Phase I industry standards using the American Society for Testing and Materials (ASTM) Standard Practice E 1527-13. During the initial offering period, the Environmental Assessment will be provided to any prospective purchaser upon request to the Underwriter. A summary of certain aspects of the Environmental Assessment follows. The following summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full Environmental Assessment.

The Environmental Assessment revealed no evidence of current or historical recognized environmental conditions in connection with the Project (both on-site and off-site) and PES recommended no additional investigation at the time of the Environmental Assessment. Based on the age of the buildings on the Project site, PES concluded that it is likely asbestos containing materials (“ACM”) are present in the Project and recommended continued monitoring under an Asbestos Operations and Maintenance Plan. Furthermore, PES concluded that based on the age of the buildings at the Project site, there is a potential for lead-based paint (“LBP”) to be present in the Project and recommended implementation of an operations and maintenance plan for LBP, as defined by federal, state and municipal regulations, to notify maintenance and other personnel of the potential presence of LBP at the Project. In connection with the planned rehabilitation, the Environmental Assessment stated that if materials suspected to contain either ACM or LBP are replaced, such materials should be sampled to confirm the presence or absence of ACM or LBP.

Physical Needs Assessment

PES also prepared a Physical Needs Assessments (“PNA”) for the Project dated as of November 26, 2014. PES concluded that the general condition of the Project is in average condition with consideration given to the age of the building components and the observed conditions.

The PNA identified no physical deficiencies (code and life safety issues) that are considered significant and require immediate repair. However, PES did recommend that some items be repaired or replaced including but not limited to, paint and repair exterior walls; replace roof coverings and drainage; retrofit aluminum wiring; replace irrigation systems; install ground fault circuit interrupters; install smoke detectors in specific rooms throughout the units; and install carbon monoxide detectors. The Lessee intends to address the physical deficiencies and immediate repair needs identified in the PNA in the planned rehabilitation.

In addition, the Lessee will make an annual deposit of \$22,800, (or \$300 per unit annually) to a Replacement Reserve account to be held by the Trustee. The Lessee believes that the investments made to date combined with the planned renovations and Replacement Reserves will be sufficient to maintain the property in a quality condition over the life of the Bonds.

Insurance

Under the Lease Agreement, the Lessee is required to maintain insurance against loss or damage to the improvements by fire and other risks covered by fire and extended coverage insurance in an amount not less than the greater of the full replacement cost of the improvements and personal property or the outstanding principal amount of the Bonds, with a deductible not exceeding \$25,000 for any casualty or loss; business interruption or loss of rent insurance in amounts sufficient to make all payments due under the Lease Agreement during any 12-month period, or the gross amount of annual rentals projected (or, if greater, actual) for the Project based upon the projected (or, if greater, actual) occupancy of the Project; provided that such coverage shall be increased annually on each anniversary date of the policy to comply with the Lease Agreement; comprehensive general liability insurance on an occurrence basis against claims for personal injury, including bodily injury, death or property damage; workers' compensation insurance; during the construction or repair of improvements on the Property, builders' completed value risk insurance against all risks of physical loss; boiler and machinery insurance; flood insurance if the Property is in an area identified as a special flood hazard area; and such other insurance, in such amounts and against such hazards and risk, as is commonly obtained by prudent owners of property similar in use as to the Project and in the area in which the Project is located.

All policies of insurance will contain an endorsement or agreement by the insurer that any loss will be payable in accordance with the terms of such policy notwithstanding any act or negligence of the Lessee, which might otherwise result in forfeiture of such insurance, and the further agreement of the insurer waiving all rights of set-off, counterclaim or deductions against the Lessee.

APPRAISAL

The Appraiser was retained by the Lessee to prepare the Appraisal with respect to the Project. A summary of certain aspects of the Appraisal follows. The summary of certain aspects which follows does not purport to be complete or definitive and is qualified in its entirety by reference to the full Appraisal. During the initial offering period, the Appraisal will be provided to any prospective purchaser upon request to the Underwriter.

The Appraiser determined the market value, subject to restricted rents at the Project, as of February 26, 2015 to be \$3,775,000.

The Appraisal includes information regarding the procedures utilized in preparing the respective appraisal and the underlying general assumptions and limiting conditions. The conclusions and much of the other information included in the Appraisal are based on the assumptions and rationale stated therein. In some instances the currently available information may be incomplete, may not necessarily disclose all material facts that might affect the Project, and, in any case, may change after the date of the Appraisal. Accordingly, a prospective investor in the light of the circumstances then prevailing should carefully evaluate the assumptions and other information in the Appraisal.

Appraisals, by their nature, are based on the judgment of the Appraiser, represent only estimates of value and should not be relied upon as a measure of realizable value. The Appraisal is dated as of the date stated above. There can be no assurance that information set forth therein continues to be accurate in all respects as of the date hereof. In any event, the accuracy of the Appraisal is dependent upon the occurrence of specified assumptions and other future events which cannot be assured, and therefore, the actual results achieved will vary from the forecasts, and the variation may be material.

Information taken from the Appraisal prepared by the Appraiser should be evaluated within the context of the full narrative report. Information presented out of the context of the full narrative report may be misleading.

There is no assurance that the “values” set forth in the Appraisal would be realized in the event of the foreclosure or forced sale of the Project.

SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

The following is a summary description of the effect on the Project of the Housing Assistance Payments Program (“HAP”) provided by Section 8 of the U.S. Housing Act and regulations thereunder and is qualified in its entirety by reference thereto.

The Administrator for the HAP Contract (the New Mexico Mortgage Finance Authority) makes monthly HAP Payments to the Lessee covering the difference between the rents established by HUD for units in the Project (the “Contract Rents”) and the Tenant Rents (as defined herein). The Contract Rents for the Project are approved by HUD and are subject to adjustment. See “Adjustments in Contract Rents” below.

Eligible Tenants, for purpose of the HAP Contract, are defined generally as those households whose income does not exceed 80% (on a scale weighted to reflect family size) of the median income for an area as determined by HUD.

The HAP Contract

As part of the purchase of the Project, the Lessee will enter into with HUD the HAP Contract which will expire on October 1, 2035. The Lessee has covenanted to exercise all renewal options under the HAP Contract. There is no assurance that the HAP Contract will be renewed by HUD after its expiration, however, current law requires HUD to renew existing HAP Contracts upon an owner’s request, to the extent the owner and the project are in compliance with applicable HUD requirements and to the extent that sufficient funds have been appropriated by Congress for such purpose. After expiration of the HAP Contract, HUD may provide Section 8 tenant-based rental assistance to all Eligible Tenants, enabling them to choose the unit they wish to rent. This may or may not include units in the Project. Alternatively, low income tenants then in the Project will have to qualify separately for other governmental programs, if any, then in effect, or the Lessee will have to find tenants able to pay market rents (subject to the requirements of the Regulatory Agreement) if the Project is to remain viable. The Lessee must comply with certain notice provisions prior to initiating an eviction or increasing the Tenant Rents. The notice period for an eviction upon expiration of the HAP Contract or Tenant Rent increase incident to the expiration of the HAP Contract is one year.

Eligible Tenants

Under the HAP Contract, the Administrator is to make monthly HAP Payments with respect to each Section 8 Unit in the Project occupied by an Eligible Tenant depending on the income of the tenant as computed under HUD regulations. Under certain circumstances, otherwise Eligible Tenants may be excluded from participation or evicted from the Project. With respect to vacant Section 8 Units in the Project, subject to certain restrictions, the Administrator, for a period of 60 days, is to make HAP Payments equal to 80% of the applicable Contract Rent (less money from other sources, such as security deposits, applied thereto); provided that, in the case of units vacant on the effective date of a HAP Contract or 15 days thereafter, the Lessee has theretofore made specified renting efforts and that, in other cases, the Lessee follows specified eviction and renting procedures.

In addition, if a Section 8 Unit is vacant for more than 60 days, the Lessee may be entitled to make semiannual claims, and to receive additional HAP Payments, in an amount up to the portion of the debt service attributable to such unit for an additional 12 months, if (i) such unit is maintained in accordance with the requirements of the HAP Contract, (ii) the Lessee demonstrates that the Project Revenues are less than Project costs and that the additional HAP Payments are equal to the portion of the deficiency attributable to such unit while vacant, and (iii) the Lessee submits evidence that there is a reasonable prospect that the Project can achieve financial soundness within a reasonable time.

Adjustments in Contract Rents

The HAP Contract provides for certain adjustments in Contract Rents. The Administrator, in accordance with the requirements set forth by HUD, adjusts the Contract Rents yearly. In some cases, the yearly adjustment may result in an increase in Contract Rents. No assurance can be given, however, that any such increases in Contract Rents will be sufficient to compensate for increased operating expenses of the Project. See “RISK FACTORS AND INVESTMENT CONSIDERATION – The HAP Contract” herein.

Abatement of Housing Assistance Payments

The Lessee and Eligible Tenants must inspect the dwelling and determine it to be decent, safe and sanitary under the criteria established by HUD. The Administrator must inspect each unit within the Project at least annually. If the Administrator notifies the Lessee that it has failed to maintain a dwelling unit in decent, safe and sanitary condition and the Lessee fails to take corrective action within the time prescribed in the notice, the Administrator may exercise any of its rights or remedies under the HAP Contract, including the abatement of HAP Payments even if the Eligible Tenant continues to occupy the abated unit. Under certain circumstances the Administrator may use the abated housing assistance payments to re-house an Eligible Tenant residing in the abated unit.

Default; Remedies upon Default

In addition to maintaining the Project so as to provide decent, safe and sanitary housing, the HAP Contract imposes requirements regarding nondiscrimination in housing, provision of opportunities for training and employment of lower income residents of the Project and awarding of contracts for Project work to businesses located in, or owned in substantial part by residents of, the Project area, equal opportunity compliance and clean air and water pollution regulations.

If the Administrator determines that the Lessee violates or fails to comply with any provision of or obligation under the HAP Contract or any lease to tenants or asserts or demonstrates an intention not to perform some of or all its obligations under the HAP Contract or any lease to tenants, the Administrator is to notify the Lessee and HUD of (1) the nature of the default, (2) the actions to be taken and the remedies to be applied on account of the default (including the abatement of HAP Payments), and (3) the time within which the Lessee must respond with a showing that all such actions have been taken. If the Lessee fails to respond or to take satisfactory action, the Administrator may terminate the HAP Contract or take other corrective action to achieve compliance in its discretion or as directed by HUD.

In the event of a foreclosure, or an assignment or sale of the Project in lieu of foreclosure, or in the event of assignment or sale of the Project agreed to by the Administrator and approved by HUD (which approval is required not to be unreasonably delayed or withheld), HAP Payments are to continue in accordance with the terms of the HAP Contract.

Possible Changes to Section 8 Program

There are numerous recent proposals, both by HUD and in Congress, to restructure HUD and to modify the Section 8 program. No assurance can be given as to the effect of any future legislative or administrative changes upon HUD or the Section 8 program. Any decrease in the Contract Rents payable under the HAP Contract would reduce the revenues of the Project and could affect the ability of the Lessee to make required payments under the Lease Agreement. Section 8 program funding and Contract Rents are contingent upon Congressional appropriations.

SOURCES AND USES OF FUNDS

The proceeds of the Bonds (excluding accrued interest) are expected to be used and applied in the following manner:

Sources of Funds:	
Tax-Exempt Bond Proceeds	\$5,340,000.00
Taxable Bond Proceeds	1,160,000.00
Original Issue Discount	<u>(131,579.40)</u>
Total Sources of Funds	<u>\$6,368,420.60</u>
Uses of Funds:	
Acquisition Costs	\$2,850,000.00
Project Improvements	3,102,376.85
Debt Service Reserve Fund Deposit	163,543.75
Cost of Issuance (including Underwriter's Fee)	<u>252,500.00</u>
Total Uses of Funds	<u>\$6,368,420.60</u>

FORWARD-LOOKING STATEMENTS

Certain statements in this Official Statement that relate to the Project and the Lessee including, but not limited to, statements under the captions "THE LESSEE AND THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" and "PRO FORMA FINANCIAL PROJECTIONS" attached hereto as Appendix D, are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Lessee. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Project and the Lessee to be materially different from any expected future results or performance. Such factors include, but are not limited to, items described in "RISK FACTORS AND INVESTMENT CONSIDERATIONS."

RISK FACTORS AND INVESTMENT CONSIDERATIONS

AN INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CAREFULLY CONSIDER ALL POSSIBLE FACTORS WHICH MAY AFFECT THEIR INVESTMENT IN THE BONDS. IN ADDITION TO THE OTHER INFORMATION SET FORTH HEREIN, THE FOLLOWING LIST, WHILE NOT SETTING FORTH ALL THE FACTORS, CONTAINS SOME OF THE FACTORS THAT SHOULD BE CONSIDERED PRIOR TO PURCHASING THE BONDS.

In order to identify risk factors and make an informed investment decision, prospective investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) and review the actual documents summarized herein to make a judgment as to whether the Bonds are an appropriate investment for the investor.

Limited Obligations of Issuer

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. NONE OF THE ISSUER, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) OR ANY PUBLIC AGENCY, SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.

Limited Repayment Obligations of Lessee; Security for Repayment

The Lessee's obligation to make Lease Payments with respect to the Bonds is a limited, nonrecourse obligation of the Lessee, and holders of the Bonds will have recourse only to the Project and the Project Revenues,

including HAP Payments, to satisfy the obligations of the Lessee with respect to the Lease Agreement. There can be no assurance that such amounts will be sufficient to repay the Lessee's obligations with respect to the Lease Agreement. No other revenues or assets of the Lessee or the General Partner will be available for the payment of, or as security for, the Bonds.

The security for the Bonds (subject to Permitted Encumbrances) will consist entirely of (i) Project Revenues including Lease Payments made by the Lessee pursuant to the Lease Agreement, (ii) the Lease Agreement (other than the rights to indemnification, amounts payable to the Issuer under the Lease Agreement and its rights to receive notice), the Deed of Trust and the HAP Assignment, (iii) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (except with respect to moneys in the Administration Fund, the Costs of Issuance Account of the Project Fund and the Rebate Fund), and (iv) any and all other real and personal property from time to time thereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security for the Bonds. Prospects for uninterrupted payment of principal and interest on the Bonds in accordance with their terms are dependent upon the success of the Lessee in rehabilitating and operating the Project to generate adequate cash flow to meet its obligations under the Lease Agreement.

The Lessee and Related Parties; Conflicts of Interest

The Lessee was organized in New Mexico for the sole purpose of acquiring and operating the Project. It has no assets other than the Project and the rights and revenues incident thereto and no intention to acquire other assets. The ability of the Lessee to pay and perform its obligations under the Lease Agreement will depend primarily upon the ability of the Project to generate sufficient revenues.

The Lessee has limited resources and is dependent on its successful operation of the Project to meet its obligations under the foregoing documents. Under the terms of the Lease Agreement, the General Partner, Special Limited Partner and Limited Partner are not liable for the debts or losses of the Lessee, nor are they obligated to contribute any funds to or on behalf of the Lessee, irrespective of whether the revenues of the Project are sufficient to pay operating expenses and debt service requirements with respect to the Bonds.

The Manager has engaged in, and may continue to engage in, business for its own account, independently or with others, and whether or not in the vicinity of or in competition with the Project. As a result of its other interests and activities, the Manager may have conflicts of interest with its role in the Project, including conflicts in allocating its time and resources between the Project and other activities in which it is involved.

Future Project Revenues and Expenses

As noted herein, and except to the extent payable from investment income or, under certain circumstances, proceeds of casualty insurance or condemnation awards, principal of and premium, if any, and interest on the Bonds is payable solely from Project Revenues, which include payments from tenants, and from the security provided by or pursuant to the Indenture, the Lease Agreement, the Deed of Trust and the HAP Assignment. No representation or assurance is given or can be made that Project Revenues, as presently estimated or otherwise, will be realized by the Lessee, the Trustee, or by any other person in amounts sufficient, together with such other moneys available under the Indenture and pledged to the Bonds, to pay debt service on the Bonds when due and to make other payments necessary to meet the obligations of the Lessee. Future revenues and expenses of the Project are subject to conditions which may change.

The realization of Project Revenues from the Project by the Lessee generally is subject to, among other factors, federal and state policies affecting rental housing and the housing market generally, demand for rental housing, the capability of management of the Project, the nature and condition of the housing stock in the neighborhood in which the Project is located, future economic conditions and other conditions which are impossible to predict. Such conditions may include an inability of the Project management to control expenses during periods of inflation, changes in government involvement in and regulation of rental housing, changes in local real estate taxes and zoning restrictions, and competition from other sources of assisted or market-rate housing.

The payment of debt service on the Bonds is, among other things, dependent upon the Lessee's ability to maintain occupancy of the Project and charge and collect rents which are sufficient to pay operating expenses of the Project, debt service requirements with respect to the Bonds and to fund necessary reserves as required under the Indenture. Occupancy levels (which also affect Project Revenues) will depend principally upon the desirability of the Project as rental housing, taking into account factors such as its location, physical condition and amenities. See "THE LESSEE AND THE PROJECT" herein for a description of the Project. Occupancy levels may also be affected by a variety of future events, including but not limited to failure of the Project to attract such tenants because of competition from other rental housing, changes in zoning restrictions, or development activities near the Project.

Risks of Real Estate Investment

General. Development, ownership and operation of real estate, such as the Project, involves certain risks, including the risk of adverse changes in general economic and local conditions, including the possible future oversupply and lagging demand for housing; adverse use of adjacent or neighboring real estate; community acceptance of the Project; changes in the cost of operation of the Project; difficulties or restrictions in the Lessee's ability to raise rents charged; adverse weather and delays in rehabilitation; population decreases; uninsured losses; failure of residents to pay rent; operating deficits and mortgage foreclosure; lack of attractiveness of the Project to residents; adverse changes in neighborhood values; and adverse changes in zoning laws, federal and local rent controls, other laws and regulations and real property tax rates. Such losses also include the possibility of fire or other casualty or condemnation. If the Project, or any parts of the Project, were uninhabitable during restoration after damage or destruction, the residence units or common areas affected would not be available during the period of restoration, which could adversely affect the ability of the Project to generate sufficient revenues to pay debt service on the Bonds. Changes in general or local economic conditions and changes in interest rates and the availability of mortgage funding may render the sale or refinancing of the Project difficult or unattractive. These conditions may have an adverse effect on the demand for the Project as well as the market price received for the Project in the event of a sale or foreclosure of the Project. Many other factors may adversely affect the operation of facilities like the Project and cannot be determined at this time.

Risks of Competition, the Rental Market and Occupancy and Rental Rates. The Project may compete with other current and future apartment developments in its market area, some of which may offer lower rentals. It is difficult to assess the current and future demand for units of the Project or future rental rates. Therefore, there can be no assurance that the Project will achieve the occupancy levels or the rental rates necessary to cover debt service requirements.

Failure to Maintain Occupancy. The economic feasibility of the Project and its ability to provide revenues to the Lessee to make Lease Payments depend in large part upon its being substantially occupied. Occupancy of the Project may be affected by competition from existing competing facilities or from competing facilities which may be constructed in the area served by the Project. Circumstances may occur, including but not limited to, insufficient demand for low income housing in the Project's location, decreases in the population, deterioration of the structure and living facilities, and construction of competing projects for low income individuals or other more attractive living accommodations, which could increase the rate of vacancy. Further, the sustained failure of tenants to meet their rental payment obligations or the failure of HUD to increase the Contract Rents to match substantial increases in the Project's operating expenses would make it difficult for the Project to meet its current operating expenses which could result in a curtailment of essential services and decrease the desirability of the Project to existing or prospective tenants. HUD is not obligated to provide increases in Contract Rents in amounts sufficient to assure payment of all Project operating expenses. See "SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM — Adjustments in Contract Rents." *Damage, Destruction or Condemnation.* Although the Lessee will be required to obtain and maintain certain insurance against damage or destruction as set forth in the Lease Agreement and the Deed of Trust, there can be no assurance that the Project will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Project cannot generate Project Revenues, will not exceed the coverage of such insurance policies. If the Project or any portion of the Project is damaged or destroyed, or is taken in a condemnation proceeding, funds derived from proceeds of insurance or any such condemnation award for the Project must be applied as provided in the Lease Agreement to restore or rebuild the Project or to redeem the Bonds. There can be no assurance that the amount of funds available to restore or rebuild the Project or to redeem the Bonds will be sufficient for that purpose, or that any remaining portion of the

Project will generate Project Revenues sufficient to pay the expenses of the Project and the debt service on the Bonds remaining outstanding.

Loss of Property Tax Exemption. The pro forma cash flows for the Project currently assume that the Project will receive an exemption from New Mexico real estate taxes pursuant to the Act. A denial of property tax exemption for the Project would have a negative impact on the revenue projections for the Project. As of the date of the Dated Date, the Lessee will make a one-time payment in lieu of taxes (the "PILOT") to the Issuer in the amount of \$120,000. The Lessee's payment to the Issuer of the PILOT shall provide the Project with a full property tax exemption from all property tax levies and assessments and is intended to represent the amount of property taxes that would be realized by the Issuer through the applicable taxing authorities for taxable years 2015 through 2030 (the "Term") if the Project were not exempt from property taxation pursuant to Section 3-45-19 NMSA 1978. Thereafter, beginning for property taxes payable in 2031 while the Lease Agreement remains in effect, the Lessee shall make annual payments in lieu of taxes to the Issuer equivalent to the property taxes that would be realized by the Issuer through the applicable taxing authorities if the Project were not exempt from property taxation pursuant to Section 3-45-19 NMSA 1978.

Housing Assistance Payment Risks

HAP Contract. The Section 8 Units in the Project (consisting of all of the units in the Project) are covered under the HAP Contract pursuant to which HUD makes rental subsidy payments on behalf of qualifying tenants equal to the difference between the Contract Rent for such unit and 30 percent of the tenant's adjusted income. The HAP Contract is subject to cancellation by HUD if the Lessee defaults in its obligations thereunder. Such obligations include maintaining the Project in a decent, safe and sanitary condition and in good repair, and observing federally imposed restrictions on leasing of units and affordability of rents.

The rental subsidy payments under the HAP Contract are subject to being adjusted by HUD annually using an operating cost adjustment factor ("OCAF"). The adjustments by use of the OCAF will not result in a negative adjustment (decrease) of the Contract Rents. In the event (i) the HAP Contract expires prior to its renewal, (ii) HUD were to terminate housing assistance payments under the HAP Contract, (iii) housing assistance payments payable under the HAP Contract were to decrease, or do not increase at a rate commensurate with any increase in operating expenses, or (iv) Congress does not appropriate money therefor in any year, such terminated payments would not be available to make Lease Payments pursuant to the Lease Agreement, which could result in a default on the Bonds.

The HAP Contract does not provide assurance that the Bonds will be paid regardless of the economic condition of the Project.

Prospects for uninterrupted payment of principal, premium, if any, and interest on the Bonds in accordance with their terms are dependent upon the success of the Lessee in operating the Project in compliance with the HAP Contract to generate adequate cash flow to meet its obligations under the Lease Agreement. The possible inability of the Lessee to comply with the HAP Contract could, therefore, materially and adversely affect the Lessee's ability to pay amounts due under the Lease Agreement.

The obligation of HUD to make HAP Payments is conditioned upon the Lessee's performance of its obligations under the HAP Contract (including its obligations to maintain occupancy by tenants eligible for HAP Payments, and to comply with other federal requirements pertaining to nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) and upon other terms and provisions thereof.

If the Lessee fails for any continuous six-month period to have at least 90% of the units under the HAP Contract leased to eligible Section 8 tenants, HUD may, upon 30 days' notice, reduce the number of units under the HAP Contract to the number of units leased to eligible tenants plus 10%. Any such reduced number of HAP Contract units may be later restored if the Lessee is in compliance with its obligations and additional Section 8 HAP Contract authority is available.

HUD will approve increases in Contract Rents only with certain limitations intended to assure that rent increases do not exceed the average rent increases for comparable projects in the market area. Contract Rents are

also not subject to increase to cover major repairs not covered by insurance or the Repair and Replacement Fund established under the Indenture.

Scheduled Termination of HAP Payments. The term of the HAP Contract will expire on October 1, 2035 at which time a portion of the Bonds is anticipated to be Outstanding. HUD may, but is under no obligation to extend the HAP Contract beyond such term. The financial feasibility of the Project is and will likely remain dependent on the subsidy provided by the HAP Contract. It is not known what the rents would be for units in the Project if that subsidy were not available, nor is it known what such rents, or Project expenses, will be upon a termination of the HAP Contract. After expiration of the HAP Contract, HUD may provide Section 8 tenant-based rental assistance to all Eligible Tenants, enabling them to choose the units they wish to rent. This may or may not include units in the Project.

Risk of Tenant Non-Payment of Rent. There can be no assurance that any tenant of the Project will pay rent when due. No governmental agency, including HUD, has guaranteed the rental payments due from tenants. Thus, there can be no assurance that the rental payments received from the tenants will be sufficient to enable the Lessee to make timely payments under the Lease Agreement, or to enable the Trustee to make timely payments of principal premium, if any, and interest on the Bonds. Leases can be terminated by the Lessee for nonpayment of rent by tenants.

Restrictions on Increases in Contract Rents. There is no assurance that Contract Rents will always be sufficient to cover actual expenses. Increases in Contract Rents by automatic annual adjustments and special adjustment may not be sufficient to cover actual increases in Project operating expenses.

Limitation on Vacancy Payments under HAP Contract. In the event of vacancy, HAP Payments are required by the HAP Contract to continue with respect to the vacant unit for up to 60 days at 80% of the Contract Rent and thereafter upon application by the Lessee for up to twelve months at an amount equal to the pro rata debt service attributable to the vacant unit. If the vacant unit has not been reoccupied by an Eligible Tenant within the aggregate fourteen month period, HAP Payments will cease altogether with respect to the vacant unit until such time as the vacant unit is reoccupied. The reduced HAP Payments in event of vacancy will only be paid if the Lessee did not cause the tenant to vacate the unit in violation of the tenant's lease or other applicable law, if the Lessee is taking all feasible actions to fill the vacancy, if the Lessee is maintaining the unit to provide decent, safe and sanitary housing, and in the case of payments after the initial sixty-day period, and if the Project is not providing the Lessee with revenues exceeding the Project's operating costs.

The Lessee may not lease more than 10 percent of the Section 8 Units in the Project to families which do not meet the Section 8 eligibility requirements at initial occupancy. Further, where the Lessee fails to maintain at least 90 percent of the Section 8 Units leased or available for lease by Eligible Tenants, HUD or the Administrator may reduce the number of assisted units under the HAP Contract thereby reducing the Contract Rent. The Lessee may request that HUD waive the aforementioned requirement prior to the initial occupancy of a tenant who is not an Eligible Tenant. Where such a waiver is granted no reduction in Section 8 Units will be made. In the event that a reduction in Section 8 Units is triggered, upon meeting certain conditions, the Lessee may request that HUD restore the reduction.

If HUD or the Administrator (if other than HUD) notifies the Lessee that it has failed to maintain a dwelling unit in decent, safe and sanitary condition and the Lessee fails to take corrective action within the time prescribed in the notice, HUD may exercise any of its rights or remedies under the HAP Contract, including the abatement of HAP Payments. Failure to receive HAP Payments or abatement thereof from the levels sufficient to pay Contract Rents could materially affect the Lessee's ability to generate sufficient Project Revenues to make payments under the Lease Agreement. If HUD determines that a unit of the Project is smaller or larger than appropriate, HAP Payments with respect to such unit will generally not be abated or terminated until the tenant has been relocated to an appropriate alternative unit.

Extension of HAP Contract. Currently, the primary source of revenues for the Project is the payments to be made to the Lessee pursuant to the HAP Contract. The HAP Contract is scheduled to terminate as described above, which is substantially prior to the final maturity of the Bonds. If the Lessee is unable to extend the HAP Contract from HUD on terms similar to the current one, the ability of the Project to generate sufficient revenues to enable the

Lessee to make the required payments under the Lease Agreement will be subject to all of the risks normally associated with the ownership of an unsubsidized multifamily housing project, certain of which risks are described herein. No assurance can be given, however, that the Project will actually generate revenue levels sufficient to make the payments due under the Lease Agreement.

Dependence on Annual Appropriations. Although the HAP Contract is not scheduled to expire until October 1, 2035, the funds to make the assistance payments are subject to annual appropriations by Congress. If Congress failed to appropriate funds sufficient for HUD to meet its obligation under the HAP Contract for any period of time, any resulting decrease in the payment of Contract Rents would reduce the revenues of the Project and could affect the ability of the Lessee to make payments under the Lease Agreement. Any such reductions could affect the payment of Contract Rents under the HAP Contract.

Project Risks

Adequacy of the Project as Security. The security for the Bonds includes a lien on the Project, evidenced by the Deed of Trust which has been granted in favor of the Trustee under the Indenture. If the Lessee fails to make sufficient and timely payments required under the Lease Agreement, it may be necessary for the Trustee to exercise its remedies under the Deed of Trust, including foreclosure.

There can be no assurance that if and when the Trustee forecloses and obtains possession of the Project or realizes amounts from the sale thereof, that resulting proceeds or Project Revenues (if the Project is retained and operated by the Trustee), would be sufficient to pay debt service on the Bonds in full when due and operating expenses of the Project. The Trustee is not in the business of operating facilities such as the Project and any amounts which might be realized from operation of the Project are uncertain. Further, attempts to foreclose under the Deed of Trust or to obtain other remedies under such document, the Indenture, the Lease Agreement or any other documents relating to the Bonds may be met with protracted litigation and/or bankruptcy proceedings, which could cause delays, and a court may decide not to order specific performance of covenants contained in such documents. Thus, there can be no assurance that upon the occurrence of and event of default on the Bonds the Trustee will be able to obtain possession of the Project or generate proceeds of sale or revenues from the Project, or obtain other relief, in a timely fashion.

Project is a Special Purpose Facility. The Project has been specifically constructed for multifamily residential rental housing purposes and is subject to physical restrictions that limit the alternative uses that can be made of such property. The Regulatory Agreement also imposes significant restrictions on the use of the Project which could remain in effect, even in the event of foreclosure of the Deed of Trust. See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – “THE REGULATORY AGREEMENT.” If the Lessee is unable to operate the Project successfully as a multifamily residential rental housing facilities, the number of entities that would be interested in purchasing or leasing the Project from the Lessee for other purposes could be extremely limited, and the ability of the Trustee to lease or sell the Project to third parties would be adversely affected. Therefore, there is no assurance that the Trustee could realize sufficient proceeds from the foreclosure of the Deed of Trust and the sale of the Project thereunder to pay the Bonds in their entirety.

Rental Housing Requirements. The Project is subject to significant regulation which, among other things, affects the eligibility of tenants who may reside in the Project and the rents which may be charged to tenants. The Regulatory Agreement requires that at least 100% of the units be rented or held available for Qualified Tenants (as defined in the Regulatory Agreement). See “INTRODUCTORY STATEMENT” and “THE LESSEE AND THE PROJECT” herein. The restrictions are necessary to maintain the expected property tax-exemption on the site, to maintain the tax-exempt status of interest on the Tax-Exempt Bonds and to comply with other laws of the state of New Mexico. However, these restrictions may limit the ability of the Lessee to increase the rentals charged to the tenants of the Project to the extent required to compensate for increasing expenses. (See “THE REGULATORY AGREEMENT” in APPENDIX B). The foregoing rental housing requirements may adversely affect the occupancy and revenues of the Project and may limit the Lessee’s ability to refinance the Project.

Delinquent and Defaulting Tenants. The Lessee only intends to rent to tenants that it judges to be creditworthy. Nevertheless, many of the tenants in the Project will be lower income persons or families who may

not be able to make timely rental payments or will otherwise fail to make rental payments at all. To the extent possible, management intends to terminate rentals to such delinquent or defaulting tenants as soon as practicable after their default. Tenants who do not voluntarily vacate will require that the Lessee recover possession through legal action. Legal action is costly, both in regard to legal fees and expenses and to lost revenues during the time necessary to remove the tenant. The existence of delinquent or defaulting tenants in the Project could adversely affect the ability of the Lessee to make timely payments, if at all, under the Lease Agreement. Any failure by the Lessee to satisfy its payment obligations under the Lease Agreement will have an adverse impact on the ability of the Trustee to pay, from the Trust Estate, debt service payments on the Bonds.

Other Government Regulation. The Project is and will continue to be subject to rules and regulations promulgated by various agencies and bodies of federal, state and local governments which have jurisdiction over such matters as employment, environment, safety, traffic and health. The impact of such rules and regulations on the Project is unknown and cannot be predicted. Future orders, pursuant to existing or subsequently enacted rules or regulations, may require the expenditure by the Lessee of substantial sums to effect compliance therewith.

Appraisal

The Appraisal is based on certain assumptions significant to the operation of the Project as described therein, and sets forth information as of the date thereof. Some assumed events and circumstances inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of the Appraisal. None of the Issuer, the Underwriter, the Lessee, the Trustee or any counsel rendering approving or other opinions with respect to the transactions described herein have examined or verified the assumptions and conclusions contained in the Appraisal.

As described above, a summary of the Appraisal is set forth in this Official Statement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full Appraisal. During the initial offering period, the Appraisal will be provided to any prospective purchaser upon request to the Underwriter. See "APPRAISAL" herein.

Financial Projections

The financial projections included in Appendix D present the Lessee's estimate of future results of operations of the Project and are subject to certain assumptions used in preparing them. The forecast of future revenues and expenses of the Project for twelve (12) months following the Bond closing included herein is based upon the assumptions of management of the Lessee concerning future events, circumstances, and transactions. Realization of the results forecasted will depend on the implementation by the Lessee of policies and procedures consistent with the assumptions. Future results will also be affected by events and circumstances beyond the control of the Lessee, for example, changes in general economic conditions. For the reasons described above, it is likely that the actual results of the Lessee will be different from the results forecasted and those differences may be material and adverse. In addition, no forecast of future revenues and expenses of the Project have been prepared for any future years other than for the twelve (12) month period presented in Appendix D. The forecast was examined by the accountant stated in Appendix D. The Underwriter makes no representation or warranty as to such financial forecast. See "FINANCIAL FORECAST" herein.

SOME ASSUMPTIONS MAY NOT MATERIALIZE AND UNANTICIPATED EVENTS AND CIRCUMSTANCES ARE LIKELY TO OCCUR. THEREFORE, THE ACTUAL RESULTS ATTAINED WILL IN ALL LIKELIHOOD VARY FROM THE PROJECTIONS CONTAINED IN THE PRO FORMA FINANCIAL PROJECTIONS. ACCORDINGLY, NO PERSON CAN MAKE REPRESENTATIONS OR WARRANTIES AS TO THE FUTURE RESULTS OF OPERATIONS OF THE PROJECT.

Limitation on Acceleration of the Bonds

The Indenture provides that following an Event of Default thereunder, the maturity of the Bonds may be accelerated by the Trustee, subject to cure provisions of the Indenture, and upon written request of the holders of a

majority of the principal amount of the Bonds, shall be accelerated. See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS - “THE TRUST INDENTURE.”

Risk of Early Redemption

There are a number of circumstances under which all or a portion of the Bonds may be redeemed prior to their stated maturity. For a description of the circumstances in which Bonds may be redeemed and the terms of redemption, see “THE BONDS ” herein.

Risk of Loss Upon Redemption

The rights of Bondholders to receive interest will terminate on the date, if any, on which such Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture and interest on such Bonds will no longer accrue on and after such date of redemption. There can be no assurance that the Lessee will be able or will be obligated to pay for any amounts not available under the Indenture.

Incurrence of Additional Indebtedness

The Lease Agreement and the Indenture permit the Lessee to incur additional indebtedness, upon compliance with the provisions thereof. Such additional indebtedness, under certain circumstances, may be equally and ratably secured with the Bonds. See APPENDIX B – SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – “THE LEASE AGREEMENT.”

Specific Tax Covenants of Lessee and Rental Restrictions

As referenced in the Sections of this Official Statement captioned “INTRODUCTORY STATEMENT” and “THE LESSEE AND THE PROJECT ,” and “SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM” the Lessee has covenanted to comply with certain income limits and certain rent restrictions with respect to the Project. These restrictions, by their very nature, limit the revenues which the Project can generate in order to repay the Bonds. See “BONDHOLDERS’ RISKS – Risk of Loss Upon Redemption” and “APPENDIX B - SUMMARIES OF CERTAIN PROVISIONS OF PRINCIPAL BOND DOCUMENTS – THE REGULATORY AGREEMENT.”

Taxation of the Tax-Exempt Bonds

The interest on the Tax-Exempt Bonds may be includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Tax-Exempt Bonds for a variety of reasons. The exclusion from gross income is dependent upon, among other things, compliance with certain restrictions regarding the use and investment of Tax-Exempt Bond proceeds and continuing compliance by the Lessee with the Regulatory Agreement under which enforcement remedies available to the Issuer and the Trustee are severely limited. Failure of the Lessee to comply with the terms and conditions of the documents relating to the Tax-Exempt Bonds or the Lease Agreement, the Regulatory Agreement and other documents as described herein may result in the loss of the tax-exempt status of the interest on the Tax-Exempt Bonds retroactive to the date of issuance of the Tax-Exempt Bonds. See “TAX MATTERS” herein. Although a determination of taxability is not an express Event of Default, the Lessee has covenanted to take all action necessary to cause interest on the Tax-Exempt Bonds to remain tax-exempt; therefore, if interest on the Tax-Exempt Bonds becomes taxable, this could be an Event of Default. No assurance can be given that sufficient funds will be available in such a case to enable the Tax-Exempt Bonds to be redeemed at the applicable redemption price.

If interest on the Tax-Exempt Bonds should become included in gross income for federal income tax purposes, the market for and value of the Tax-Exempt Bonds could be adversely affected.

Moreover, there can be no assurance that the present advantageous provisions of the Code, or the rules and regulations thereunder, will not be retroactively adversely amended or modified, thereby resulting in the inclusion in gross income of the interest on the Tax-Exempt Bonds for Federal income tax purposes or otherwise eliminating or

reducing the benefits of the present advantageous tax treatment of the Tax-Exempt Bonds. While no such legislation has been proposed or adopted, there can be no assurance that Congress would not adopt legislation applicable to the Tax-Exempt Bonds and that the Project would be able to comply with any such future legislation in a manner necessary to maintain the tax-exempt status of the Tax-Exempt Bonds. The Lessee is required under the Lease Agreement to use its best efforts to comply with any other future Federal income tax law requirements in order to maintain the tax-exempt status of the Tax-Exempt Bonds to the extent that any such other requirements are made applicable to the Project. There is no assurance, however, that the Lessee would be able to comply with any such other requirements.

Possible Consequence of Tax Compliance Audit

The IRS has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Tax-Exempt Bonds, are in compliance with requirements of the Code that must be satisfied in order for the interest of those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. It cannot be predicted whether the IRS will commence an audit of the Tax-Exempt Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Tax-Exempt Bonds could adversely affect the market value and liquidity of the Tax-Exempt Bonds until the audit is concluded, regardless of its ultimate outcome.

Debt Service Reserve Fund

The Indenture creates a Debt Service Reserve Fund for the Bonds. In the event that the Lessee does not make timely payment under the Lease Agreement, funds in the Debt Service Reserve Fund will be used to make payments of principal of and interest on the Bonds as they become due. Although the Lessee believes such reserve to be reasonable, and anticipates that Project Revenues will be sufficient to cover the debt service on the Bonds, there is no assurance that funds reserved and future Project Revenues will be sufficient to cover debt service on the Bonds. Although the Lease Agreement requires the Lessee to do so, there can be no assurance that the Lessee will repay into the Debt Service Reserve Fund money so advanced. Investments in the Debt Service Reserve Fund must be in Investment Securities (as described in the Indenture), but are subject to investment risks. There is no limitation on the maturity of investments in the Debt Service Reserve Fund; therefore, there can be no assurance that if the Debt Service Reserve Fund has to be liquidated that sale of investments therein will not result in a loss.

Bankruptcy of the Lessee

In the event of the bankruptcy of the Lessee, payment of principal and interest made by the Lessee through the Trustee to the Bondholders within ninety-one days of the filing of the petition in bankruptcy with respect to the Lessee may be determined to be voidable preferences subject to claim by a debtor in possession or a trustee in bankruptcy, or may be subject to applicable State law regarding fraudulent conveyances.

Enforceability of Remedies; Prior Claims

The Bonds are payable from the payments to be made under the Lease Agreement. Pursuant to the Indenture, the Bonds are secured by an assignment by the Issuer to the Trustee of certain of its rights under the Lease Agreement (except as provided therein) and by the Deed of Trust on the Project and the security interest in the personal property and Project Revenues. The practical realization of the value from this property upon any default will depend upon the exercise of various remedies specified by the Lease Agreement, the Deed of Trust and the Indenture. These and other remedies may require judicial actions, which are often subject to discretion and delay. Under existing law (including, without limitation, the Federal Bankruptcy Code), the remedies specified by the Lease Agreement, the Deed of Trust, or the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Lease Agreement, the Deed of Trust or the Indenture. The various opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

In addition, the various security interests established under the Indenture and the Deed of Trust will be subject to Permitted Encumbrances, and may be limited by or subject to other claims and interests. Examples of such claims and interests are:

- (1) statutory liens and assessments for improvements;
- (2) rights arising in favor of the United States of America or any agency thereof;
- (3) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;
- (4) federal bankruptcy laws affecting amounts earned by the Lessee after institution of bankruptcy proceedings by or against the Lessee; and
- (5) the requirement that appropriate continuation statements be filed in accordance with the Uniform Commercial Code as from time to time in effect.

Secondary Market and Prices

The Underwriter will not be obligated to repurchase any of the Bonds and no representation is made concerning the existence of any secondary market therefor, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that initial offering prices for the Bonds will continue for any period of time. Any prospective purchaser of the Bonds, therefore, should undertake an independent investigation through its own advisors regarding the desirability and practicality of the investment in the Bonds. Any prospective purchaser should be fully aware of the long-term nature of an investment in the Bonds and should assume that it will have to bear the economic risk of its investment indefinitely. Any prospective purchaser of the Bonds that does not intend or that is not able to hold the Bonds for a substantial period of time is advised against investing in the Bonds.

Credit Ratings

There is no assurance that the credit rating assigned to the Bonds at the time of issuance or at a subsequent time will not be lowered or withdrawn, the effect of which could adversely affect the market price and the market for the Bonds.

Environmental Conditions

The Project will be subject to risks arising out of environmental law considerations generally associated with ownership of real estate. Such risks include, in general, a decline in property values in the Project resulting from possible violations of applicable federal or state environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Compensation and Liability Act of 1980 (CERCLA), the Resource Conservation and Recovery Act of 1976 (RCRA). These risks may be associated with contamination of the Project from hazardous substances located in, on, around or in the vicinity of the Project. Please refer to "THE LESSEE AND THE PROJECT – Environmental Assessment" herein.

Insurance; Uninsured Losses

The Lessee has arranged for insurance coverage which is customary for apartment projects of a similar nature. In the event of damage or condemnation, the Lessee relies on insurance proceeds and condemnation awards to pay all or part of the costs of restoring the Project. Failure of an insurer to pay a claim could result in a default under the Lease Agreement and redemption of the Bonds at par. There are certain types of losses which are not insured or insurable, such as "force majeure." Should such a catastrophic casualty occur, the Lessee would suffer a loss for which insurance benefits would not be available. Further, there is no assurance that insurance proceeds where available will be sufficient to repay the Bonds.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Lessee and the Project:

1. Reinstatement of or establishment of mandatory governmental wage, rent or price controls.
2. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in Project Revenues from residents of the Project.
3. Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in Project Revenues.
4. Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Lessee and the Project.
5. The occurrence of any natural disasters or other disruptions that impact the operations of the Project.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the appendices hereto so as to make a judgment as to whether the Bonds are an appropriate investment, and obtain such additional information as they deem advisable in connection with their evaluation of the suitability of the Bonds for investments.

LITIGATION

Issuer

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which service of process has been effected on the Issuer or, to the knowledge of the Issuer, threatened against or affecting the Issuer, or to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the validity or enforceability of the Bonds, the exclusion of interest on the Tax-Exempt Bonds from the gross income of the Holders of the Tax-Exempt Bonds for federal income tax purposes or the validity or enforceability of the Bonds, the Indenture, the Lease Agreement, the Regulatory Agreement, or any other agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

Lessee

At the time of the issuance and delivery of the Bonds, the Lessee will deliver a certificate to the effect that no litigation and no proceedings are pending or, to its knowledge, threatened against the Lessee or any of its general partners or otherwise with respect to the Project, or the acquisition and rehabilitation thereof, or the issuance of the Bonds or which would materially adversely affect the transactions contemplated by this Official Statement.

APPROVAL OF LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of Kutak Rock LLP, Bond Counsel. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in Appendix C hereto.

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes, except for interest on any Tax-Exempt Bond for any period during which such bond is held by a “substantial user” of the facilities financed by the Tax-Exempt Bonds or a “related person” within the meaning of Section 147(a) of the Code. The opinion described in the preceding sentence assumes compliance by the Issuer and the Lessee with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The Issuer and the Lessee have covenanted to comply with such requirements.

Bond Counsel is further of the opinion that interest on the Tax-Exempt Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. The accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Tax-Exempt Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax-Exempt Bonds.

Back-Up Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Tax-Exempt Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Tax-Exempt Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Tax-Exempt Bonds or the market value thereof would be impacted thereby. Purchasers of the Tax-Exempt Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Tax-Exempt Bonds, and Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Taxable Bonds

Bond Counsel is also of the opinion that interest on the Taxable Bonds is included in gross income for federal income tax purposes.

State of New Mexico Personal Income Taxation

Bond Counsel is further of the opinion that interest on the Bonds is exempt from State of New Mexico personal income taxes.

RATING

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (the "Rating Agent") has assigned a rating of "A-" to the Bonds. An explanation of the significance of such rating may be obtained from the Rating Agent. The rating of the Bonds reflect only the views of the Rating Agent at the time such rating was given, and neither the Issuer, the Lessee nor the Underwriter makes any representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the Rating Agent, if in its judgment, circumstances (including the financial status of any investment agreement provider) so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement among the Issuer, the Lessee, and Stifel Nicolaus & Co., Inc. (the "Underwriter"), the Underwriter has agreed to purchase the Bonds at a purchase price of \$6,368,420.60 (par of \$5,340,000 less original issue discount of \$131,579.40 on Tax-Exempt Bonds plus par of \$1,160,000 on Taxable Bonds). For its services, the Underwriter shall be paid by the Lessee a fee equal to 1.00% of the principal amount of the Bonds, from which fee the Underwriter will pay certain financial structuring fees and expenses and certain of its expenses including any selling concessions, commissions, takedown expenses and MSRB fees. The Bond Purchase Agreement provides that the Underwriter shall purchase all of the Bonds if any are purchased, and that such obligation to purchase the Bonds is subject to certain terms and conditions set forth in such Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial offering price set forth on the inside cover page hereof may be changed from time to time by the Underwriter, the Underwriter may join with dealers and other underwriters in offering the Bonds, and the Underwriter may offer and sell Bonds to certain dealers (including dealer banks and dealers depositing Bonds in investment trusts) and others at prices lower than the public offering prices stated on the inside cover of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

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

The Underwriter does not guarantee a secondary market for the Bonds and is not obligated to make any such market for the Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Bonds should they need to do so for emergency or other purposes.

CONTINUING DISCLOSURE

The Lessee will enter into a Continuing Disclosure Agreement, dated as of the date of the Indenture (the "Continuing Disclosure Agreement"), with the Trustee, acting as the dissemination agent (the "Dissemination Agent"), obligating the Lessee to send, or cause to be sent, certain financial information with respect to the Project to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board, if any, of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to allow the Underwriter to meet the requirements of Section (d)(2) of Securities Exchange Commission Rule 15c2-12 (the "Rule"). See Appendix E hereto.

A failure by the Lessee to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the Indenture or the Lease Agreement (although Holders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply 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 Lessee has not entered into any prior continuing disclosure undertakings.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The references herein to the Act, the Indenture, the Lease Agreement, the Deed of Trust, the HAP Assignment, the Regulatory Agreement, and other documents are brief outlines of certain provisions thereof. Such outlines do not purport to be complete or comprehensive and for a full and complete statement of the provisions thereof, reference is made to the Act, and such documents, copies of which documents will be on file at the office of the Trustee following delivery of the Bonds.

The agreement of the Issuer with the Holders of the Bonds is fully set forth in the Indenture, and this Official Statement is not to be construed as constituting any agreement with the purchasers of the Bonds. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such, and not as representations of fact.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Lessee has reviewed the information contained herein and has approved all such information for use within this Official Statement.

The Issuer is not authorized to make any representations and makes no representations on behalf of the Lessee or with respect to the Project or as to the accuracy or completeness of the information relating to the Project and the cost thereof, or the information pertaining to the Lessee or the Project in this Official Statement.

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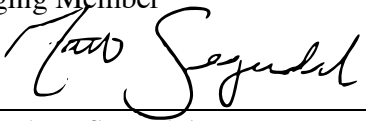
[Signature Page]

The execution, delivery and distribution of this Official Statement have been duly authorized by the Lessee.

**WASHINGTON PLACE PARTNERS,
LLLP**, a New Mexico limited liability limited
partnership

By: Washington Place Management, LLC, its
General Partner

By: Huntley Witmer Development, LLC, its
Managing Member

By: 

Matthew Segerdal
Its: Member

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APPENDIX A DEFINITIONS OF CERTAIN TERMS

Capitalized items used in this Official Statement, and not otherwise defined, are used with the meanings assigned to such terms in the Indenture. The following definitions of such capitalized terms are summaries of the definitions applicable in the Indenture with such modifications as may be appropriate for use in this Official Statement.

The following are definitions set forth in the Indenture and used in this Official Statement:

“*Account*” or “*Accounts*” means any one or more, as the case may be, of the named and unnamed accounts established within any Fund.

“*Additional Payments*” means those payments described in the Lease Agreement which are not Lease Payments.

“*Administration Expenses*” means (a) the Ordinary Trustee’s Fees and Expenses, (b) the Dissemination Agent Fee, (c) the Rebate Analyst Fee, (d) the Rating Agency Fee and (e) the Issuer’s Fees and Expenses.

“*Administration Fund*” means the trust fund by that name established pursuant to the Indenture.

“*Administrator*” means New Mexico Mortgage Finance Authority, and its successors, as administrator of the HAP Contract.

“*Affiliate*” means any Person (a) directly or indirectly controlling, controlled by, or under common control with the Lessee; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of the Lessee. For purposes of this definition, control means with respect to: (i) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (ii) a not-for-profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (iii) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, “Directing Body” means with respect to: (A) a corporation having stock, such corporation’s board of directors and owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation (both of which groups will be considered a Directing Body); (B) a not-for-profit corporation not having stock, such corporation’s members if the members have complete discretion to elect the corporation’s directors, or the corporation’s directors if the corporation’s members do not have such discretion; or (C) any other entity, its governing body or board. For the purposes of this definition, all references to directors and members will be deemed to include all entities performing the function of directors or members however denominated.

“*Amendment*” or “*Amends*” as used the Indenture, refers to any amendment, modification, alteration or supplement to any Bond Document, or any waiver of any provision thereof.

“*Annual Debt Service*” means, for any period, the amount of the scheduled principal and interest payment required with respect to all Outstanding Bonds, or all Outstanding Bonds of a Series, or Parity Indebtedness, as applicable, for such period.

“*Annual Evaluation Date*” means each December 31, commencing December 31, 2016.

“*Audited Financial Statements*” means the financial statements prepared for each Fiscal Year for the Project prepared in accordance with generally accepted accounting principles and examined by a Certified Public Accountant.

“*Authorized Denominations*” means \$5,000 principal amount and any integral multiple of \$5,000 in excess thereof.

“*Beneficial Owner*” means a Person owning a Beneficial Ownership Interest in the Bonds, as evidenced to the satisfaction of the Trustee.

“*Beneficial Ownership Interest*” means the right to receive payments and notices with respect to any of the Bonds held in a book-entry system.

“*Bond Counsel*” means (a) Kutak Rock LLP, or (b) any Independent Counsel of nationally recognized standing in matters pertaining to the validity of, and exclusion from gross income for federal income tax purposes of interest on, obligations issued by states and political subdivisions, familiar with the transactions contemplated under the Indenture, appointed by the Lessee and reasonably acceptable to the Issuer.

“*Bond Documents*” means the Indenture and the Lessee Documents.

“*Bond Fund*” means the trust fund by that name created with respect to the Bonds pursuant to the Indenture.

“*Bond Obligation*” means the then outstanding principal amount of the Bonds.

“*Bond Payment Date*” means any Interest Payment Date, any Principal Payment Date and any other date on which the principal of, premium, if any, or interest on the Bonds is to be paid to the Holders thereof, whether upon redemption, at maturity or upon acceleration of maturity of the Bonds.

“*Bond Year*” means the period from and including the date of issuance of the Bonds through November 30, 2015 and thereafter each year beginning on December 1 and ending on the earlier of the following November 30 or the maturity of the Bonds (whether by redemption, acceleration or otherwise).

“*Bonds*” means, collectively, the Tax-Exempt Bonds and the Taxable Bonds.

“*Budget*” means the budget described in the Lease Agreement.

“*Business Day*” means any day other than a (a) Saturday, (b) Sunday, (c) day on which banking institutions in (i) any city in which the designated corporate trust or principal operations offices of the Trustee (such city being initially Dallas, Texas) are located, (ii) the State, or (iii) the City of New York, New York, are authorized or obligated by law or executive order to be closed, or (d) day on which the New York Stock Exchange is closed.

“*Certified Public Accountant*” means any Person who is Independent, appointed by the Lessee, actively engaged in the business of public accounting and duly licensed as a certified public accountant under the laws of the State.

“*Clearing Agency*” means any clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record Beneficial Ownership Interests in the Bonds and to effect transfers of book-entry interests of the Bonds in book-entry form, which initially shall be The Depository Trust Company.

“*Closing Date*” means September 14, 2015, the date of initial issuance and delivery of the Bonds.

“*Code*” means the Internal Revenue Code of 1986, the applicable regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of the Code, and any amendments of, or successor provisions

to, the foregoing and any official rulings, announcements, notices and procedures regarding any of the foregoing. Unless otherwise indicated, reference to a Section of the Code means that Section of the Code and all such applicable regulations, rulings, announcements, notices and procedures.

“*Completion Date*” means the date of the completion of the acquisition, rehabilitation and equipping of the Project.

“*Compliance Certificate*” means a certificate of a Lessee Representative stating that, as of the date of such certificate, the Lessee is in compliance with all requirements of the Lessee Documents.

“*Condemnation Award*” means the total condemnation proceeds paid by the condemner as a result of condemnation or eminent domain proceedings with respect to all or any part of the Project or of any settlement or compromise of such proceedings.

“*Confirmation of Rating*” means a written confirmation, obtained prior to the event or action under scrutiny, from the Rating Agency then rating any Outstanding Bonds to the effect that, following the proposed action or event under scrutiny at the time such confirmation is sought, the rating or ratings of the Rating Agency with respect to all Bonds then Outstanding and then rated by the Rating Agency will not be downgraded, suspended, qualified or withdrawn as a result of such action or event.

“*Consultant*” means a Person who is Independent, appointed by the Lessee, and who is nationally recognized as being expert as to matters for which its certificate or advice is required or contemplated.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement dated as of September 1, 2015 between the Lessee and the Dissemination Agent, as in effect on the Closing Date and as it may thereafter be amended or supplemented from time to time in accordance with its terms.

“*Controlled Group*” means a group of entities directly or indirectly controlled by the same entity or group of entities. An entity or group of entities (the “controlling entity”) directly controls another entity (the “controlled entity”), in general, if it possesses either of the following rights or powers and the rights or powers are discretionary and nonministerial: (a) the right or power both to approve and to remove without cause a controlling portion of the governing body of the controlled entity; or (b) the right or power to require the use of funds or assets of the controlled entity for any purpose of the controlling entity. A controlling entity indirectly controls all entities controlled, directly or indirectly, by an entity controlled by such controlling entity.

“*Controlling Holders*” means, as of any date, in the case of consent or direction to be given under the Indenture, the Holders of the majority in aggregate principal amount of the then Outstanding Bonds.

“*Costs of Issuance*” means (a) the fees (excluding ongoing fees), costs and expenses of (i) the Issuer and the Issuer’s counsel, (ii) the Underwriter (including discounts to the Underwriter or other purchasers of the Bonds, other than original issue discount, incurred in the issuance and sale of the Bonds) and the Underwriter’s counsel, (iii) Bond Counsel, (iv) the Trustee and the Trustee’s counsel, (v) the Lessee’s counsel and the Lessee’s financial advisor, if any, and (vi) the Rating Agency, (b) costs of printing the offering documents relating to the sale of the Bonds and (c) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

“*Costs of Issuance Account*” means the account by that name in the Project Fund created pursuant to the Indenture.

“*Counsel*” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not unsatisfactory to the Trustee or the Issuer.

“*Coverage Test*” means that the Debt Service Coverage Ratio for the relevant period was equal to or greater than 1.20 to 1 on all Outstanding Bonds and all Parity Indebtedness.

“*Dated Date*” means September 14, 2015.

“*Debt Service*” means the principal and redemption price of and interest due on the Bonds on any Bond Payment Date.

“*Debt Service Coverage Ratio*” means, for any period, the ratio obtained by dividing Net Income Available for Debt Service for such period by the Annual Debt Service for such period, expressed as a percentage, in each case as calculated by the Lessee and certified to the Trustee in writing and supported by the Audited Financial Statements described in the Lease Agreement.

“*Debt Service Requirements*” means, for a specified period: (a) amounts needed to pay scheduled payments of principal of the Bonds during such period, including payments for mandatory sinking fund redemption pursuant to the Indenture; (b) amounts needed to pay interest on the Bonds payable during such period; and (c) to the extent not duplicative of (a) or (b) above, amounts paid during such period to restore the amounts on deposit in the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

“*Debt Service Reserve Fund*” means the trust fund of that name created with respect to the Bonds pursuant to the Indenture.

“*Debt Service Reserve Requirement*” means 50% of the Maximum Annual Debt Service on the Tax-Exempt Bonds. The amount of the Debt Service Reserve Requirement as of the Closing Date is \$163,543.75.

“*Deed of Trust*” means the Leasehold and Fee Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated as of September 1, 2015, from the Lessee and the Issuer for the benefit of the Trustee, securing the Lease Payments and the payment of certain additional amounts due and owing under the Lease Agreement, as in effect on the Closing Date and as it may thereafter be amended and supplemented from time to time in accordance with its terms.

“*Default*” means any occurrence or event specified as such in the Lease Agreement.

“*Default Rate*” with respect to the Bonds means the true interest cost on the applicable Series of Bonds plus 2% per annum, and with respect to any other amounts due means 10% per annum, but in no case in excess of the maximum rate allowed under State law.

“*Designated Office*” means, when referring to the Trustee or any Paying Agent, means the office where the Trustee or Paying Agent, as applicable, maintains its designated corporate trust department.

“*Dissemination Agent*” means the Trustee, or any successor thereto acting as the Dissemination Agent under the Continuing Disclosure Agreement.

“*Dissemination Agent Fee*” means the fee payable annually in advance to the Dissemination Agent in an amount not to exceed \$500 as compensation for its services and expenses in performing its obligations under the Continuing Disclosure Agreement.

“*Eligible Tenants*” means, with respect to the dwelling units in the Project covered by the HAP Contract, persons who qualify for housing assistance under Section 8 of the United States Housing Act of 1937, as amended, in accordance with published standards of HUD and who qualify for housing assistance at the Project pursuant to the HAP Contract.

“*Environmental Laws*” means Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), Public Law No. 96-510, 94 Stat. 1613, the Resource Conservation and Recovery Act (“RCRA”), the National Environmental Policy Act of 1969, as amended (42 U.S.C. § 4321 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); CERCLA; the Hazardous Material Transportation Act, as amended (49 U.S.C. §§ 1801 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. §§ 136 et seq.); RCRA; the Toxic Substance Control Act, as amended (15 U.S.C. §§ 2601 et seq.); the Clean Water Act; the

Clean Air Act, as amended (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. §§ 1251 et seq.); the Federal Coastal Zone Management Act, as amended (16 U.S.C. §§ 1451 et seq.); the Occupational Safety and Health Act, as amended (29 U.S.C. §§ 651 et seq.); the Safe Drinking Water Act, as amended (42 U.S.C. §§ 300(f) et seq.), and any other federal, state, or local law, statute, ordinance, and regulation, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial or administrative interpretation thereof, including, without limitation, any applicable judicial or administrative order, consent decree, or judgment applicable to the Project or the Property relating to the regulation and protection of the environment and natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species, and/or vegetation), including all amendments to such Acts, and any and all regulations promulgated thereunder, and all analogous local or state counterparts or equivalents, and any federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, regulating, relating to or imposing liability or standards of conduct concerning any petroleum, petroleum byproduct (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity) natural or synthetic gas, products and/or hazardous substance or material, toxic or dangerous waste, substance or material, pollutant or contaminant, as may now or at any time hereafter be in effect.

“*Equipment*” means the equipment, machinery, furnishings and other personal property located on the Site and all replacements, substitutions, and additions thereto.

“*Event of Default*” means any occurrence or event specified as such in the Indenture.

“*Exempt Person*” means any organization described in Section 501(c)(3) of the Code and exempt from tax under Section 501(a) of the Code, the District of Columbia, any state of the United States of America, any possession of the United States of America, and any political subdivision of any such State or possession if such political subdivision has more than an insubstantial amount of any of the power to tax, the power of eminent domain, or the police power.

“*Extraordinary Expenses*” means all reasonable expenses properly incurred by the Trustee under the Indenture, other than Ordinary Expenses.

“*Extraordinary Services*” means all services rendered by the Trustee under the Indenture, other than Ordinary Services.

“*Extraordinary Trustee’s Fees and Expenses*” means the fees, expenses and disbursements payable to the Trustee and Paying Agent pursuant to the Indenture during any Fiscal Year in excess of Ordinary Trustee’s Fees and Expenses, including but not limited to, reasonable counsel fees and expenses, reasonable fees of other third-party professionals, and any costs of sending notices pursuant to the terms and conditions of the Bond Documents.

“*Favorable Opinion of Bond Counsel*” means, with respect to any action the taking of which requires such an opinion, an opinion of Bond Counsel addressed to the Issuer and the Trustee to the effect that such action will not, in and of itself, cause interest on the Tax-Exempt Bonds to be includible in gross income for federal income tax purposes (subject to any exceptions contained in the opinion delivered upon the original issuance of the Tax-Exempt Bonds).

“*Fiduciary*” means the Trustee and any Paying Agent.

“*Fiscal Year*” means a period of 12 consecutive months ending on December 31, except that the first Fiscal Year shall begin on the Closing Date and end on December 31, 2016.

“*Fitch*” means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

“*Force Majeure*” means (a) the following: acts of nature; strikes or other industrial disturbances; 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 subdivisions, departments, agencies or officials, or of any civil or military authority; insurrections; riots; landslides; earthquakes; fires; floods; explosions; but only to the extent that any such cause or event is not within the control of the Lessee; and (b) any other cause or event not reasonably within the control of the Lessee.

“*Fund*” or “*Funds*” means any one or more, as the case may be, of the separate trust funds created and established in the Indenture.

“*General Partner*” means Washington Place Management, LLC, a New Mexico limited liability company, as the general partner of the Lessee, and its successors and assigns.

“*Governing Body*” means (a) with respect to the Issuer, the City Commissioners of the Issuer, or any governing body that succeeds to the functions of the City Commissioners of the Issuer, and (b) with respect to the Lessee, Huntley Witmer Development, LLC, the Managing Member of the General Partner.

“*Government Obligations*” means direct obligations of, and obligations the principal of and interest on which are unconditionally guaranteed as to timely payment by, the United States of America.

“*HAP Assignment*” means the Collateral Assignment of Housing Assistance Payments Contract and Payments, dated as of the date of the Indenture, granted by the Lessee to the Trustee, as in effect on the Closing Date and as it may thereafter be supplemented or amended, pledging and assigning to the Trustee certain rights and interests under the HAP Contract.

“*HAP Contract*” means that certain Option 1B Mark-up-to-Market and Chapter 15 Renewal of a Project-Based Section 8 Housing Assistance Payments (HAP) Contract effective October 1, 2015 with a 20-year term, among the Lessee, and the Administrator, as amended and supplemented, for all 76 units of the Project.

“*HAP Payments*” means those moneys payable under the HAP Contract with respect to the Project.

“*Hazardous Substances*” means any petroleum or petroleum products and their by-products, flammable explosives, radioactive materials, toxic chemicals and substances, radon, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and polychlorinated biphenyls (PCB), asbestos-containing materials (ACMs), lead-containing or lead-based paint (LBP), radon, medical waste and other bio-hazardous materials and any chemicals, pollutants, materials or substances defined as or included in the definition of “hazardous substances” as defined pursuant to the federal Comprehensive Environmental Response, Compensation and Liability Act, “regulated substances” within the meaning of subtitle I of the federal Resource Conservation and Recovery Act and words of similar import under applicable Environmental Laws.

“*Holder*” or “*Bondholder*” means the Person or Persons in whose name any Bond is registered on the registration records for the Bonds maintained by the Trustee as registrar.

“*HOME Loan*” shall mean the anticipated subordinate loan to Lessee in the amount of \$500,000 being made by the New Mexico Mortgage Finance Authority on or about a date following the Closing Date and subject to a subordination agreement and the provisions of the Lease Agreement.

“*HUD*” means the United States Department of Housing and Urban Development, and its successors and assigns.

“*Indebtedness*” means (a) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (b) all deferred indebtedness for the payment of the purchase price of properties or assets purchased, (c) all endorsements (other than endorsements in the ordinary course of business), assumptions and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (d) all indebtedness secured by the Deed of Trust, or secured by a pledge, security interest or lien existing on property owned which is subject to such Deed of Trust, or otherwise secured by a pledge, security interest or lien, whether or not the indebtedness secured thereby has been assumed, (e) all unfunded amounts under a loan agreement, letter of credit or other credit facility for which such Person would be liable, if such amounts were

advanced under the credit facility; provided, however, that for the purpose of computing Indebtedness, there will be excluded any particular Indebtedness if, upon or prior to the maturity thereof, there has been deposited with the proper depository in trust the necessary funds (or Government Obligations not callable or prepayable by the issuer thereof) for the payment, redemption, or satisfaction of such Indebtedness, and thereafter such funds and such Government Obligations so deposited will not be included in any computation of the assets of the Lessee and the income derived from such funds and such direct obligations of the United States of America so deposited will not be included in any computation of the income of the Lessee.

“Indenture” means the Trust Indenture, as in effect on the Closing Date and as it may thereafter be amended or supplemented from time to time in accordance the terms thereof.

“Independent” means, with respect to Counsel or any Consultant, a person who is not a member of the Governing Body of the Issuer or the Lessee and is not an officer or employee of the Issuer or the Lessee and which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Governing Body of the Issuer or the Lessee or who is an officer or employee of the Issuer or the Lessee; provided, however, that the fact that such person is retained regularly by or transacts business with the Issuer or Lessee shall not make such person an employee within the meaning of this definition.

“Inducement Date” means April 6, 2015.

“Insurance and Tax Escrow Fund” means the trust fund by that name established pursuant to the Indenture.

“Insurance Consultant” means a Consultant having the skill and expertise necessary to evaluate the insurance needs of multifamily rental housing and which may be a broker or agent with which the Lessee or the Issuer transacts business.

“Insurance Proceeds” means the total proceeds of insurance paid by an insurance company under the policies of property insurance required to be procured by the Lessee pursuant to the Lease Agreement.

“Interest Account” means the trust account by that name in the Bond Fund created pursuant to the Indenture.

“Interest Payment Date” means each December 1 and June 1, commencing December 1, 2015, until the final Principal Payment Date of the applicable Bonds.

“Interest Period” for any Bonds means initially the period from the Dated Date to but not including the first Interest Payment Date, and thereafter the period from and including each Interest Payment Date to but not including the next Interest Payment Date or other date on which interest is required to be paid on such Bonds.

“Interest Requirement” for any Bonds means an amount equal to the interest that would be due and payable on such Bonds on the Interest Payment Date next succeeding the date of determination (assuming that no principal of such Bonds is paid or redeemed between such date and the next succeeding Interest Payment Date), multiplied by a fraction the numerator of which is one and the denominator of which is the number of whole calendar months in the Interest Period in which such date occurs.

“Investment Securities” shall mean any of the following (including any funds comprised of any of the following, which may be funds maintained, available to or managed by the Trustee or its affiliates), to the extent permitted by applicable law: (a) Government Obligations and other United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the full and timely payment of principal and interest (including state and local government series); (b) obligations, participation or other instruments of or issued by a federal agency or a United States government-sponsored enterprise, the timely payment of the principal of and interest on which is unconditionally guaranteed by the United States; (c) any obligations on which the interest is exempt from federal income taxation and which are rated by the Rating Agency at the time of investment in one of its two highest long-term rating categories or its highest short-term rating category; (d) certificates of deposit issued by, or time or demand deposits or other banking

arrangements with, a nationally or state-chartered bank (including the Trustee or its affiliates) or savings and loan association which, to the extent they are not insured by federal deposit insurance, are collateralized by securities eligible to secure public deposits in the State, or which are issued by or with such an institution having a minimum capital of \$500,000,000 and rated at the time of investment within the top two ratings of a nationally recognized rating service; (e) money market portfolios rated at the time of investment “AAA” by the Rating Agency; (f) repurchase agreements, which may include repurchase agreements of the Trustee, secured by any of the obligations referred to in (a) and (b) above and the debt of the issuer of the repurchase agreement is rated at the time of investment at least in one of two highest rating categories of the Rating Agency; and (g) any other investments selected by the Lessee the unsecured general obligations of the provider of which are rated at the time of investment in one of the two highest rating categories of the Rating Agency.

“*Issuer Representative*” means the Mayor of the Issuer, the City Manager of the Issuer, the City Clerk of the Issuer, any member of the City Commissioners of the Issuer, or any other person as may be designated and authorized to sign for the Issuer pursuant to a resolution adopted thereby.

“*Issuer’s Fees and Expenses*” means the fees and expenses, if any, payable to or incurred by the Issuer under any of the Bond Documents, and including but not limited to any fees and expenses of counsel to the Issuer.

“*Lease Agreement*” means the Lease Agreement of even date herewith among the Issuer, Trustee and the Lessee, as in effect on the Closing Date and as it may thereafter be amended and supplemented from time to time in accordance with its terms.

“*Lease Payments*” means those monthly payments described in the Lease Agreement which are set aside to pay principal and interest on the Bonds.

“*Lessee*” means Washington Place Partners, LLLP, a limited liability limited partnership, organized and existing under the laws of the State of New Mexico, and its authorized successors and assigns under the Lease Agreement.

“*Lessee Documents*” means, collectively, the Lease Agreement, the Deed of Trust, the Regulatory Agreement, the Continuing Disclosure Agreement, the Tax Certificate, the HAP Contract, the HAP Assignment, the Management Agreement, and all other documents or instruments executed by the Lessee evidencing or securing any of the Lessee’s obligations under the Lease Agreement, in each case as originally executed or as it may thereafter be amended or supplemented in accordance with its respective terms.

“*Lessee Representative*” means (a) the General Partner; or (b) any other person or entity at the time designated to act on behalf of the Lessee by written certificate furnished to the Issuer and the Trustee on behalf of the Lessee containing the specimen signature of such person and any designated alternates.

“*Long-Term Indebtedness*” means any Indebtedness other than Short-Term Indebtedness.

“*Mail*” means either (a) first-class mail by the United States Postal Service, postage prepaid, to the Holders at their respective addresses which appear on the registration books of the Paying Agent on the date of mailing, or (b) actual delivery to the Holders or their representatives evidenced by receipt signed by such Holders or their representatives.

“*Management Agreement*” means the Management Agreement dated as of September 1, 2015 between the Manager and the Lessee, or any substitute agreement providing for the management, maintenance and operation of the Project, in each case as it may be amended and supplemented from time to time.

“*Management Consultant*” means a Consultant possessing significant management consulting experience in matters pertaining to owning and operating multifamily residential rental housing facilities.

“*Management Fee*” means any and all compensation payable to the Manager under and pursuant to the Management Agreement.

“*Manager*” means Weigand-Omega Management, Inc., and any subsequent manager under any Management Agreement which subsequent manager satisfies the requirements of the Lease Agreement in its capacity as the manager of the Project.

“*Material Adverse Effect*” means (a) a material adverse change in the financial condition of the Lessee or the Project; or (b) any event or occurrence of whatever nature which would materially and adversely change (i) the Lessee’s ability to perform its obligations under the Lease Agreement or any other Lessee Documents; or (ii) the Holders’ or the Trustee’s security interests in the security pledged under the Indenture.

“*Maximum Annual Debt Service*” means the highest principal and interest payment requirements with respect to the Bonds for any Bond Year; provided, however, that the amount of principal due in any Bond Year will be determined, in the case of Bonds subject to mandatory sinking fund redemption, by the principal amount of Bonds to be redeemed by mandatory sinking fund redemption in such Bond Year.

“*Modifications*” means modifications, repairs, renewals, improvements, replacements, alterations, additions, enlargements, or expansions in, on, or to the Project (other than routine repair or maintenance), including any and all machinery, furnishings, and equipment therefor.

“*Moody’s*” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

“*Needs Assessment Analysis*” means the analysis and report required as set forth in the Lease Agreement.

“*Net Cash Flow*” means all Project Revenues, after deduction of (a) Operating Expenses, (b) the Debt Service Requirements, and (c) amounts paid to the Repair and Replacement Fund.

“*Net Income Available for Debt Service*” means, for any period of determination thereof, Project Revenues for such period, plus all interest earnings on moneys held in Funds and Accounts which are transferred to the Revenue Fund pursuant to the Indenture, minus (a) total Operating Expenses incurred or payable by the Lessee for such period, (b) all required deposits to the Insurance and Tax Escrow Fund and the Repair and Replacement Fund for such period, (c) any profits or losses which would be regarded as extraordinary items under generally accepted accounting principles, (d) gain or loss on the extinguishment of Indebtedness, (e) contributions, (f) proceeds of any other Permitted Indebtedness, (g) Net Proceeds of any Insurance Proceeds or Condemnation Award, and (h) the proceeds of any sale, transfer or other disposition of all or any portion of the Project by the Lessee.

“*Net Proceeds*,” when used with respect to any Insurance Proceeds or Condemnation Award, means the gross proceeds from such Insurance Proceeds or Condemnation Award, less all expenses (including reasonable attorneys’ fees of the Lessee or the Trustee and any extraordinary fees and expenses of the Trustee) incurred in the realization thereof.

“*Operating Account*” means, the demand deposit bank account maintained by the Lessee pursuant to the Lease Agreement on which the Lessee or its authorized agent writes checks to pay Operating Expenses.

“*Operating Expenses*” means, for any period, cash expenses paid or accrued in connection with the operation, maintenance and current repair of the Project (determined on a cash basis) during such period including without limitation, the costs of any utilities necessary to operate the Project, advertising and promotion costs, payroll expenses, insurance premiums, deposits to the Insurance and Tax Escrow Fund and to the Repair and Replacement Fund in the amount of the Replacement Reserve Requirement, any Rebate Amount to the extent that it is not paid from the Rebate Fund, the Management Fee, the Administration Expenses, administrative and legal expenses of the Lessee relating to the Project, labor, executive compensation, the cost of materials and supplies used for current operations of the Project, taxes and charges for accumulation of appropriate reserves for current expenses not annually recurrent but which are such as may reasonably be expected to be incurred in connection with the Project and in accordance with sound accounting practice. “*Operating Expenses*” does not include (a) Debt Service Requirements, (b) any loss or expense resulting from or related to any extraordinary and nonrecurring items, (c) any losses or expenses related to the sale of assets, the proceeds of which sale are not included in Project Revenues

pursuant to clause (ii) of the definition thereof, (d) expenses paid from operational reserves, including the Operations and Maintenance Reserve Requirement, (e) expenses paid from the Repair and Replacement Fund, (f) any Rebate Amount to the extent that it is paid from the Rebate Fund, (g) deposits in the Repair and Replacement Fund in excess of the Replacement Reserve Requirement, (h) any allowance for depreciation or replacements of capital assets of the Project or amortization of financing costs, or (i) disbursements from the Surplus Fund.

“*Operating Fund*” means the trust fund by that name created pursuant to the Indenture.

“*Operating Requirement*” means all Operating Expenses, exclusive of amounts to be deposited to or payable from the Administration Fund, Insurance and Tax Escrow Fund, Operations and Maintenance Reserve Fund or Repair and Replacement Fund, projected to be payable in such month in accordance with the Budget.

“*Operations and Maintenance Reserve Fund*” means the trust fund by that name created pursuant to the Indenture.

“*Operations and Maintenance Reserve Requirement*” means an amount equal to one-sixth of the budgeted Operating Expenses for the current Fiscal Year.

“*Ordinary Expenses*” means those reasonable expenses incurred in the ordinary course of business by a trustee, a registrar, an authenticating agent and a paying agent under instruments similar to the Indenture, but excluding Extraordinary Expenses.

“*Ordinary Services*” means those services normally rendered by a trustee, a registrar, an authenticating agent and a paying agent under instruments similar to the Indenture, but excluding Extraordinary Services.

“*Ordinary Trustee’s Fees and Expenses*” means those fees, expenses and disbursements for the Ordinary Services and the Ordinary Expenses of the Trustee and Paying Agent incurred in connection with their duties under the Indenture payable annually in advance on each December 1 beginning on December 1, 2015 in an amount not to exceed \$5,500 per annum.

“*Outstanding*” or “*outstanding*” with respect to Bonds means, as of any given date, all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except: (a) Bonds cancelled at or prior to such date or delivered to or acquired by the Trustee or Paying Agent on or prior to such date for cancellation; (b) Bonds deemed to be paid in accordance with the Indenture; and (c) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

“*Parity Indebtedness*” means the Indebtedness permitted to be secured by the Lessee pursuant to the Lease Agreement.

“*Paying Agent*” means the Trustee, or any successor Paying Agent appointed under the Indenture that satisfies the requirements of the Indenture.

“*Permitted Encumbrances*” means, with respect to the Project, the Deed of Trust, any subordinate mortgage, deed of trust or deed to secure debt securing the HOME Loan and (a) the lien of current real property taxes (if any), ground rents, water charges, sewer rents and assessments not yet due and payable, (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record, none of which, individually or in the aggregate, materially interferes with the current use of the Project or the security intended to be provided by the Deed of Trust or with the Lessee’s ability to pay its obligations when they become due or materially and adversely affects the value of the Project, (c) the Regulatory Agreement, (d) the exceptions (general and specific) set forth in the Title Policy or appearing of record, none of which, individually or in the aggregate, materially interferes with the current use of the Project or the security intended to be provided by the Deed of Trust or with the Lessee’s ability to pay its obligations when they become due or materially and adversely affects the value of the Project, and (e) any deed of trust or mortgage securing any subordinate financing authorized pursuant to the Lease Agreement.

“*Permitted Indebtedness*” means (a) payment and other liabilities payable under the Lease Agreement, (b) liabilities of the Lessee under the Deed of Trust, and (c) Indebtedness of the Lessee allowed pursuant to the Lease Agreement incurred in the ordinary course of business.

“*Person*” or “*person*” means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, any other political subdivision, municipality or authority or any other group or entity.

“*Potential Default*” means any event which with the passage of time or the giving of notice, or both, would constitute an Event of Default under the Indenture or a Default under the Lease Agreement.

“*Principal Account*” means the trust account by that name within the Bond Fund created pursuant to the Indenture.

“*Principal Amount*” means \$6,500,000, the maximum principal amount of the Bonds authorized to be issued and Outstanding pursuant to the Indenture.

“*Principal Payment Date*” means any maturity date of the Bonds and any date for mandatory sinking fund redemption of the Bonds pursuant to the Indenture.

“*Principal Requirement*” for any Bonds means an amount equal to the regularly scheduled principal that is due and payable on such Bonds on the Bond Payment Date next succeeding the date of determination, whether by maturity or by mandatory sinking fund redemption pursuant to the Indenture, multiplied by a fraction the numerator of which is one and the denominator of which is the number of whole calendar months in the period commencing on the last date of payment of regularly scheduled principal (or the date of issuance of such Bonds, if no principal has been paid) and ending on the next Bond Payment Date for payment of regularly scheduled principal.

“*Project*” means the Site, together with the improvements constructed thereon, consisting of a 76-unit residential rental facility and related support facilities, including all buildings, structures and improvements now or hereafter constructed thereon, and all fixtures, machinery, equipment, furniture, furnishings and other personal property hereafter attached to, located in, or used in connection with any such structures, buildings or improvements, and all additions, substitutions and replacements thereto, whether now owned or hereafter acquired.

“*Project Costs*” means, to the extent authorized by the Code and the Act, any and all costs incurred by the Lessee with respect to the acquisition and rehabilitation of the Project, including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction or rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs, 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 developer’s overhead and supervisors’ fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or other entity or person for expenditures made for the Project).

“*Project Fund*” means the trust fund by that name created pursuant to the Indenture.

“*Project Revenues*” means for any period, all cash operating and nonoperating revenues of the Project, including HAP Payments, and Unrestricted Contributions, less (a) any extraordinary and nonrecurring items, (b) income derived from the sale of assets not in the ordinary course of business which is permitted under the Bond Documents, (c) security, cleaning or similar deposits of tenants until applied or forfeited, (d) Net Proceeds of Insurance Proceeds or Condemnation Awards, and (e) any amount disbursed to the Lessee from the Surplus Fund, but including as Project Revenues (i) any such Net Proceeds resulting from business interruption insurance or other insurance or condemnation proceeds retained by the Lessee, and (ii) amounts received by the Lessee or the Trustee pursuant to any payment guaranty, operating guaranty or similar agreement with respect to the Project.

“*Property*” means all property subject to the lien of the Deed of Trust and the Indenture.

“*Qualified Insurer*” has the meaning provided in the Lease Agreement.

“*Qualified Project Costs*” means the Project Costs (excluding issuance costs) incurred not earlier than the date 60 days prior to the Inducement Date which either constitute land or property of a character subject to the allowance for depreciation under Section 167 of the Code or are chargeable to a capital account with respect to the Project for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Lessee or but for the proper election by the Lessee to deduct those amounts; provided, however, that only such portion of the interest accrued on the Bonds during the rehabilitation of the Project shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing, on or after the Completion Date, shall not be Qualified Project Costs; and provided finally that if any portion of the Project is being rehabilitated by the Lessee or an Affiliate (whether as a general contractor or a subcontractor), “Qualified Project Costs” shall include only (a) the actual out-of-pocket costs incurred by the Lessee or such Affiliate in rehabilitating or constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Lessee or such Affiliate (but excluding any profit component) and (c) any overhead expenses incurred by the Lessee or such Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance. No Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute “Qualified Project Costs” unless, at the time Bond proceeds are expended to pay such costs, the Lessee and the seller of the Project are not “related persons” as such term is defined in Section 147(a)(2)(A) of the Code.

“*Rating Agency*” means S&P, Moody’s or Fitch, or any other nationally recognized rating agency if such agency currently has a rating in effect with respect to the Bonds. The initial Rating Agency shall be S&P.

“*Rating Agency Fee*” means any fee required to be paid to a Rating Agency to maintain a rating on the Bonds, and initially means the annual surveillance fee of \$1,500 payable by the Lessee to the initial Rating Agency.

“*Rebate Analyst*” means a Certified Public Accountant, financial analyst or Bond Counsel, or any firm of the foregoing, or a financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code and retained by the Lessee to make the computations and give the directions required pursuant to the Tax Certificate.

“*Rebate Analyst Fee*” means a fee paid for each rebate calculation (which are to be made every fifth year, if required).

“*Rebate Fund*” means the trust fund by that name created pursuant to the Indenture.

“*Record Date*” means the fifteenth day (whether or not a Business Day) of the calendar month preceding any applicable Interest Payment Date.

“*Regulatory Agreement*” means the Tax Regulatory Agreement dated as of even date herewith, among the Issuer, the Lessee and the Trustee, as in effect on the Closing Date and as it may thereafter be amended and supplemented from time to time in accordance with its terms.

“*Related Person*” means any member of the same Controlled Group as the Issuer or the Lessee.

“*Repair and Replacement Fund*” means the trust fund by that name established pursuant to the Indenture.

“*Replacement Reserve Requirement*” means an amount equal to the greater of (a) \$300 per unit per year, or (b) the amount required by the HAP Contract, as adjusted pursuant to any Needs Assessment Analysis required by the Lease Agreement.

“*Reserved Rights*” means (a) the right of the Issuer to amounts payable to it pursuant to the Lease Agreement; (b) all rights which the Issuer or its officers, officials, agents, attorneys or employees may have under the Indenture and the other Lessee Documents to indemnification by the Lessee and by any other persons and to payments or reimbursements for fees or expenses incurred by the Issuer itself, or its officers, officials, agents, attorneys or employees; (c) the right of the Issuer to receive notices, reports or other information, make determinations and grant approvals or waivers under the other Bond Documents, including rights to notice and reporting requirements and restrictions on transfer of ownership of the Project or the Bonds, and its right to inspect and audit the books, records and premises of the Lessee and the Project as required; (d) all rights of the Issuer to enforce the representations, warranties, covenants and agreements of the Lessee pertaining in any manner or way, directly or indirectly, to the requirements of the Act or of the Issuer, and set forth in any of the Bond Documents, in the Tax Certificate or in any other certificate or agreement executed by the Lessee; (e) all rights of the Issuer in connection with the approval, execution and delivery of any amendment to or modification of the Bond Documents; (f) all enforcement remedies of the Issuer with respect to the foregoing; and (g) the right of the Issuer to amounts payable for payments in lieu of taxes, if any.

“*Responsible Officer*,” when used with respect to the Trustee, means any corporate trust officer or assistant corporate trust officer or any other officer of the Trustee within its corporate trust department customarily performing functions similar to those performed by any of the above designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of such person’s knowledge of and familiarity with the particular subject.

“*Restoration*” means the restoration, replacement, repair or rebuilding of the Project as a result of an event for which Condemnation Awards or Insurance Proceeds are received with respect to the Project, as provided in the Lease Agreement.

“*Restoration Plans*” has the meaning provided in the Lease Agreement.

“*Revenue Fund*” means the trust fund by that name created pursuant to the Indenture.

“*Series*” when used in connection with the Bonds, means either or both of the Tax Exempt Bonds and the Taxable Bonds, as the context requires.

“*Short-Term Indebtedness*” means any Indebtedness maturing not more than 365 days after it is incurred or which is payable on demand, except for any such Indebtedness which is renewable or extendable at the sole option of the debtor to a date more than 365 days after it is incurred, or any such Indebtedness which, although payable within 365 days, constitutes payments required to be made on account of Indebtedness expressed to mature more than 365 days after it was incurred.

“*Site*” means the real property on which the Project is located.

“*S&P*” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns.

“*Special Redemption Account*” means the trust account by that name within the Bond Fund created pursuant to the Indenture.

“*State*” means the State of New Mexico.

“*Supplemental Indenture*” means any Amendment to the Indenture entered into in accordance with the terms thereof.

“*Surplus Cash*” means the amount on deposit in the Surplus Fund that may be distributed to the Lessee the Indenture.

“*Surplus Cash Maintenance Amount*” means with respect to a Fiscal Year for which the Debt Service Coverage Ratio is less than 1.20 to 1 for the Bonds, the dollar amount by which Net Income Available for Debt Service for such Fiscal Year would have needed to be increased so that the Coverage Test with respect to the Bonds for such Fiscal Year would have been met.

“*Surplus Fund*” means the trust fund by that name created pursuant to the Indenture.

“*Tax Certificate*” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, executed by the Issuer, the Lessee and the Trustee, as in effect on the Closing Date and as the same may be supplemented or amended from time to time in accordance with its terms.

“*Taxable Bonds*” means the City of Hobbs, New Mexico Multifamily Housing Revenue Bonds (Washington Place Apartments) Taxable Series 2015B, issued and Outstanding under the Indenture.

“*Tax-Exempt Bonds*” means the City of Hobbs, New Mexico Multifamily Housing Revenue Bonds (Washington Place Apartments) Series 2015A, issued and Outstanding under the Indenture.

“*Test Period*” means the Fiscal Year ending on an Annual Evaluation Date.

“*Title Policy*” means title insurance in the form of an ALTA mortgagee’s title policy issued by a title insurance company acceptable to the Underwriter and Trustee in the face amount of at least the principal amount of Bonds insuring that the Trustee has a first priority valid lien in the Property subject only to Permitted Encumbrances.

“*Trustee*” shall mean Wilmington Trust, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, or its successors or any other corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at any time serving as successor trustee under the Indenture.

“*Trust Estate*” means the property conveyed to the Trustee under the Indenture, including all of the Issuer’s right, title and interest in and to the property described in the Granting Clauses of the Indenture.

“*Underwriter*” means Merchant Capital, L.L.C., a division of Stifel, Nicolaus & Company, Incorporated

“*Unrestricted Contributions*” means contributions that are not restricted in any way that would prevent their application to the payment of Debt Service on Indebtedness of the Lessee.

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APPENDIX B

SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

The following are summaries of certain provisions of the Indenture, the Loan Agreement, the Deed of Trust and the Regulatory Agreement. These summaries do not purport to be complete and are subject in all respects to the provisions of, and are qualified in their entirety by reference to, the complete text of such documents. Copies of the foregoing documents are available from the Trustee.

THE INDENTURE

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

FUNDS AND ACCOUNTS

The following Funds and Accounts are created under the Indenture to be held by the Trustee:

- (a) A Bond Fund and therein a Principal Account, an Interest Account and a Special Redemption Account;
- (b) The Debt Service Reserve Fund;
- (c) A Project Fund and therein a Costs of Issuance Account;
- (d) A Revenue Fund;
- (e) A Rebate Fund;
- (f) An Operating Fund;
- (g) An Operations and Maintenance Reserve Fund;
- (h) An Insurance and Tax Escrow Fund;
- (i) A Repair and Replacement Fund;
- (j) A Surplus Fund; and
- (k) An Administration Fund.

Disbursements from the Project Fund.

(a) The Trustee shall disburse moneys in the Costs of Issuance Account in the Project Fund to pay the Costs of Issuance upon receipt of a written requisition in the form set forth as Exhibit C to the Lease Agreement which states (i) that such amount is to be paid to persons, firms or corporations identified therein, and (ii) that such amount is properly payable as a Cost of Issuance under the Indenture. On the date six months after the Closing Date, the Trustee shall pay any remaining balance in the Costs of Issuance Account to the Project Fund.

(b) On the Closing Date, amounts on deposit in the Project Fund shall be applied to payment of the costs of acquiring the Project by disbursement thereof in accordance with one or more requisitions of the Lessee to the Trustee in the form set forth as Exhibit B to the Lease Agreement.

(c) Amounts on deposit in the Project Fund shall be applied to payment of the costs of renovating the Project by disbursement thereof in accordance with one or more requisitions of the Lessee to the Trustee within 30 days of receipt of such requisition substantially in the form set forth as Exhibit B to the Lease Agreement, together with the delivery to the Trustee of the following items:

(i) Application and Certification for Payment (AIA Document G702) certifying that such payment is in accordance with Project rehabilitation plans, if applicable;

(ii) Evidence that there is an amount necessary to complete the rehabilitation work for the Project on hand or available and remaining uses equals sources;

(iii) Evidence that no Events of Default of the Lessee exist under the Indenture, the Lease Agreement or the Deed of Trust;

(iv) Lien waivers from contractor and major subcontractors; and

(v) Title insurance bringdowns indicating no mechanic's liens on Project.

(d) Net Proceeds of any Insurance Proceeds or Condemnation Awards deposited in the Project Fund pursuant to the Lease Agreement shall be applied as provided in the Lease Agreement.

Any amounts remaining in the Project Fund on the date that is three years from the Closing Date shall be deposited in the Interest Account in the Bond Fund, unless otherwise required by the Tax Certificate.

The Revenue Fund.

(a) There shall be deposited in the Revenue Fund (i) all Lease Payments and Additional Payments and other amounts paid to the Trustee under the Lease Agreement (other than prepayments required to redeem Bonds pursuant to the Indenture, which shall be deposited in the related Special Redemption Account), (ii) all other amounts required to be so deposited pursuant to the terms of the Indenture or of the Tax Certificate, including investment earnings to the extent provided in the Indenture, (iii) any amounts derived from the Lease Agreement or the Deed of Trust to be applied to payment of amounts intended to be paid from the Revenue Fund, (iv) all Project Revenues, and (v) such other moneys as are delivered to the Trustee by or on behalf of the Issuer or the Lessee with directions for deposit of such moneys in the Revenue Fund.

(b) Moneys on deposit in the Revenue Fund shall be disbursed on the fifteenth day of each month in the following order of priority:

(i) to the Interest Account, an amount equal to the Interest Requirement for the previous calendar month, together with an amount equal to any unfunded Interest Requirement for any prior month and to the holder of any Parity Indebtedness an amount equal to the interest due in such month, together with an amount equal to any unfunded interest for any prior month;

(ii) to the Principal Account, an amount equal to the Principal Requirement for the previous calendar month, together with an amount equal to any unfunded Principal Requirement from any prior month and to the holder of any Parity Indebtedness an amount equal to the principal due in such month, together with an amount equal to any unfunded principal for any prior month;

(iii) to the Debt Service Reserve Fund, the amount, if any, required to be paid into the Debt Service Reserve Fund pursuant to the Lease Agreement to restore the amounts on deposit therein to the Debt Service Reserve Requirement;

(iv) subject to the Indenture, for transfer to the Insurance and Tax Escrow Fund, an amount equal to one twelfth of the amount budgeted by the Lessee for the current year for annual premiums for insurance required to be maintained pursuant to the Lease Agreement and for annual real estate taxes or other charges for governmental services for the current year, as provided in the Budget, provided that distribution by the Trustee to the Insurance and Tax Escrow Fund in respect of the first date or dates on which premiums for insurance and taxes or other payments described above are payable will be made in amounts equal to the respective quotients obtained by dividing the sum of (A) the amount of such premiums and (B) the amount of such taxes or other charges, by the respective number of months, including the month of computation, to and including the month prior to the month in which such premiums or taxes are payable;

(v) to the Operating Fund, an amount equal to such month's Operating Requirement (less any amounts to be paid to the Manager for its Management Fee pursuant to (xi) below), together with such additional Operating Expenses requested in writing by a Lessee Representative pursuant to and after satisfaction of the conditions specified in the Lease Agreement;

(vi) subject to the provisions of the Indenture, for transfer to the Repair and Replacement Fund, commencing with the month of October 2015, an amount equal to one twelfth of the Replacement Reserve Requirement;

(vii) subject to the provisions of the Indenture, for transfer to the Operations and Maintenance Reserve Fund, commencing with the month of October 2015, an amount equal to one twelfth of the Operations and Maintenance Reserve Requirement;

(viii) subject to the provisions of the Indenture, for transfer to the Administration Fund, an amount equal to one twelfth of the Administration Expenses (other than the Rebate Analyst Fee) scheduled to be due and payable on or before the next December 1;

(ix) to the Administration Fund, the amount of any Rebate Analyst Fee then due;

(x) to the Rebate Fund, to the extent of any deposit required to be made thereto pursuant to the Tax Certificate;

(xi) to the Manager, one twelfth of the annual Management Fee;

(xii) to the Surplus Fund, all remaining amounts.

(c) In the event that, for any month, there are insufficient funds in the Revenue Fund to fund any one or more of the uses set forth in clauses (i) through (xii) above, the amount not funded in such month due to such insufficiency of revenues shall be added to the amount to be funded in subsequent months under the same clause until such amount has been in fact funded. Failure to deposit sufficient Project Revenues to make the deposits described above shall not, in itself, constitute an Event of Default under the Indenture.

Bond Fund.

(a) There shall be deposited into the Principal Account of the Bond Fund (i) moneys transferred to the Principal Account from the Revenue Fund; (ii) moneys transferred from the Operations and Maintenance Reserve Fund in respect of principal payable on the Bonds; (iii) moneys transferred from the Surplus Fund in respect of principal payable on the Bonds; (iv) moneys transferred from the Repair and Replacement Fund in respect of principal payable on the Bonds; (v) moneys transferred from the Debt Service Reserve Fund in respect of principal payable on the Bonds; and (vi) any other amounts deposited with the Trustee with directions from the Lessee to deposit the same in the Principal Account of the Bond Fund.

(b) There shall be deposited into the Interest Account of the Bond Fund (i) all accrued interest, if any, on the sale and delivery of the applicable Series of the Bonds; (ii) moneys transferred to the Interest Account from the Revenue Fund; (iii) moneys transferred from the Operations and Maintenance Reserve Fund in respect of interest payable on the Bonds; (iv) moneys transferred from the Surplus Fund in respect of interest payable on the Bonds; (v) moneys transferred from the Repair and Replacement Fund in respect of interest payable on the Bonds; (vi) moneys transferred from the Debt Service Reserve Fund in respect of interest payable on the Bonds; and (vii) any other amounts deposited with the Trustee with directions from the Lessee to deposit the same in the Interest Account of the Bond Fund.

(c) There shall be deposited in the Special Redemption Account of the Bond Fund (i) any Net Proceeds of Insurance Proceeds or Condemnation Awards to be transferred to the Special Redemption Account pursuant to the Indenture, and (ii) all other payments made by or on behalf of the Issuer with respect to the redemption of Bonds the redemption provisions in the Indenture. Amounts on deposit in the Special Redemption Account shall be used to pay the redemption price of Bonds of the related Series being redeemed.

(d) Except as otherwise provided herein, moneys in the Principal Account shall be used for the payment of principal of the Bonds as the same shall become due and payable on any Principal Payment Date, including a Principal Payment Date resulting from the redemption of the Bonds the mandatory sinking fund redemption provisions in the Indenture.

(e) Except as otherwise provided herein, moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same becomes due and payable on any Bond Payment Date.

(f) If on any Bond Payment Date, the amount on deposit in the Interest Account or the Principal Account is insufficient to make the payments or deposits described in (a) or (b) above, the Trustee shall make up any such shortfall by transferring amounts from the following Funds in the following order:

- (i) the Surplus Fund;
- (ii) the Operations and Maintenance Reserve Fund;
- (iii) the Repair and Replacement Fund;
- (iv) the Debt Service Reserve Fund; and
- (v) the Operating Fund.

(g) Any balance in the Bond Fund on each Interest Payment Date after making the transfers required above shall be transferred to the Revenue Fund.

Debt Service Reserve Fund.

(a) There shall be deposited in the Debt Service Reserve Fund (i) all moneys transferred to the Debt Service Reserve Fund pursuant to the Indenture, (ii) moneys transferred from the Revenue Fund pursuant to the Indenture, and (iii) any other moneys received by the Trustee with directions from such party to deposit the same in the Debt Service Reserve Fund.

(b) Amounts on deposit in the Debt Service Reserve Fund shall be used to make the payments required under the Indenture after the transfer of any amounts from the Surplus Fund, the Operations and Maintenance Fund, and the Repair and Replacement Fund, if the amounts on deposit in the Revenue Fund are insufficient therefor.

(c) Amounts on deposit in the Debt Service Reserve Fund shall be transferred to the Principal Account of the Bond Fund at the direction of the Lessee Representative for the purpose of paying the last maturing principal of the Bonds on a Principal Payment Date or, if all the Bonds are being redeemed, to the Special Redemption Account of the Bond Fund for redemption of Bonds.

(d) If the Debt Service Reserve Requirement is reduced or eliminated in accordance with the definition thereof, the amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall, at the written direction of a Lessee Representative delivered to the Trustee, be either (i) transferred to the Special Redemption Account to be used to redeem Bonds, (ii) transferred to the Principal or Interest Account to pay the principal of and/or interest on the Bonds as it becomes due, or (iii) if no Bonds remain outstanding, either transferred to the Revenue Fund and applied as provided in the Indenture, or used for any other purpose directed in writing by a Lessee Representative, which, pursuant to a Favorable Opinion of Bond Counsel delivered to the Issuer and the Trustee, complies with the Act and will not adversely affect the exclusion from gross income of the recipients thereof of the interest on the Tax-Exempt Bonds for federal income tax purposes.

(e) All interest income derived from the investment of amounts on deposit in the Debt Service Reserve Fund shall be retained in the Debt Service Reserve Fund until the amount on deposit therein shall be equal to the Debt Service Reserve Requirement, and thereafter shall be deposited into the Revenue Fund.

Rebate Fund. Amounts shall be deposited in the Rebate Fund and shall be applied as provided in the Tax Certificate.

Operating Fund. The Trustee shall deposit in the Operating Fund (a) moneys transferred from the Revenue Fund in the amounts and on the dates described in the Indenture, (b) any transfers from the Operating Account received by the Trustee for deposit in the Operating Fund and (c) any other amounts required to be deposited into the Operating Fund under the Indenture or under the Lease Agreement or the Deed of Trust and delivered to the Trustee with instructions to deposit the same therein. Except when a payment default under the Indenture or a Default under the Lease Agreement has occurred and is continuing, the Trustee shall transfer amounts deposited in the Operating Fund to the Operating Account promptly following such deposits. If an Event of Default under the Indenture has occurred and is continuing, the Trustee shall not make such transfers to the Operating Account and the Lessee will not be entitled to request withdrawals from funds on deposit in the Operating Fund, and the Trustee may determine to pay Operating Expenses of the Project directly, without receipt of direction from a Lessee Representative and solely upon reliance of the annual Budget prepared by the Lessee in connection with the Project.

Operations and Maintenance Reserve Fund.

(a) The Trustee shall deposit in the Operations and Maintenance Reserve Fund (i) moneys transferred from the Revenue Fund in the amounts and on the dates described in the Indenture and (ii) any other amounts required to be deposited into the Operations and Maintenance Reserve Fund under the Indenture or under the Lease Agreement and delivered to the Trustee with instructions to deposit the same therein.

(b) Amounts on deposit in the Operations and Maintenance Reserve Fund shall be used to pay (i) maintenance and repair costs to the Project which are not capital expenditures payable from the Repair and Replacement Fund, (ii) Operating Expenses in excess of amounts specified in the Budget and (iii) shortfalls in the Interest Account and Principal Account of the Bond Fund related to the Bonds in accordance with the Indenture. The Trustee shall disburse moneys in the Operations and Maintenance Reserve Fund to the Operating Fund to pay such maintenance and repair costs and Operating Expenses upon receipt of a written direction of the Lessee Representative which states the purpose for such disbursement and the persons to which such amounts are to be paid. The Trustee shall make any such disbursement within five days of receipt of the Lessee's written direction. All interest income derived from the investment of amounts on deposit in the Operations and Maintenance Reserve Fund shall be retained in the Operations and Maintenance Reserve Fund until the amount on deposit

therein shall be equal to the Operations and Maintenance Reserve Requirement, and thereafter shall be deposited into the Revenue Fund.

Insurance and Tax Escrow Fund.

(a) The Trustee shall deposit in the Insurance and Tax Escrow Fund (i) moneys transferred from the Revenue Fund in the amounts and on the dates described in the Indenture and (ii) any other amounts required to be deposited into the Insurance and Tax Escrow Fund under the Indenture or under the Lease Agreement or the Deed of Trust and delivered to the Trustee with instructions to deposit the same therein. Moneys on deposit in the Insurance and Tax Escrow Fund shall be disbursed by the Trustee to the Lessee to pay, or as reimbursement for the payment of, taxes, assessments and insurance premiums with respect to the Project, as hereinafter provided.

(b) Upon presentation to the Trustee by a Lessee Representative of a requisition accompanied by copies of bills or statements for the payment of such taxes, assessments, and premiums, when due (provided that Trustee shall have no duty or obligation to review or approve such bills or statements), the Trustee will pay to the Lessee to provide for the payment of, or as reimbursement for the payment of, such taxes, assessments and premiums, from moneys then on deposit in the Insurance and Tax Escrow Fund. If the total amount on deposit in the Insurance and Tax Escrow Fund, Operating Fund or Surplus Fund shall not be sufficient to pay to or to pay or reimburse the Lessee in full for the payment of such taxes, assessments, and premiums, then the Lessee shall pay the excess amount of such taxes, assessments and premiums directly.

Repair and Replacement Fund.

(a) The Trustee shall deposit into the Repair and Replacement Fund (i) moneys transferred from the Revenue Fund in the amounts and on the dates described in the Indenture and (ii) any other amounts required to be deposited into the Repair and Replacement Fund under the Indenture or under the Lease Agreement, the HAP Contract or the Deed of Trust and delivered to the Trustee with instructions to deposit the same therein. The Trustee shall apply moneys on deposit in the Repair and Replacement Fund upon request of a Lessee Representative, but no more frequently than once a month, to pay to or to reimburse the Lessee for paying the cost of replacements or items of extraordinary maintenance or repair which may be required to keep the Project in sound condition, including, but not limited to, replacement of appliances, major floor covering replacement, replacement or repair of any roof or other structural component of the Project, maintenance (including painting) to exterior surfaces and major repairs to or replacements of heating, air conditioning, plumbing and electrical systems, landscaping, storm water drainage, repairs to common area amenities and any other extraordinary costs required for the repair or replacement of the Project not properly payable from the Revenue Fund or the Operations and Maintenance Reserve Fund, but in any case only if there are no funds available in the Project Fund for such purpose.

(b) Upon presentation to the Trustee by a Lessee Representative of a requisition accompanied by a summary of the amount for which payment or reimbursement is sought and, for requests for a particular line item of disbursement in excess of \$25,000, copies of bills or statements for the payment of the costs of such repair and replacement (provided that the Trustee shall have no duty or obligation to review or approve such bills or statements), the Trustee will pay to the Lessee the amount of such repair and replacement costs from moneys then on deposit in the Repair and Replacement Fund, provided no Event of Default of the Lessee shall then exist under the Indenture. If the total amount on deposit in the Repair and Replacement Fund, Operating Fund or Surplus Fund shall not be sufficient to pay all of such repair and replacement costs when they shall become due, then the Lessee shall pay the excess amount of such costs directly.

(c) The Repair and Replacement Fund will also be used to remedy any deficiency in the Accounts of the Bond Fund related to the Bonds on any Bond Payment Date after exhaustion of the Surplus Fund and the Operations and Maintenance Reserve Fund, without any prior consents, as provided in the Indenture

Administration Fund. The Trustee shall deposit in the Administration Fund (a) moneys transferred from the Revenue Fund pursuant to the Indenture, and (b) any other amounts required to be deposited in the Administration Fund under the Indenture or under the Lease Agreement or the Deed of Trust with instructions to deposit the same therein. The Trustee shall disburse amounts in the Administration Fund necessary for payment of Administration Expenses then due automatically to the parties due such payment upon presentation of an invoice for payment from such requesting party without any approval of the Lessee.

Surplus Fund.

(a) The Trustee shall deposit, into the Surplus Fund, amounts provided in the Indenture and any other amounts delivered to it with instructions to deposit the same in the Surplus Fund. Moneys in the Surplus Fund shall be applied for the following purposes and in the following manner:

(i) transferred to the Interest Account to pay interest on the Bonds to the extent amounts on deposit in such Interest Account are insufficient therefor;

(ii) transferred to the Principal Account to pay principal of the Bonds to the extent amounts on deposit in such Principal Account are insufficient therefor;

(iii) transferred to the Revenue Fund to the extent of any deficiency in the amounts needed to fully make all transfers from the Revenue Fund pursuant to the Indenture (other than to the Surplus Fund);

(iv) transferred to or upon the direction of a Lessee Representative for deposit into the Operating Fund for the payment of Operating Expenses when the Lessee certifies to the Trustee that there are not sufficient moneys in the Operating Account to pay Operating Expenses;

(v) paid to the Trustee an amount equal to any unpaid Extraordinary Trustee's Fees and Expenses then due;

(vi) transferred to the Operations and Maintenance Reserve Fund an amount sufficient to restore such Fund to the Operations and Maintenance Reserve Requirement; and

(b) If on or after any Annual Evaluation Date, the Trustee receives a certificate signed by a Lessee Representative stating that the Lessee has satisfied the Coverage Test (determined by including the Management Fee in Operating Expenses and as shown in a report by a Certified Public Accountant delivered by the Lessee to the Trustee pursuant to the Lease Agreement) for the Fiscal Year ending on such December 31, upon which the Trustee may conclusively rely, no Event of Default of the Lessee, or event which with the passage of time or the giving of notice or both would constitute an Event of Default of the Lessee, has occurred and is continuing, and the Debt Service Reserve Requirement, the Replacement Reserve Requirement and the Operations and Maintenance Reserve Requirement have been fully funded, then within two Business Days after written request by a Lessee Representative to the Trustee, the Trustee shall disburse to the Lessee the amount in the Surplus Fund as of such Annual Evaluation Date which exceeds the applicable Surplus Cash Maintenance Amount.

(c) Notwithstanding anything to the contrary herein, the Trustee shall not make disbursements to the Lessee unless the Trustee has received the various financial reports then due as set forth in the Lease Agreement.

Bonds Not Presented for Payment. In the event any Bonds shall not be presented for payment when the principal thereof becomes due on any Bond Payment Date, if moneys sufficient to pay such Bonds are held by the Trustee, the Trustee shall segregate and hold such moneys in trust, without liability for interest thereon, for the benefit of Holders of such Bonds who shall, except as provided in the following paragraph, thereafter be restricted exclusively to such funds for the satisfaction of any claim of whatever nature on their part under the Indenture or relating to said Bonds.

All moneys deposited with the Trustee for the payment of principal of, premium, if any, or interest on the Bonds and not claimed for two years after they become payable or distributable shall be paid by the Trustee to the State. In such event, the Trustee shall be relieved of all liability with respect to such moneys and payment for such Bonds and the Holder of such Bonds shall look solely to the State for such payment.

Moneys Held in Trust. All moneys required to be deposited with or paid to the Trustee for deposit into any Fund or Account (other than the Rebate Fund) and all moneys withdrawn from the Bond Fund and held by the Trustee shall be held by the Trustee, in trust, and such moneys (other than moneys held in the Rebate Fund) shall, while so held, constitute part of the Trust Estate and be subject to the lien of the Indenture. Moneys held in the Bond Fund and the Debt Service Reserve Fund, as it relates to the Bonds, shall constitute a separate trust fund for the Holders of the related Series and shall not constitute property of the Issuer or the Lessee.

Payment to the Lessee. After 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 Holders shall have ceased, terminated and become void and shall have been satisfied and discharged in accordance with the defeasance provisions in the Indenture, and all fees, expenses and other amounts payable to the Issuer and the Trustee pursuant to any provision of the Indenture or of the Lease Agreement shall have been paid in full, any moneys remaining in the Funds and Accounts under the Indenture shall be paid or transferred to the Lessee upon a written request of a Lessee Representative, provided that amounts on deposit in the Rebate Fund shall be retained therein to the extent required by the Tax Certificate.

Deposit of Extraordinary Revenues.

(a) Any moneys representing Net Proceeds of Insurance Proceeds or Condemnation Awards upon damage to, destruction of or governmental taking of the Project and deposited with the Trustee pursuant to the Lease Agreement shall be deposited by the Trustee in the Project Fund.

(b) At the direction of the Lessee, the Trustee shall disburse such moneys in the Project Fund as provided in the Lease Agreement to enable the Lessee to undertake a restoration of the Project if such restoration is permitted by law, provided that, if the Lessee exercises or is deemed to exercise its option to apply such moneys to the payment of the Lease Payments or the conditions of the Lease Agreement are not satisfied, or an excess of such moneys exists after restoration of the Project, such moneys shall be transferred by the Trustee to the Special Redemption Account of the related Bond Fund and applied to redeem or prepay the Bonds pursuant to the redemption provision in the Indenture, in a principal amount equal to the amount so transferred or the next lowest Authorized Denomination of the Bonds.

(c) Title insurance proceeds shall be used to remedy any title defect resulting in the payment thereof or deposited in the Bond Fund for use in redeeming Bonds pursuant to the redemption provisions in the Indenture.

The proceeds of any rental loss, use and occupancy or business interruption insurance shall be deposited in the Revenue Fund.

INVESTMENTS

Moneys in all Funds and Accounts established under the Indenture shall, at the written direction of the Lessee at least two Business Days before the making of such investment (any oral direction to be promptly confirmed in writing), be invested and reinvested by the Trustee in Investment Securities. If no such instructions are provided, the Trustee shall invest all such moneys in all Funds and Accounts for which such written direction has not been received in the Blackrock Fedfund (Dollar Shares). Subject to the further provisions of Section, such investments shall be made by the Trustee as directed and designated by the Lessee in a certificate of, or telephonic advice promptly confirmed by a certificate of a Lessee Representative. As long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to designate the investments to be sold and otherwise to direct the Trustee in the sale or conversion to cash of the investments made with the moneys in any Fund or Account. The Lessee will not direct that any investment be made of any funds which would violate the covenants set forth in the tax covenants contained in the Indenture. Unless otherwise confirmed in writing, an account

statement delivered by the Trustee to the Lessee shall be deemed written confirmation by the Lessee that the investment transactions identified therein accurately reflect the investment directions given to the Trustee by the Lessee, unless a Lessee Representative notifies the Trustee in writing to the contrary within 30 days after the date of such statement.

Moneys in any Fund or Account shall be invested in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled to be paid or are otherwise payable (including Investment Securities payable at the option of the holder) not later than the earlier of (a) the date on which it is estimated that such moneys will be required by the Trustee, or (b) six months after the date of acquisition thereof by the Trustee.

The Trustee may make any and all such investments through its own banking department or the banking department of any affiliate. All income attributable to moneys deposited in any Fund or Account created under the Indenture shall be credited to the Revenue Fund, except that income on moneys (a) in the Project Fund shall be credited to the Project Fund, (b) in the Rebate Fund shall be credited to the Rebate Fund, (c) in the Debt Service Reserve Fund shall be credited to the Debt Service Reserve Fund to the extent provided in the Indenture and (d) in the Operations and Maintenance Reserve Fund shall be credited to the Operations and Maintenance Reserve Fund to the extent provided in the Indenture. Any net loss realized and resulting from any such investment shall be charged to the particular fund or account for whose account such investment was made. The Trustee is authorized and directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make any withdrawal therefrom as required under the Indenture. The Trustee shall not be liable for any depreciation of the value of any investment made pursuant to the Indenture or for any loss resulting from any such investment on the redemption, sale and maturity thereof.

Investment Securities held in the Debt Service Reserve Fund shall be valued at cost on each Interest Payment Date.

The Trustee shall at all times maintain accurate records of deposits into each Fund and Account and the sources of such deposits.

Notwithstanding anything in the Indenture or the Bond Documents, and subject in all events to the requirements of the Tax Certificate, the amount of Tax-Exempt Bond proceeds placed in the Operations and Maintenance Reserve Fund may only be invested as permitted by the Indenture at the written direction of a Lessee Representative to produce a yield which is not greater than the yield on the Tax-Exempt Bonds or such investments shall consist solely of tax exempt bonds within the meaning of Section 148(b)(3) of the Code.

DEFEASANCE

If the Issuer, at the direction of the Lessee, shall pay or cause to be paid to the Holder of any Bond the principal of, premium, if any, and interest due and payable, and thereafter to become due and payable, upon such Bond, or any portion of such Bond in any Authorized Denomination thereof, such Bond or portion thereof shall cease to be entitled to any lien, benefit or security under the Indenture. If the Issuer, at the direction of the Lessee, shall pay or cause to be paid the principal of, premium, if any, and interest due and payable on all Outstanding Bonds, and thereafter to become due and payable thereon, and shall pay or cause to be paid all other sums payable under the Indenture by the Issuer, including all fees, compensation and expenses of the Trustee and receipt by the Trustee of an opinion of Counsel that all conditions precedent have been complied with, then the right, title and interest of the Trustee in and to the Trust Estate shall thereupon cease, terminate and become void and the Trustee shall release or cause to be released the Trust Estate, the Deed of Trust and any other documents securing the Bonds or execute such documents so as to permit the Trust Estate, the Deed of Trust and such other documents to be released.

Any Bond shall be deemed to be paid within the meaning of this Section and for all purposes of the Indenture when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) shall have been made or caused to be made in accordance with the terms thereof or (ii) shall have been provided for by any irrevocable deposit with the Trustee in trust and irrevocably set aside exclusively for such payment, (A) funds sufficient to make such payment and/or (B) Governmental Obligations maturing as to principal and interest in such

amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all fees, compensation and expenses of the Trustee pertaining to the Bond with respect to which such deposit is made accrued and to accrue until final payment of the Bonds, whether at maturity or upon redemption, shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid under the Indenture, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such funds or Government Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bond as aforesaid until the Issuer, at the direction of the Lessee, shall have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Holders in accordance with the notice of redemption provision in the Indenture, that the deposit required by (a)(ii) above has been made with the Trustee and that said Bond is deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the redemption price of said Bond, plus interest thereon to the due date thereof; or (b) the maturity of such Bond. In addition to the foregoing, no deposit described in clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bond until the Lessee has delivered to the Trustee (i) a report of an Independent Certified Public Accountant verifying the sufficiency of the amounts, if any, described in (a)(ii) above to insure payment of said Bond, and (ii) a Favorable Opinion of Bond Counsel addressed to the Issuer, the Lessee and the Trustee to the effect that such deposit will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from the gross income of the recipients thereof for federal income tax purposes.

DEFAULTS AND REMEDIES

Events of Default. Each of the following events shall constitute an “Event of Default” under the Indenture with respect to the Bonds:

(a) While any Bonds are Outstanding:

(i) a failure to pay the principal of or premium, if any, on any of the Bonds when the same shall become due and payable at maturity or upon redemption; or

(ii) a failure to pay an installment of interest on any of the Bonds when the same shall become due and payable; and

(b) A failure by the Issuer to observe and perform any other covenant, condition, agreement or provision (other than as specified in subparagraph (a) of this Section) contained in the Bonds or in the Indenture on the part of the Issuer to be observed or performed with respect to the Bonds, which failure shall continue for a period of 30 days after written notice is provided by the Trustee specifying such failure and requesting that it be remedied, shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Controlling Holders, unless the Trustee, or the Trustee and Holders which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such Bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Issuer within such period and is being diligently pursued; provided, further that in no event shall such period be extended for more than 180 days after the date of giving of notice of such failure without the consent of the Controlling Holders; provided that Lessee shall have a period of thirty day (30) to cure any default and the Trustee and the Holders each agree to accept any such cure tendered by the Lessee on the same terms and conditions as it would accept a cure from the Issuer and for such purposes of a cure the Issuer appoints the Lessee as its attorney in fact to make such cure; or

(c) The occurrence of a “Default” under the Lease Agreement or an “Event of Default” under the Deed of Trust.

Acceleration; Other Remedies.

(a) Upon the occurrence and continuance of an Event of Default, the Trustee, subject to the provisions of “*Cure by Holders*” below, may, and at the written request of the Controlling Holders shall, by written notice to the Issuer and the Lessee and Lessee’s limited partners, declare the Bonds to be immediately due and payable, whereupon such Bonds shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding (subject to the provisions of the Lease Agreement), and the Trustee shall give notice thereof to the Issuer and the Rating Agency, and shall give notice thereof by Mail to Holders of the Bonds. Lessee’s limited partners shall have the right, but not the obligation to cure any Event of Default and the Trustee agrees to accept any such cure tendered by the Lessee’s limited partners on the same terms and conditions as it would accept a cure from the Lessee.

(b) The provisions of the preceding paragraph are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (i) the Issuer shall, from any payment received from the Lessee for such purpose, deposit with the Trustee a sum sufficient to pay all matured installments of interest on all Bonds and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest on such principal and, to the extent permissible by law, on overdue installments of interest, at the Default Rate) and such amount as shall be sufficient to pay Extraordinary Trustee’s Fees and Expenses, and (ii) all Events of Default under the Indenture with respect to the Bonds other than nonpayment of the principal of such Bonds which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Issuer and the Rating Agency, and shall give notice thereof by Mail to all Holders of Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written direction of the Controlling Holders and receipt of satisfactory indemnity from such Controlling Holders shall, in its own name and as the Trustee of an express trust, perform any or all of the following (subject to the Lease Agreement):

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders under the Indenture or the applicable Bonds, including, without limitation, requiring the Issuer or the Lessee to carry out any agreements with or for the benefit of the Holders and to perform its or their duties under the Act, the Lease Agreement, the Deed of Trust, the Regulatory Agreement and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Lease Agreement, the Deed of Trust, the Regulatory Agreement or the Indenture, as the case may be;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Bonds;

(iv) foreclose the Deed of Trust; or

(v) file proofs of claim in any bankruptcy or insolvency proceedings related to the Issuer, the Lessee or the Project, necessary or appropriate to protect the interests of the Trustee or the Holders of the Bonds.

(d) Notwithstanding anything herein to the contrary, neither the Holders of the Bonds nor the Trustee acting on behalf of the Holders of the Bonds shall have any right, and hereby waive any right, to

institute a proceeding under the Bankruptcy Code seeking to adjudge the Issuer or the Lessee insolvent or a bankrupt or seeking a reorganization of the Issuer or the Lessee.

Upon instituting any such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Project and other assets pledged under the Indenture or the Deed of Trust, pending resolution of such proceeding. The Trustee shall have the right to decline to follow any direction of any Bondholder that in the sole discretion of the Trustee would be unjustly prejudicial to the Trustee, that would expose the Trustee to unreasonable liability or financial exposure or that is not in accordance with law or the provisions of the Indenture. The Trustee shall be entitled to rely without further investigation or inquiry upon any written direction given by the Holders of the majority of the Bond Obligation, and shall not be responsible for the propriety of or be liable for the consequences of following any such direction. Notwithstanding anything to the contrary contained herein, the Trustee shall not be required to foreclose the Deed of Trust or bid on behalf of the Holders at any foreclosure sale (a) if, in the Trustee's sole discretion, such action would subject the Trustee to personal liability for the cost of investigation, removal and/or remedial activity with respect to Hazardous Substances, (b) if the presence of any Hazardous Substances on the property subject to the Deed of Trust results in such property having no or nominal value or (c) if as a result of any such action, the Trustee would be considered to hold title to or to be a "mortgagee in possession," "owner" or "operator" of the Project within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended, unless the Trustee has previously determined, based on a report prepared by an environmental audit consultant acceptable to the Trustee, that (i) the Project is in compliance with applicable environment laws and (ii) there are not circumstances present at the Project relating to the use, management or disposal of any Hazardous Substances for which investigation, testing, monitoring, containment, cleanup or remediation could be required under any federal, State or local law or regulation. It is acknowledged and agreed that the Trustee has no authority to manage, own or operate the Project, or any portion thereof, except as necessary to exercise remedies upon an Event of Default.

Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any rights under the Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the Lessee, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Cure by Holders. Any Holder of Bonds may, but shall not be obligated to, cure an Event of Default under the Indenture, including the advancing of funds ("Advanced Funds") to the Trustee for payments required under the Indenture, or to indemnify the Trustee under the Indenture. Any Advanced Funds are to be applied by the Trustee in accordance with the instructions of the Holder providing the same; provided, however, that such Holder shall not have a right or interest in the Advanced Funds that is superior to any right or interest any other party has under the Indenture.

Controlling Holders' Right To Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, the Controlling Holders shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture or exercising any trust or power conferred on the Trustee by the Indenture.

Limitation on Holders' Right To Institute Proceedings. Unless otherwise provided for in the Indenture, no Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture, or any other remedy under the Indenture or on said 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 not less than a majority of the Bond Obligation shall have made written request of the Trustee to do so after the right to institute said suit, action or proceeding under the heading "*Acceleration; Other Remedies*" herein shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and the Trustee shall not have complied with such request within a reasonable time. No one or more of the Holders of the Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under the Bonds, except in the manner herein provided, and all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Holders of Bonds. Notwithstanding anything to the contrary, the furnishing of indemnity to the Trustee as provided in the Indenture is

hereby declared in every such case, at the option of the Trustee, to be a condition precedent to the institution of said suit, action or proceeding by the Trustee.

No Impairment of Right To Enforce Payment. Notwithstanding any other provision in the Indenture, the right of any Holder of a Bond to receive payment of the principal of and interest on such Bond, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Holder.

Proceedings by Trustee Without Possession of Bonds. All rights of action under the 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 Bonds, subject to the provisions of the Indenture.

No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or to Holders 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 under the Indenture, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth herein to the taking of any remedy to enforce the provisions of the Indenture or the Bonds shall also be conditions to seeking any remedies under any of the foregoing pursuant to this Section.

No Waiver of Remedies. No delay or omission of the Trustee or of any Holder 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 an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and to the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys.

- (a) If an Event of Default occurs with respect to the Bonds, any moneys held in any Fund or Account under the Indenture (excluding the Rebate Fund) or received by any receiver or by the Trustee, by any receiver or by any Holder pursuant to any right given or action taken under the provisions of the Indenture, after payment of (i) Operating Expenses of the Project as determined to be appropriate by the Trustee (and the Trustee may, in its discretion, rely on the Budget to make such determination), (ii) the costs and expenses of the proceedings resulting in the collection of such moneys, and (iii) the fees, expenses, liabilities or advances payable to or incurred or made by the Trustee or any Holder, shall be deposited in the Revenue Fund; and all moneys so deposited in the Revenue 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) shall be applied (except as otherwise provided in the Indenture with respect to moneys deposited in a Bond Fund Account or the Debt Service Reserve Fund) as follows:

- (i) Unless the principal of all the Bonds shall have been declared due and payable, all such moneys shall be applied (A) first, together with all amounts on deposit in the Debt Service Reserve Fund, to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds on a parity and pro rata basis with interest on overdue installments, if lawful, at the Default Rate, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment of interest on the Bonds on a parity and pro rata basis; and (B) second, together with all amounts on deposit in the Debt Service Reserve Fund, to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds on a parity and pro rata basis which shall have become due (other than the Bonds called for redemption the payment of which money is held pursuant to the provisions of the Indenture) with interest on such Bonds at the Default Rate from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the Persons entitled thereto, without any

discrimination or privilege of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the Default Rate, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably.

(ii) If the principal of all the Bonds shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on overdue interest and principal, as aforesaid at the Default Rate, if lawful, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(iii) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Section, then, subject to the provisions of clause (ii) of this subsection which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of clause (i) of this subsection.

- (b) Whenever moneys are to be applied pursuant to the provisions of this Section, 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 of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Holders of the Bonds and shall not be required to make payment to any Holder of a Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Severability of Remedies. It is the purpose and intention of the Indenture to provide rights and remedies to the Trustee and the Holders 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 Holders shall be entitled, as above set forth, to every other right and remedy provided in the Indenture and by law.

Notice of Event of Default. If an Event of Default occurs and continues for five Business Days after the Trustee has received written notice of the same as provided in in the Indenture, then the Trustee shall give notice thereof by Mail to the Holders, the Lessee, Lessee's limited partners, the Issuer and the Rating Agency.

MODIFICATIONS OF BOND DOCUMENTS

Limitations. Neither the Indenture nor any of the Lessee Documents shall be Amended in any respect subsequent to the Closing Date except as provided in and in accordance with and subject to the provisions of this Section. Notwithstanding any provisions of this Section, the Tax Certificate and the Regulatory Agreement may be Amended pursuant to the provisions thereof, and the Tax Certificate and the Regulatory Agreement shall be Amended to the extent required by such documents.

Supplemental Indentures Without Holder Consent. The Issuer and the Trustee may, from time to time and at any time, without the consent of but with prompt notice to the Holders and the Rating Agency, enter into Supplemental Indentures as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture;
- (b) to add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Issuer if such surrender shall

not, in the judgment of the Trustee, Materially Adversely Effect the interests of the Holders, the Trustee being authorized to rely on an opinion of Counsel with respect thereto;

(c) to confirm, as further assurance, any pledge of or lien on the Lease Agreement or of any other moneys, securities or funds subject to the lien of the Indenture;

(d) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(e) to preserve the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, as set forth in an opinion of Bond Counsel required under the Indenture;

(f) to provide for any Amendment specifically authorized or required by any provision of the Indenture;

(g) in connection with any Parity Indebtedness; or

(h) with respect to any other Amendment which, in the judgment of the Trustee, does not have a Material Adverse Effect on the Holders of the Bonds, the Trustee being authorized to rely on an opinion of counsel with respect thereto.

Supplemental Indentures Requiring Holders' Consent. Except for any Supplemental Indenture entered into pursuant to that above subsection, subject to the terms and provisions contained in this Section and not otherwise, Holders of not less than a majority of the Bond Obligation affected thereby 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 Supplemental Indenture deemed necessary or desirable by the Issuer for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that, unless approved in writing by all Holders of Bonds affected thereby, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bond or a reduction in the principal amount or redemption price of any Outstanding Bond or the rate of interest borne by any Outstanding Bond (ii) the creation of a claim or lien upon, or a pledge of, the Trust Estate ranking prior to or on a parity with the claim, lien or pledge created by the Indenture, or (iii) a reduction in the aggregate Bond Obligation the consent of the Holders of which is required for any such Supplemental Indenture or which is required, under the Indenture, for any modification, alteration, amendment or supplement to any Lessee Documents.

Amendment of Lessee Documents Without Holder Consent. Without the consent of but with notice to the Holders, the Trustee may consent to any Amendment of any Lessee Document from time to time as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in such Lessee Document;

(b) to add to the covenants and agreements of the Issuer or the Lessee in such document other covenants and agreements, or to surrender any right or power reserved or conferred upon the Issuer or the Lessee, if such surrender shall not, in the judgment of the Trustee, Materially Adversely Effect the interests of the Holders, the Trustee being authorized to rely on an opinion of Counsel with respect thereto;

(c) to confirm, as further assurance, any lien on or pledge of the Project or the Project Revenues therefrom or of any other property, moneys, securities or funds subject to the Deed of Trust or any other security for the Lease Agreement;

(d) to preserve the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, as set forth in an opinion of Bond Counsel required under the Indenture;

- (e) to make changes required to obtain or maintain the rating on the Bonds from the Rating Agency;
- (f) to provide for any Amendment specifically authorized or required by any provision of any Lessee Document;
- (g) in connection with any Parity Indebtedness; or
- (h) with respect to any other Amendment which, in the judgment of the Trustee, does not have a Material Adverse Effect on the Holders of the Bonds, the Trustee being authorized to rely on an opinion of counsel with respect thereto.

Procedures for Amendments. If at any time the Trustee shall be requested to enter into any Supplemental Indenture pursuant to the Indenture or to consent to any Amendment pursuant the Indenture, the Trustee shall cause notice of the proposed Supplemental Indenture or other Amendment to be given by Mail to all Holders. Such notice shall set forth with particularity the nature of the proposed Supplemental Indenture or other Amendment and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Holders. Within one month after the date of the first giving of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture or the Trustee may consent to such Amendment in substantially the form described in such notice, but only if there shall have first been delivered to the Trustee (a) the required consents, in writing, of Holders, if applicable, and (b) the opinion of Bond Counsel required by the Indenture.

If Holders of not less than the amount of Bond Obligation required by the Indenture shall have consented to and approved the execution and delivery thereof as herein provided, no Holder shall have any right to object to the execution and delivery of such Supplemental Indenture or other Amendment, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Issuer or the Trustee from executing and delivering or consenting to the same or from taking or permitting any action pursuant to the provisions thereof.

Opinions; Certificate. The Trustee shall not enter into or consent to any Amendment of any provision of any Bond Document unless there shall have been delivered to the Issuer and the Trustee an opinion of Bond Counsel stating that such Amendment is authorized or permitted by the Act and such Amendment will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from the gross income of the recipients thereof for federal income tax purposes. In addition, the Trustee (a) may obtain, and shall be protected in relying on, an opinion of Counsel to the effect that such Amendment is authorized or permitted by the Indenture and complies with the terms thereof; and (b) may require, as a condition to entering into or consenting to any such Amendment, a Compliance Certificate from the Lessee.

Effect of Amendments; Other Consents. Upon the execution and delivery of any Supplemental Indenture or any Amendment to a Lessee Document pursuant to the provisions of this Section, the Indenture or such Lessee Document shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Documents of the Issuer, the Trustee, the Lessee and all Holders shall thereafter be determined, exercised and enforced under the Bond Documents subject in all respects to such modifications and amendments.

Notwithstanding anything herein to the contrary, (a) the Trustee shall not be required to enter into or consent to any Amendment of any Bond Document which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee herein or therein; and (b) except as otherwise required hereby, the Trustee shall not enter into or consent to any Amendment of any Bond Document which affects the rights or obligations of the Lessee or the Issuer unless the Lessee or the Issuer enters into or consents to such Amendment.

THE LEASE AGREEMENT

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

ISSUANCE OF BONDS

Issuance of Bonds; Deposit of Proceeds

To provide funds to finance the acquisition and rehabilitation of the Project, the Issuer, concurrently with the execution and delivery of the Lease Agreement, and upon satisfaction of the conditions to the delivery of the Bonds set forth in the Indenture, will issue, sell and deliver the Bonds and will deposit the proceeds of the Bonds with the Trustee in accordance with the Indenture.

Lease Payments; Additional Payments.

(a) The Issuer agrees, upon the terms and conditions herein, to deposit with the Trustee the proceeds of the Bonds for disposition as provided in the Indenture.

(b) The Lessee shall cause all Project Revenues to be deposited with the Trustee upon receipt by the Lessee or the Manager. In addition, the Lessee shall instruct the Administrator or other appropriate party to deposit the revenues generated pursuant to the HAP Contract to be wired directly from the Administrator to the Trustee for deposit into the Revenue Fund. The Project Revenues shall be used to pay the Lease Payments and the Additional Payments, as provided in this subsection, in such lawful money of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

(i) Lease Payments. The Project Revenues shall be used to pay, as Lease Payments, the following amounts:

(A) on or before the tenth day of each month, commencing October 10, 2015, until such time as the principal of and the premium, if any, and interest on, the Bonds shall have been paid in full, or provisions made for such full payment in accordance with the provisions of the Indenture, to the Trustee for deposit in the Interest Account in the Bond Fund provided for in the Indenture, a sum equal to the Interest Requirement on then Outstanding Bonds for such month; and

(B) on or before the tenth day of each month, commencing October 10, 2015, to the Trustee for deposit in the Principal Account in the Bond Fund, a sum equal to the Principal Requirement on then Outstanding Bonds for such month.

The monthly installments of Lease Payments described in (A) and (B) above payable by the Lessee under the Lease Agreement shall in any event be equal in the aggregate to an amount that, with other funds in the respective Accounts within the Bond Fund then available for the payment of principal and interest on the Bonds, shall be sufficient to provide for the payment in full of the interest on, premium, if any, and principal on the Bonds as they become due and payable.

Except as otherwise provided in the Indenture, the Project Revenues shall also be used to pay, as Lease Payments, to the Trustee for deposit in the Bond Fund, such amounts as shall, together with any other money available therefor, be sufficient to pay all amounts, if any, required to redeem the Bonds pursuant to the redemption provision set forth in the Indenture as and when they become subject to redemption pursuant thereto, together with any related redemption premium associated therewith, with all such payments to be made by the Lessee to the Trustee, for

deposit into the related Bond Fund Accounts on or before the date such money are required by said provisions of the Indenture.

(ii) Additional Payments. The Lessee shall cause Project Revenues to be remitted to the Trustee from time to time in amounts fully sufficient to timely pay, in addition to the Lease Payments the following costs and expenses (to the extent such costs and expenses are not paid from the proceeds of the sale of the Bonds), which are the “Additional Payments”:

(A) the Ordinary Trustee’s Fees and Expenses and Extraordinary Trustee’s Fees and Expenses, and all other fees and other costs of the Trustee, including, without limitation, fees and expenses of counsel to the Trustee, payable to the Trustee for services or indemnity under the Lease Agreement and the Lessee Documents (including services in connection with the administration and enforcement thereof and compliance therewith);

(B) all fees and other costs incurred for services of such agents, attorneys and independent accountants as are employed by the Issuer, the Lessee, the General Partner or the Trustee to perform services required pursuant to the Lease Agreement, the other Lessee Documents or the Indenture;

(C) the Issuer’s Fees and Expenses, if any, and all other fees and costs of the Issuer, including, without limitation, fees and expenses of counsel to the Issuer, not otherwise paid under the Lease Agreement, the Regulatory Agreement or the Indenture, related to the issuance of the Bonds or in connection with its administration and enforcement of, and compliance with or interpretation of, the Indenture or any of the Lessee Documents, or otherwise in connection with the Project and the Bonds;

(D) all amounts advanced by the Issuer or the Trustee under authority of the Indenture or any of the Lessee Documents that the Lessee is obligated to repay;

(E) any amounts required to be deposited in the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Requirement pursuant to the Indenture; and should funds be withdrawn from the Debt Service Reserve Fund, the Lessee shall restore the difference between the amount on deposit in the Debt Service Reserve Fund and the Debt Service Reserve Requirement from the next available deposits of Project Revenues and other deposits to the Revenue Fund made in accordance with the Indenture;

(F) amounts sufficient to maintain balances in the Repair and Replacement Fund, the Insurance and Tax Escrow Fund and the Operations and Maintenance Reserve Fund, equal to the amounts required pursuant to the Indenture;

(G) all fees and expenses of the Rebate Analyst, to provide the rebate calculations required under the Tax Certificate, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to the Tax Certificate, the Lessee shall cause to be paid from Project Revenues the amount of such deposit in accordance with the terms of the Indenture or the Tax Certificate;

(H) amounts required to be deposited in the Operating Fund sufficient to pay the Operating Expenses of the Project, as provided for in the Budget and in the Indenture;

(I) the Dissemination Agent Fee payable in accordance with and as provided under the Indenture and Continuing Disclosure Agreement;

(J) the Rating Agency Fee; and

(K) the costs and expenses associated with any audit of the Bonds by the Internal Revenue Service.

(iii) Revenue Fund. As security for its obligations to make the payments required in subsections (i) and (ii) above, the Lessee shall pay (or cause the Manager or HUD to pay) all Project Revenues from the Project to the Trustee for deposit in the Revenue Fund.

All Additional Payments shall be made by the Lessee to the Trustee for deposit by the Trustee into the Revenue Fund, to be used by the Trustee for payment to the Person or Persons entitled to such payments and in the order specified in the Indenture.

(iv) Miscellaneous. In the event the Lessee shall fail to pay, or fail to cause to be paid, any Lease Payments as required by this Section (except to the extent amounts due under Section are paid from amounts on deposit in the Debt Service Reserve Fund, the Repair and Replacement Fund or the Surplus Fund), the payment not paid shall continue as an obligation under the Lease Agreement of the Lessee until the unpaid amount shall have been fully paid, and the Lessee shall pay, or cause to be paid, the same with interest thereon from the date of non payment until the date so paid at the Default Rate. The requirement that interest be paid at the Default Rate shall be in addition to and not in lieu of any other remedy that may exist for the failure of the Lessee to make the payments required in this Section.

The Lessee shall pay, or cause to be paid, in accordance with the terms of this Section, the Lease Payments without any further notice.

The Lessee shall be permitted to distribute, free and clear of any and all liens or encumbrances on, or right to recovery of, such funds under the Lease Agreement, to any Person any funds properly disbursed to the Lessee from the Surplus Fund under the Indenture.

Obligations Unconditional: Limited Recourse

The obligations of the Lessee to make Lease Payments and Additional Payments and other obligations set forth in the Lease Agreement and to perform and observe the other agreements contained in the Lease Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Issuer or the Trustee of any obligation to the Lessee whether under the Lease Agreement or otherwise, or out of any Indebtedness or liability at any time owing to the Lessee by the Issuer or the Trustee. Until such time as the principal of, premium, if any, 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, the Lessee (a) will not suspend or discontinue any payments provided for in the Lease Agreement, (b) will perform and observe all other agreements contained in the Lease Agreement, and (c) except as provided in the Lease Agreement, will not terminate the Lease Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Lessee to complete the acquisition and rehabilitation of the Project, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Issuer or 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 Lease Agreement or otherwise.

Nothing contained in this subsection shall be construed to release the Issuer or Trustee from the performance of any of the agreements on its part herein contained, and in the event the Issuer or the Trustee fails to perform any such agreement on its part, the Lessee may institute such action against the Issuer or the Trustee as the Lessee may deem necessary to compel performance so long as such action does not abrogate the obligations of the Lessee contained in the first sentence of this Section. The Lessee may, at its own cost and expense and in its name or in the name of the Issuer and with proper notice to the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect the Lessee's right of possession, occupancy and use of the Project, and in such event the Issuer hereby agrees

to cooperate fully with the Lessee, at the Lessee's sole cost and expense, and to take all action necessary to effect the substitution of the Lessee for the Issuer in any such action or proceeding if the Lessee shall so request.

Notwithstanding the foregoing or any other provision or obligation to the contrary contained in the Lease Agreement or any other Bond Document, with the express exception of any and all indemnities expressly provided in the Bond Documents, which such indemnities shall be a general obligation of the Lessee, (a) the liability of the Lessee under the Lease Agreement and the other Bond Documents to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Lessee's interest in the Project, the Project Revenues and the amounts held in the Funds and Accounts created under the Indenture or other Bond Documents, and such persons and entities shall look exclusively thereto or to such other security as may from time to time be given for the payment of obligations arising out of the Lease Agreement or to any other agreement securing the obligations of the Lessee under the Lease Agreement; and (b) from and after the date of the Lease Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to the Lease Agreement, any agreement pertaining to the Project or any other agreement securing the Lessee's obligations under the Lease Agreement but subject to the limited liability set forth in (a) above), shall be rendered against the Lessee nor any partner of the Lessee, the assets of the Lessee (other than the Lessee's interest in the Project, the Lease Agreement, amounts held in the Funds and Accounts created under the Indenture, any rights of the Lessee under the Bond Documents or any rights of the Lessee under any guarantees relating to the Project), its officers, members, attorneys, partners or their heirs, personal representatives, successors, transferees assigns, as the case may be, or the officers, directors or employees of the members, attorneys and partners of the Lessee in any action or proceeding arising out of the Lease Agreement, the Indenture, any other Bond Documents or any agreement securing the obligations of the Lessee under the Lease Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

Assignment of Issuer's Rights. As security for the payment of the Bonds, the Issuer in the Indenture assigns to the Trustee certain of the Issuer's rights under the Lease Agreement, including the right to receive payments under the Lease Agreement (except for any deposits to the Rebate Fund and the Reserved Rights), and the Lessee hereby assents to such assignment and agrees to make payments directly to the Trustee, without defense or setoff by reason of any dispute between the Lessee and the Issuer or the Trustee. By virtue of such assignment and certain obligations of the Lessee to the Trustee, the Trustee shall have the right to enforce the obligations of the Lessee under the Lease Agreement, subject to the limitations set forth in the Lease Agreement.

THE PROJECT

Disbursement of Project Fund. Amounts in the Project Fund shall be disbursed by the Trustee as provided in the Indenture, upon delivery by the Lessee to the Trustee of a requisition, substantially in the form attached to the Lease Agreement as Exhibit B executed by a Lessee Representative setting forth the nature of the amounts to be paid and the name of the payee and certifying that the amounts being paid are Qualified Project Costs. The execution of each requisition submitted for disbursements by the Lessee shall constitute the certification, warranty, and agreement of the Lessee as follows:

- (a) the Project is free and clear of all liens and encumbrances except Permitted Encumbrances;
- (b) all evidence, statements, and other writings required to be furnished under the terms of the Lease Agreement and the Indenture are true and omit no material fact, the omission of which may make them misleading;
- (c) all moneys previously disbursed from the Project Fund have been used solely to pay for costs allowed by the Lease Agreement, and the Lessee has written evidence to support this item of warranty;
- (d) none of the items for which payment is requested have formed the basis for any payment previously made from the Project Fund; and

(e) all bills for labor, materials, and fixtures used, or on hand and to be used, in the rehabilitation of the Project have been paid.

Operating Expenses. The Lessee agrees to pay when due all Operating Expenses. The Lessee agrees to review and approve invoices for Operating Expenses on a timely basis. The Lessee (or the Manager) shall be entitled to request the disbursement from the Operating Fund of the monthly Operating Requirements by the Trustee to fund the costs of operating the Project as provided pursuant to the Indenture.

The Lessee shall establish and maintain an Operating Account in a federally insured financial institution. Moneys provided to the Lessee from the Operating Fund pursuant to the Indenture shall be held in the Operating Account and used by the Lessee or the Manager to pay Operating Expenses. On each Interest Payment Date, amounts on deposit in the Operating Account in excess of the amount needed to pay or be reserved to pay actual Operating Expenses shall be transferred by the Lessee to the Trustee for deposit in the Revenue Fund. Any balance in the Operating Account at such time that transfers from the Operating Fund to the Operating Account are not permitted pursuant to the Indenture shall be promptly transferred by the Lessee to the Trustee for deposit in the Operating Fund.

If actual Operating Expenses and other actual disbursements with respect to the Project in any month exceed amounts budgeted therefor for that month, the Lessee may requisition from the Operations and Maintenance Reserve Fund or the Surplus Fund the amount of such excess in the manner provided in the Indenture. However, if there are two such requests by the Lessee in any fiscal quarter that are in excess of 10% of the amounts budgeted therefor in any quarter, then (a) the Lessee must notify the Trustee, the Underwriter and the Rating Agency; and (b) the Lessee must prepare or cause the Manager to prepare a report that describes the reasons for the additional expenses and the circumstances surrounding the additional expenses. If the Lessee ascertains that the actual expenses with respect to the Project in any month will continue to exceed amounts budgeted therefor for that month, then the Lessee will prepare or cause the Manager to prepare a revised Budget for the upcoming 12 month period which reflects the actual Operating Expenses in connection with the Project.

Rate Covenant; Coverage. The Lessee shall fix, charge and collect, or cause to be fixed, charged and collected rents, fees and charges in connection with the operation and maintenance of the Project such that for each Fiscal Year, the Debt Service Coverage Ratio will not be less than the applicable Coverage Test, determined as of the end of each such Fiscal Year based on and supported by Audited Financial Statements.

Failure to Meet Rate Covenant; Retention of Management Consultant. If the Coverage Test in any Fiscal Year, as set forth in the certificate delivered pursuant to the Lease Agreement, is not satisfied, the Lessee shall retain a Management Consultant. Payment of the fees of the Management Consultant shall be deemed an Operating Expense. The Management Consultant shall prepare recommendations with respect to the operations of the Project and the sufficiency of the rates, fees and charges imposed by the Lessee.

The Management Consultant's report shall (a) include the projection of the Project Revenues, Operating Expenses, Net Income Available for Debt Service and Net Cash Flow on a quarterly basis for not less than the next two Fiscal Years, and (b) make such recommendations to the Lessee (and provide notice of such recommendations to the Rating Agency) as the Management Consultant believes are appropriate to enable the Lessee to increase the Debt Service Coverage Ratio to satisfy the Coverage Test for the current calendar year. If, in the judgment of the Management Consultant, it is not possible for the Lessee to meet such requirements, the report of the Management Consultant shall so indicate and shall project the Debt Service Coverage Ratio which could be achieved if the recommendations of the Management Consultant are followed. Continuous retention of a Management Consultant during the years that are the subject of the Management Consultant's report shall not be required however, if a Lessee Representative delivers a certificate to the Trustee, within 45 days after the end of each calendar quarter, setting forth the actual results for such quarter (which may be based on unaudited financial statements) and such results show that the Debt Service Coverage Ratio projected by the Management Consultant is being met. The Lessee shall, to the extent lawful and feasible, follow the recommendations of the Management Consultant.

Failure of the Lessee to satisfy the Coverage Test covenant constitutes a Default under the Lease Agreement only if (A) the Lessee fails to engage the Management Consultant, or (B) to the extent that the Rating Agency agrees with such recommendations, the Lessee fails to implement its recommendations.

Maintenance and Modification of Project; Removal of Equipment. The Lessee agrees that during the term of the Lease Agreement it will at its own expense (a) keep the Project in a safe condition, (b) keep the buildings and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time, subject to the provisions of this subsection, all necessary and proper repairs thereto and renewals and replacements thereof, including external and structural repairs, renewals, and replacements, and (c) use the Equipment in the regular course of its business only, within the normal capacity of the Equipment, without abuse, and in a manner contemplated by the manufacturer thereof, and cause the Equipment to be maintained in accordance with the manufacturer's then currently published standard maintenance contract and recommendations. The Lessee may, also at its own expense, from time to time make any Modifications to the Project it may deem desirable for its business purposes that do not, in the opinion of an Independent architect filed with the Trustee, adversely affect the operation or value of the Project, and provided further, that such Modifications shall not cause the Debt Service Coverage Ratio to fall below the required Coverage Test. Modifications to the Project so made by the Lessee will be on the Property, will become a part of the Project, and will become subject to the lien of the Deed of Trust. Any contract for such Modifications which is in an amount in excess of \$500,000 will be made only by a contractor who furnishes performance and labor and material payment bonds in the full amount of such contract, made by the contractor thereunder as the principal and a surety company or companies rated "A" or higher by A. M. Best & Company, Inc. Such bonds must name the Lessee and the Trustee as obligees, and all Net Proceeds received under such bonds will be paid over to the Trustee and deposited in the Project Fund to be applied to the completion of the Modifications. Such money held by the Trustee in the Project Fund will be invested from time to time, as provided in the Indenture.

The Lessee will execute a conditional assignment directing the architect who has prepared any plans and specifications for any Modifications to make available to the Trustee a complete set of the plans and specifications, which assignment will be effective only upon a Default under the Lease Agreement by the Lessee. Each construction contract executed by the Lessee for construction of any Modifications must contain a provision that, or by separate agreement such contractors must agree that, upon a Default by the Lessee under the Lease Agreement, such contracts with the contractors and/or subcontractors will be deemed assigned to the Trustee should the Trustee so direct and in which case the Trustee will be responsible for the carrying out of all the terms and conditions thereof in place of the Lessee in such contracts. The Lessee covenants to include such conditional assignments in all contracts executed for work to be performed on the Property.

The Lessee further agrees that at all times during the construction of Modifications which cost in excess of \$25,000, the construction contract for such Modifications must be on a "guaranteed maximum price" basis and the Lessee must maintain or cause to be maintained in full force and effect Builder's Risk Completed Value Form insurance to the full insurable value of such Modifications. The Lessee will not permit any mechanics' or materialmen's or other statutory liens to be perfected or remain against the Project for labor or materials furnished in connection with any Modifications so made by it, provided that it will not constitute a Default under the Lease Agreement upon such lien being filed, if the Lessee notifies promptly the Trustee, in writing, of any such liens, and the Lessee in good faith and in accordance with applicable law contests promptly such liens in the same manner as is provided for the contest of Impositions set forth in the Lease Agreement; and in such event the Lessee may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom.

The Lessee will not do or permit others under its control to do any work in or about the Project or related to any repair, rebuilding, restoration, replacement, alteration of, or addition to the Project, or any part thereof, unless the Lessee has first procured and paid for all requisite municipal and other governmental permits and authorizations. All such work must be done in a good and workmanlike manner and in compliance with all applicable building, zoning, and other laws, ordinances, governmental regulations, and requirements and in accordance with the requirements, rules, and regulations of all insurers under the policies required to be carried under the provisions of the Lease Agreement.

If no Default under the Lease Agreement has happened and is continuing, in any instance where the Lessee in its discretion determines that any items of Equipment or parts thereof have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, the Lessee may remove such items of Equipment or parts thereof from the Property and sell, trade in, exchange, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer therefor, provided that the Lessee will substitute and install anywhere in

the Project items of replacement equipment or related property having equal or greater value or utility as determined by Lessee (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended, provided such removal and substitution will not impair the nature of the Project, all of which replacement equipment or related property will be free of all liens, security interests, and encumbrances (other than Permitted Encumbrances), will become subject to the security interest of the Deed of Trust, and will be held by the Lessee on the same terms and conditions as the items originally constituting Equipment.

The removal from the Project of any portion of the Equipment pursuant to the provisions of this Section will not entitle the Lessee to any abatement or diminution of the Lease Payments payable under the Lease Agreement.

If prior to such removal and disposition of items of Equipment from the buildings and the Property, the Lessee has acquired and installed machinery, furnishings, equipment, or related property with its own funds which become part of the Equipment and subject to the security interest of the Indenture and which have equal or greater utility, but not necessarily the same functions, as the Equipment to be removed, the Lessee may take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value.

The Lessee will promptly provide written notice to the Trustee regarding each such removal and substitution referred to in this Section. The Lessee will not remove, or permit the removal of, any of the Equipment from the buildings or Property except in accordance with the provisions of this subsection.

Forbearance and Subordination of Fees. The Lessee hereby agrees that it, the Manager or partner of the Lessee shall forbear from taking any management, administration, development or other fees, or any portions thereof, in the event and to the extent that moneys in the Revenue Fund are insufficient in any month to make all current and deferred deposits (other than deposits to the Surplus Fund) provided in the Indenture, and that the payment of such fees be made in accordance with the Indenture. The Lessee agrees that any Management Agreement entered into with respect to the Project during the term of the Lease Agreement shall be subject to this Section and shall contain provisions consistent herewith.

Taxes and Impositions. The Lessee covenants to pay all third party fees of the financing, including, but not limited to, the following:

(a) All taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received under the Lease Agreement or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Lessee shall have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, at the Lessee's expense, to protest and contest any such taxes or assessments levied upon them and that the Lessee shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Trustee;

(b) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of the Issuer or any agents, attorneys, accountants, consultants selected by the Issuer to act on its behalf in connection with the Lease Agreement, the Bond Documents or the Bonds, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Bond Documents or the Bonds or any of

the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Lessee, its properties, assets or operations or otherwise in connection with the administration of the foregoing.

(d) These obligations and those addressing “Indemnification” in the Lease Agreement (all of which are hereinafter referred to as “Impositions”) shall remain valid and in effect notwithstanding repayment of the Bonds or termination of the Lease Agreement or the Bond Documents.

(e) The Lessee shall deposit with the Trustee amounts sufficient to pay the annual Impositions as set forth in the Budget to be next due on the Project, in accordance with the provisions of the Indenture. The Lessee further agrees to cause all bills, statements or other documents relating to Impositions to be sent or mailed directly to the Trustee. Upon receipt of such bills, statements or other documents, and provided the Lessee has deposited sufficient funds pursuant to this paragraph, the Trustee shall, so long as no Default has occurred, pay such amounts as may be due thereunder out of the funds so deposited. If any time and for any reason the funds so deposited are or will be insufficient to pay such amounts as may then or subsequently be due, the Trustee shall notify the Lessee, and the Lessee shall immediately deposit an amount equal to such deficiency with, or as directed by, the Trustee. If the Lessee fails to deposit sums sufficient to fully pay such Impositions at least 30 days before delinquency thereof, the Trustee may, at the Trustee’s election, but without any obligation to do so, advance any amounts required to make up the deficiency, which advances, if any, shall be secured by the Deed of Trust and shall be repayable to the Trustee as herein elsewhere provided.

(f) The Lessee covenants and agrees not to suffer, permit or initiate the joint assessment of the real and personal property or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the related Project as a single lien.

(g) All real property taxes and assessments that have become due and payable (including water and sewer charges that by law will become a lien on the Project); provided, however, that the Lessee shall have the right to protest any such taxes or assessments and that the Lessee shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Trustee.

(h) The Issuer, Trustee and the Lessee acknowledge that during the Term (as defined in clause (i) below, the Project will be exempt from property taxation pursuant to Section 3-45-19 NMSA 1978.

(i) As of the date of the execution of the Lease Agreement, the Lessee will make a one-time payment in lieu of taxes (the “PILOT”) to the Issuer in the amount of \$120,000. The Lessee’s payment to the Issuer of the PILOT shall provide the Project with a full property tax exemption from all property tax levies and assessments and is intended to represent the amount of property taxes that would be realized by the Issuer through the applicable taxing authorities for taxable years 2015 through 2030 (the “Term”) if the Project were not exempt from property taxation pursuant to Section 3-45-19 NMSA 1978. Thereafter, beginning for property taxes payable in 2031 while the Lease Agreement remains in effect, the Lessee shall make annual payments in lieu of taxes to the Issuer equivalent to the property taxes that would be realized by the Issuer through the applicable taxing authorities if the Project were not exempt from property taxation pursuant to Section 3-45-19 NMSA 1978.

(j) The payment provisions of the above clause (i) may be amended by mutual agreement of the Lessee and the Issuer.

Utilities. The Lessee shall pay, or cause to be paid, when due, all utility charges which are incurred for the benefit of the Project or which may become a charge or lien against the Project for gas, electricity, water or sewer services furnished to the Project and all other taxes, assessments or charges of a similar nature, whether public or private, affecting the Project or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

Trade Payables Covenant. The Lessee covenants (the "Trade Payables Covenant") that, commencing with the first full fiscal quarter following the issuance of the Bonds, it shall maintain at least 80% of its trade accounts payable at less than 90 days or longer as allowed by vendor, provided that any trade account payable that is the subject of a bona fide dispute, the resolution of which is being diligently pursued by the Lessee, shall be excluded from such computation. For the purposes of this Section "trade accounts" means those trade accounts payable with respect to the operation of the Project as determined by generally accepted accounting principles.

(a) Compliance with the Trade Payables Covenant shall be tested by the Lessee: (i) at the end of each fiscal quarter based on the Lessee's unaudited financial statements required pursuant to the Lease Agreement, and (ii) at the end of each Fiscal Year based on the Lessee's audited financial statements required pursuant to the Lease Agreement.

(b) If the Trade Payables Covenant is not met at the end of any fiscal quarter or Fiscal Year, and is not remedied within 30 days, the Lessee shall, within 60 days of receipt of the report showing such deficiency, complete a report setting forth in detail the reasons for such deficiency and shall adopt a specific plan setting forth steps designed to meet the Trade Payables Covenant by the end of the second quarter following the date such report and plan are required. If at the end of such second quarter the Lessee is still not in compliance with the Trade Payables Covenant, the Lessee shall employ a Management Consultant. The Management Consultant shall prepare recommendations with respect to the operations of the Project such that the Lessee will comply with the Trade Payables Covenant. No Default shall occur if the Lessee's plan and, if required, the Management Consultant's recommendations, are delivered and followed pursuant to this Section.

OTHER AGREEMENTS

Assignment, Selling and Leasing. Except as otherwise provided in the Deed of Trust, after the completion of the acquisition and rehabilitation of the Project as described in the Lease Agreement, the Lease Agreement may be assigned and the Project sold or subleased (other than by reason of foreclosure or deed in lieu of foreclosure), as a whole, by the Lessee only as permitted by this Section or subject to each of the following conditions:

(a) The assignee, purchaser or sublessee shall assume the obligations of the Lessee under the Lease Agreement and under the other Lessee Documents, in writing in form and substance reasonably satisfactory to the Trustee and the Issuer to the extent of the interest assigned or sold.

(b) The assignee, purchaser or lessee shall deliver an opinion of Independent Counsel in form and substance reasonably satisfactory to the Trustee and Issuer that the assumption described in paragraph (a) above is a valid and enforceable obligation of the assignee, purchaser or sublessee.

(c) The Lessee shall, within 10 days after the delivery thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each assignment, assumption of obligation, or contract of sale, as the case may be.

(d) The Lessee shall provide a Favorable Opinion of Bond Counsel to the effect that such assignment, sale or sublease does not adversely affect the exclusion from gross income of the recipients thereof of interest on the Tax-Exempt Bonds for federal income tax purposes.

(e) No Default with respect to the Bonds Outstanding prior to such assignment, sale or sublease shall have occurred and be continuing under the Lease Agreement or under any other Lessee Document, unless such Default is cured or waived in connection with such assignment, sale or sublease, and the Lessee shall deliver a Compliance Certificate to that effect.

(f) The successor to the Lessee under the Lease Agreement will remain duly qualified to transact business in the State and will maintain an agent in the State on whom service of process may be made in connection with any actions against the Lessee arising out of the Lessee Documents.

(g) Compliance with the requirements of the Regulatory Agreement, including any consents required thereunder.

(h) The Rating Agency shall have provided a Confirmation of Rating on the Bonds with respect to such assignment, sale or sublease.

(i) The assignee, purchaser or sublessee must deliver an opinion of Independent Counsel to the effect that, regardless of the assumption described above, a valid and enforceable first lien on the Project and other collateral securing the Bonds will remain and any such assignments and other documents executed for purposes of this Section are valid, delivered and enforceable obligations of such parties enforceable in accordance with their terms.

It is hereby expressly stipulated and agreed that any disposition of the Project by the Lessee in violation of this Section will be null, void and without effect, will cause a reversion of title to the transferor Lessee, and will be ineffective to relieve the Lessee of its obligations under the Lease Agreement, the Regulatory Agreement and any other document, agreement or instrument evidencing or securing the Lessee's obligations thereunder. The Lessee will include, verbatim or by incorporation by reference, all requirements and restrictions contained in the Lease Agreement and the Regulatory Agreement in any deed or other documents transferring any interest in the Project to any other person or entity to the end that such transferee has notice of and is bound by such restrictions, and will obtain the express written assumption of the Lease Agreement and the Regulatory Agreement by any such transferee.

Continued Existence. The Lessee agrees that during the term of the Lease Agreement it will maintain its existence, will continue to be a limited liability limited partnership in good standing in the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, provided that the Lessee may, without violating the agreement contained in this Section, consolidate with or merge into another legal entity, or permit one or more legal entities to consolidate with or merge into it, or sell or otherwise transfer to another legal entity all or substantially all of its assets as an entirety and thereafter dissolve, provided (a) that in the opinion of Bond Counsel, such acquisition, consolidation, merger or transfer will not affect the exclusion from the gross income of the recipients thereof of the interest on the Tax-Exempt Bonds for federal income tax purposes; (b) that if the surviving, resulting or transferee legal entity, as the case may be, is not the Lessee, then such legal entity shall be a legal entity organized and existing under the laws of one of the states of the United States of America, shall be qualified to do business in the State, shall be a single purpose entity whose only business operations shall be operation of the Project and whose only assets and liabilities shall be the Project (and assets and liabilities related thereto) and the Lessee Documents and permitted debt under the Lease Agreement, and shall assume in writing in form and substance satisfactory to the Issuer all of the obligations of the Lessee under the Lease Agreement and the other Lessee Documents; (c) that in the opinion of Independent Counsel, the Lease Agreement shall be a valid and enforceable obligation of such surviving, resulting or transferee entity; (d) that no Default has occurred and is continuing under the Lease Agreement; (e) that prior to such acquisition, consolidation, merger or transfer, the Lessee shall furnish a Compliance Certificate to the Issuer and the Trustee; and (f) that the Issuer shall have consented to such transfer pursuant the Regulatory Agreement, unless such consent is not required pursuant to said Section.

Budget. (a) On the Closing Date and on or before December 1 of each year for the annual period commencing on the following January 1, the Lessee shall prepare a Budget of anticipated Project Revenues and

Operating Expenses for the succeeding Fiscal Year, and shall submit a copy of such Budget to the Trustee. Such Budget shall show there to be sufficient income to achieve the Coverage Test set forth in the Lease Agreement.

(b) The Budget shall be prepared on an accrual basis and should provide a proposed budget for the next Fiscal Year in sufficient detail including income and expenses, deposits to the Repair and Replacement Fund and any other required funds and payments of principal of, premium, if any, and interest on the Bonds. The Budget shall report income on a 30 day lag period and shall not assume any prepayment on the Bonds. The Budget shall demonstrate sufficient cash flow to pay all required expenses, payments of scheduled interest, principal and premium (if any) on the Bonds and the funding of any reserves as required in the flow of funds in the Indenture prior to the release of any funds from the Surplus Fund. The Budget shall be certified in writing as true and correct by the Lessee.

(c) The Budget may be amended from time to time, by the Lessee, during the course of the Fiscal Year, and such amendments shall be certified and submitted in the same manner as the Budget. Aggregate increases in a new or amended Budget shall not exceed 20% on an annual basis unless the Lessee provides to the Trustee a statement of a Certified Public Accountant or Management Consultant to the effect that the increase is reasonable under the circumstances.

(d) Notwithstanding the foregoing, the failure of the Lessees to maintain the Coverage Test or the Lessee to adopt a Budget showing that such ratios will be achieved, shall not constitute a Default under the Lease, except if the Lessee fails to adhere to the requirements of the Lease Agreement regarding the failure to meet the Coverage Test.

(e) Each Budget shall include provision for payment by the Lessee of the costs, fees and expenses payable or incurred under the Lease Agreement and the Indenture including, without limitation, the costs of maintaining the insurance coverage required pursuant to the Lease Agreement and all applicable ad valorem taxes (or payment in lieu of taxes), if any, assessed against the Project payable by the Lessee, and all Administration Expenses.

Other Indebtedness. The Lessee shall not incur any Indebtedness with respect to the Project, other than the debts permitted or anticipated herein, or incurred in the ordinary course of business which do not give rise to a lien or encumbrance on the Project except for Permitted Encumbrances. In addition, the Lessee is permitted to incur the following:

(a) Any subordinate Indebtedness secured by a lien on and security interest in any portion of the Project and the Project Revenues that is junior to the security pledged to the repayment of the Outstanding Bonds or any unsecured indebtedness permitted from partners of Lessee to Lessee under Lessee's Amended and Restated Partnership Agreement, as may be amended from time to time. Such Indebtedness shall only be payable out of any funds released out of the Surplus Fund pursuant to the Indenture and shall include the HOME Loan;

(b) Such Short-Term Indebtedness as the Lessee, in its judgment, deems expedient, provided that the aggregate amount of Short-Term Indebtedness outstanding at any time does not exceed 10% of the total Operating Expenses of the Lessee for the preceding Fiscal Year; and

(c) Such Long-Term Indebtedness as the Lessee, in its judgment, deems expedient; provided that prior to incurring, assuming, or guaranteeing any Long-Term Indebtedness the Lessee must furnish to the Issuer and the Trustee (i) a Certificate setting forth the terms of such Long-Term Indebtedness and that the incurrence of such Long-Term Indebtedness will not cause the Debt Service Coverage Ratio to fall below the required Coverage Test for either Series of the Bonds and (ii) the Confirmation of Rating stating that the incurrence of such Long-Term Indebtedness will not result in a qualification, downgrade or withdrawal of the then current ratings on the Bonds.

The Lessee may secure Indebtedness incurred or assumed pursuant to clause (c) above by a lien on and security interests in all or any portion of the Project and the Project Revenues, secured on an equal and ratable basis with then Outstanding Bonds; provided, however, the following conditions are satisfied:

(a) The Indebtedness is being incurred or assumed for the purpose of refunding or refinancing any Outstanding Bonds or other Indebtedness permitted under the Lease Agreement;

(b) The Indebtedness will not be secured by the moneys and investments held in any fund established under the Indenture;

(c) All Modifications to be financed will become part of the Project;

(d) Any agreement for the repayment of such Indebtedness and instruments evidencing or securing the same must provide:

(i) That any Default will be an event of default thereunder, and

(ii) That, if any event of default has occurred in respect of such Indebtedness, the holder thereof will be entitled only to such rights to exercise, consent to or direct the exercise of remedies (other than remedies relating to any funds established under the Indenture) as are available to the Trustee, and that all such remedies are, except as otherwise provided in the Lease Agreement, to be exercised solely by the Trustee for the equal and ratable benefit of all Bondholders and all holders of Indebtedness so secured; and

(e) If the proposed Indebtedness is further secured by liens on properties and revenues other than the Project and/or the Project Revenues, a lien of equal rank and priority will be granted upon the same properties and revenues to secure the Bonds.

Any Short-Term Indebtedness which is incurred for the purpose of providing working capital may be secured by a security interest on the Project Revenues on a parity with the security interest created under the Deed of Trust with respect to the Bonds, and if so secured, the agreement for the repayment of such Short-Term Indebtedness and instruments evidencing or securing the same shall provide that: (i) any Default shall be an event of default thereunder; and (ii) if any event of default shall have occurred with respect to such Short-Term Indebtedness, the holder thereof shall be entitled only to such rights to exercise, consent to or direct the exercise of remedies as are available to the Trustee, and that all such remedies are, except as otherwise provided in the Lease Agreement, to be exercised solely by the Trustee for the equal and ratable benefit of all holders of Bonds and all holders of Short-Term Indebtedness so secured. Any agreement for the repayment of such Indebtedness and instruments evidencing or securing the same shall provide for notices to be given to the Trustee regarding defaults by the Lessee, and shall specify the rights of the Trustee to pursue remedies upon the receipt of such notice, and the sharing of the rights of the Trustee to control the exercise of remedies with the holder of such Indebtedness. Short-Term Indebtedness which is incurred for the purpose of providing working capital may also be secured by a security interest in Project Revenues which is subordinate to the security interest therein created under the Deed of Trust.

Release of Certain Land and Subordination; Granting of Easements. The parties hereto reserve the right at any time and from time to time to (a) effect the release and removal from the Deed of Trust of any part (or interest in such part) of the Property with respect to which the Issuer (with the approval of the Lessee) proposes to convey fee title to a public utility or public body in order that utility services or public services may be provided to the Project, or to effect the subordination of the lien of the Deed of Trust to rights granted to a public utility or public body in order that utility services or public services may be provided to the Project, (b) grant easements, licenses, rights of way (including the dedication of public highways), and other rights or privileges in the nature of easements with respect to any property included in the Project, free from the lien of the Deed of Trust, or (c) release existing easements, licenses, rights of way, and other rights or privileges with or without consideration, provided that if at the time any such release, removal, or grant is made any of the Bonds are Outstanding and unpaid, the Lessee must deposit with the Trustee the following (the content upon which Trustee may conclusively rely):

- (a) a copy of the such amendment as executed;
- (b) a resolution or action of the Governing Body of the Lessee and the Issuer and (A) giving an adequate legal description of that portion of the Property to be released or subordinated, (B) stating the purpose for which the Lessee desires the release or subordination, (C) requesting such release or subordination, and (D) approving an appropriate amendment to the Deed of Trust;
- (c) a certificate of the Lessee to the effect that the Lessee is not in default under any of the provisions of the Lease Agreement and that neither any building nor any other improvements constituting part of the Project are located on a portion of the Property with respect to which the release or subordination is to be granted, accompanied by a plat of survey of the Property certified by a registered surveyor of the State depicting (A) the boundaries of the portion of the Property with respect to which the release or subordination is to be granted, (B) all improvements located on the property surveyed and the relation of the improvements by distances to the boundaries of the portion of such property with respect to which the release or subordination is to be granted, and (C) all easements and rights of way with recording data and instruments establishing the same;
- (d) a copy of the instrument conveying the title to or subordinating the lien of the Deed of Trust in favor of a public utility or public body;
- (e) a certificate of an architect, dated not more than 60 days prior to the date of the release or subordination and stating that, in the opinion of the person signing such certificate, (A) the portion of the Property so proposed to be released or with respect to which the subordination is proposed or with respect to which an easement, license or right of way is proposed to be granted is necessary or desirable in order to obtain utility services or public services to benefit the Project and (B) the release or subordination so proposed to be made will not impair the usefulness of the Project as a multifamily housing facility and will not destroy the means of ingress thereto and egress therefrom; and
- (f) a Favorable Opinion of Bond Counsel regarding such release or subordination.

If such release or subordination relates to a part of the Property on which transportation or utility facilities are located, the Lessee will retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a multifamily housing facility. Any money consideration received in connection with the release of any portion of the Property or the subordination of the lien of the Deed of Trust pursuant to this Section will be deposited in the Bond Fund and used to redeem Bonds pursuant to the Indenture on the earliest date Bonds can be redeemed at par.

If all of the conditions of this Section are met, the Trustee is authorized to release any such property from the lien of the Deed of Trust or subordinate such lien or execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way, or other right or privilege.

No release or conveyance effected under the provisions of this Section will entitle the Lessee to any abatement or diminution of the Lease Payments payable under the Lease Agreement.

DEFAULTS AND REMEDIES

Defaults. Each of the following shall constitute a “Default” under the Lease Agreement:

- (a) Failure by the Lessee to pay any Lease Payments, provided that failure to make a Lease Payment shall not constitute a Default to the extent that the amounts on deposit in the Surplus Fund, the Bond Fund, the Repair and Replacement Fund and the Debt Service Reserve Fund or through additional funds provided by Lessee to the Trustee are sufficient and available to pay principal, premium (if any) and interest due on the Bonds on the next Bond Payment Date.

(b) Failure by the Lessee to make, or cause to be made, any Additional Payment or amounts required to be paid under the Lease Agreement on or before the date due.

(c) Failure by the Lessee to meet the Coverage Test covenant if (i) the Lessee fails to engage a Management Consultant or (ii) to the extent that the Rating Agency, if any, agrees with such recommendations, the Lessee fails to implement any of the Management Consultant's recommendations as provided in the Lease Agreement.

(d) Failure by the Lessee, to perform or observe any of its covenants or agreements contained in the Lease Agreement, the Tax Certificate or the Regulatory Agreement, other than as specified in paragraphs (a) through (c) of this Section, and such failure shall continue for the period and after the notice specified in the immediately subsequent subsection.

(e) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in bankruptcy, or adjudication of the Lessee as bankrupt, or the filing of an involuntary bankruptcy petition against the Lessee which remains unstayed or undismitted for a period of 90 days, or assignment by the Lessee for the benefit of its creditors or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding instituted under the provisions of State law or the federal bankruptcy statute, as amended, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Lessee," as used in this subsection, shall not be construed to include the cessation of the existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another entity or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions contained in the Lease Agreement.

(f) The occurrence or continuance of a "default," a "Default," an "event of default" or "Event of Default" under the Deed of Trust, the HAP Assignment, the Regulatory Agreement or the Indenture, which is not timely cured.

The provisions of paragraph (d) of this Section are subject to the following limitation: if by reason of Force Majeure the Lessee is unable in whole or in part to carry out any of its agreements contained herein (other than its obligations to make Lease Payments and Additional Payments), the Lessee shall not be deemed in Default during the continuance of such inability, if, but only if such default is cured as provided below. The Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out its agreements, provided that, subject to the preceding sentence, the settlement of strikes and other industrial disturbances shall be entirely within the discretion of the Lessee and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Lessee unfavorable to the Lessee.

The Trustee shall not be deemed to have knowledge of any Default under the Lease Agreement other than a Default under paragraph (a) or (b) hereof, unless a Responsible Officer of the Trustee shall have received actual knowledge or shall have been specifically notified in writing of such Default by the Issuer, the Lessee or by the Holders of at least 25% of the Bond Obligation.

Notice of Default; Opportunity to Cure. Except as provided below, no default under clause (d) in the immediately preceding subsection shall constitute a Default under the Lease Agreement until:

(a) The Trustee or the Issuer, by Mail, shall give notice to the Lessee and to the Lessee's limited partners of such default specifying the same;

(b) The Lessee shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it or, if such default cannot be corrected within 30 days, shall have failed to initiate and diligently pursue appropriate corrective action, provided, that in any event such default must be remedied within 120 days after the date of occurrence thereof; and

(c) The Lessee's limited partners shall have not cured the Default within the time period set forth in clause (b), provided however, that it is understood and agreed that the Lessee's limited partners are under no obligation to cure any Default.

Remedies. Whenever any Default under the Lease Agreement shall have happened and be continuing, any or all of the following remedial steps shall be available:

(a) The Trustee may, and at the written request of the Controlling Holders of the Bonds shall, declare all Lease Payments and Additional Payments for the remainder of the term of the Lease Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable. Upon any such acceleration of the Lease Payments, the Bonds shall be subject to mandatory redemption as provided in the Indenture.

(b) The Trustee, for and on behalf of the Issuer, may, and with the consent of the Controlling Holders of the Bonds shall, take whatever action at law or in equity may appear necessary or desirable to collect the Lease Payments and Additional Payments then due and thereafter to become due, including, without limitation, pursuing remedies under the Deed of Trust and the remedies under the Indenture.

(c) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Lessee under the Lease Agreement.

The provisions of paragraph (a), however, are subject to the condition that if, at any time after the Lease Payments shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable expenses of the Trustee, and any and all other Defaults known to the Trustee (other than in the payment of Lease Payments due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Controlling Holders of the Bonds by written notice to the Issuer and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default, provided that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

In case the Trustee or the Issuer shall have proceeded to enforce its rights under the Lease Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Issuer, then, and in every such case, the Lessee, the Trustee and the Issuer shall be restored respectively to their several positions and rights under the Lease Agreement, and all rights, remedies and powers of the Lessee, the Trustee and the Issuer shall continue as though no such action had been taken, subject to the results of any such proceedings or any settlement thereof.

The Lessee covenants that, in case a Default shall occur with respect to the payment of the Lease Payments payable under the Lease Agreement, then, upon demand of the Trustee, the Lessee will pay to the Trustee the whole amount that then shall have become due and payable under said Section, with interest, to the extent permitted by law, on the amount then overdue at the Default Rate until such amount has been paid.

In case the Lessee shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Lessee and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Lessee under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the

property of the Lessee or in the case of any other similar judicial proceedings relative to the Lessee, or the creditors or property of the Lessee, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Lease Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Lessee, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

THE REGULATORY AGREEMENT

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

TERM OF RESTRICTIONS

Qualified Project Period. The occupancy restrictions set forth in the Regulatory Agreement (the “Occupancy Restrictions”) will remain in effect throughout the Qualified Project Period, as defined in the Regulatory Agreement. The “Qualified Project Period” shall be the period beginning on the first day on which 10% of the residential units in the Project were occupied and ending on the latest of the following: (a) the date which is 15 years after the date on which at least 50% of the residential units in the Project were occupied; (b) the first day on which no tax exempt private activity bonds (as defined in Section 141(a) of the Code) issued with respect to the Project are outstanding; or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 (“Section 8”) ends.

Notwithstanding the above paragraph, the Regulatory Agreement and all other restrictions set forth therein shall terminate in the event of an involuntary noncompliance caused by unforeseen events such as fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the date of issue of the Tax-Exempt Bonds which prevents the Issuer or the Trustee from enforcing the provisions of the Regulatory Agreement, or condemnation or similar event, provided (i) the Tax-Exempt Bonds are retired within a reasonable time period; or (ii) within a reasonable time period, any insurance proceeds or condemnation award or other amounts received as a result of such loss or destruction are used to provide a project which meets the requirements of Sections 142(a) and 142(d) of the Code and applicable Treasury Regulations. However, the provisions of this paragraph shall cease to apply (and the provisions of the above paragraphs shall apply for the remainder of the Qualified Project Period) in the event of foreclosure, transfer of title by deed in lieu of foreclosure, or similar event if, at any time subsequent to such event and during the Qualified Project Period, the obligor on a purpose investment (as defined in § 1.148-1 of the Regulations) or a related person (as defined in Section 147(a)(2) of the Code) obtains an ownership interest in the Project for tax purposes.

Termination. The Regulatory Agreement shall terminate upon the earliest of (i) termination of the Occupancy Restrictions, (ii) a termination pursuant to the provisions of the above paragraph or (iii) delivery to the Issuer, the Trustee and the Lessee of an opinion of nationally recognized bond or tax counsel acceptable to the Issuer to the effect that continued compliance with the Occupancy Restrictions is not required in order for interest on the Tax-Exempt Bonds to remain excludable from the gross income of the Owners of the Tax-Exempt Bonds (other than Tax-Exempt Bonds held by a “substantial user” of the Project or a “related person” within the meaning of Section 147 of the Code) for purposes of federal income taxation.

Occupancy Restrictions. Pursuant to Section 142(d)(1) of the Code, the Issuer hereby elects, and the Lessee hereby agrees, that the 40-60 Test of subparagraph (B) of such Section 142(d)(1) of the Code shall apply to the Project. The Lessee represents, warrants and covenants that at all times during the Qualified Project Period:

- (a) At least 100% of the completed units in the Project shall be occupied (or treated as occupied as provided in the Regulatory Agreement) by Qualified Tenants (as defined below). “Qualified Tenants” means individuals or families whose income does not exceed 60% (adjusted for family size) of the median gross income for the area in which the Project is located, provided that if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) not one of whom is (1) a single parent living with his/her children provided such parents are not dependents of another individual and such children are not dependents of another individual other than a parent of such children, as provided in Section 42(i)(3)(D)(ii)(I) of the Code; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under

part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return, the occupants of that unit shall not be deemed to be “Qualified Tenants.” If a Qualified Tenant vacates a unit, such unit shall be treated as occupied by a Qualified Tenant until reoccupied, other than for a temporary period not in excess of 31 days, at which time a redetermination of whether the unit is occupied by a Qualified Tenant shall be made.

(b) The income of individuals and area median gross income shall be determined by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 of the United States Housing Act of 1937 (or, if such program is terminated, under such program as in effect immediately before such termination). The Lessee acknowledges that the actual income limits may differ based on the figures actually published for the Section 8 program and that such figures will change periodically, generally on an annual basis.

(c) The determination of whether a resident meets the income requirements of subparagraph (a) above shall be made at least annually on the basis of the current income of the resident. Each lease (whether or not such tenant is intended to be a Qualified Tenant) shall require the tenant to certify the income of the residents annually and at any time as the Lessee may reasonably request in the manner set forth in (d) below.

(d) As a condition of occupancy, each person who is intended to be a Qualified Tenant shall be required to sign and deliver to the Lessee the Certification of Tenant Eligibility attached to the Regulatory Agreement (the “Income Certification”) in which the prospective Qualified Tenant certifies that he or she is a Qualified Tenant or that he or she and his or her family are Qualified Tenants. In addition, such person shall be required to provide whatever other information, documents or certifications are deemed necessary by the Lessee to substantiate the Income Certification.

(e) If the income of a resident of a unit in the Project did not exceed the applicable income limit upon commencement of such resident’s occupancy of such unit (or as of any later determination under subparagraph (c)), the income of such resident shall be treated as continuing to not exceed the applicable income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under subparagraph (c) exceeds 140% of the applicable income limit (either as a result of an increase in income or a decrease in family size) if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Project is occupied by a new resident whose income exceeds the applicable income limit.

(f) The form of lease to be used by the Lessee in renting any units in the Project to Qualified Tenants shall provide for termination of the lease and consent by such person to immediate eviction for failure to qualify as a Qualified Tenant as a result of any material misrepresentation made by such person with respect to the Income Certification.

(g) All Income Certifications will be maintained on file by the Lessee at the Project with respect to each Qualified Tenant who resides in a Project unit or resided therein during the immediately preceding calendar year, and the Lessee will, promptly upon receipt, file a copy thereof with the Trustee.

(h) On the first day of each month after the Project is available for occupancy, the Lessee shall submit to the Trustee a Monthly Tenant Report in substantially the form attached to the Regulatory Agreement as Exhibit B (or such substitute form as shall be approved by the Issuer) executed by the Lessee stating the number and percentage of units of the Project which were occupied by Qualified Tenants at all times during the preceding month and identifying Qualified Tenants who commenced or terminated occupancy of the Project during such month.

(i) On each anniversary date of the commencement of the Qualified Project Period, the Lessee shall submit to the Trustee a Certificate of Continuing Program Compliance in substantially the form attached to the Regulatory Agreement as Exhibit C (or such substitute form as shall be approved by the Issuer) executed by the Lessee stating the percentage of units of the Project which are occupied or being held available for occupancy by Qualified Tenants.

TRANSFER RESTRICTIONS; COVENANTS TO RUN WITH THE LAND; TERM OF AGREEMENT

The Lessee covenants and agrees that the Lessee will cause or require as a condition precedent to any assignment or any other transfer of the Lease Agreement prior to the termination of the Regulatory Agreement that the transferee or assignee of the Lease Agreement pursuant to an assignment, assume in writing, in a form reasonably acceptable to the Issuer (the "Assumption Agreement"), all duties and obligations of the Lessee under the Regulatory Agreement, including this Section, in the event of a subsequent assignment by the transferee prior to the termination of the Regulatory Agreement. The Lessee shall deliver the Assumption Agreement to the Issuer prior to the transfer.

The Regulatory Agreement shall be placed of record in the land records of Lea County, New Mexico and, except as provided in the Regulatory Agreement, the covenants contained in the Regulatory Agreement shall run with the land and shall bind, and the benefits shall inure to, respectively, the Issuer, the Trustee, the Lessee and its successors and assigns and all subsequent Lessees of the Project or any interest therein, and the Issuer and the Trustee and each of their successors and assigns, until the termination of the Regulatory Agreement.

ENFORCEMENT

The Lessee shall permit any duly authorized representative of the Issuer or the Trustee to inspect any books and records of the Lessee regarding the Project and with respect to the incomes of Qualified Tenants which pertain to compliance with the provisions of the Regulatory Agreement and Section 142(d) of the Code and the Treasury Regulations and with respect to the incomes of Qualified Tenants which pertain to compliance with the provisions of the Regulatory Agreement. The Lessee agrees to pay all costs and expenses of the Issuer or the Trustee in connection with any actions taken pursuant to this Section.

The Lessee shall submit any information, documents or certifications requested by the Issuer or the Trustee which the Issuer or the Trustee deems reasonably necessary to substantiate the Lessee's continuing compliance with the provisions of the Regulatory Agreement and Section 142(d) of the Code and the Treasury Regulations.

Each of the Issuer and the Lessee covenants that it will not knowingly take, and/or permit, any action that it knows would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. Moreover, each covenants (the Issuer, at the direction of the Lessee) to take any lawful action (including amendment of the Regulatory Agreement as may be necessary in the opinion of Bond Counsel) to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service from time to time pertaining to obligations issued under Section 142(d) of the Code and affecting the Project.

The Lessee covenants and agrees to inform the Issuer and the Trustee by written notice of any violation of the Lessee's obligations hereunder within fifteen days of first discovering any such violation if not corrected, and the Issuer covenants and agrees to provide the Lessee a period of time in which to correct such violation. If any such violation is not corrected to the satisfaction of the Issuer or the Trustee within the period of time specified by the Issuer, which shall be at least 30 days after the date any notice to or by the Lessee is mailed, or within such further time (as may be approved in an opinion of Bond Counsel addressed to the Lessee, the Trustee, and the Issuer) as is necessary to correct the violation without loss of the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds (other than Tax-Exempt Bonds held by a "substantial user" or "related person" within the meaning of Section 147 of the Code), not to exceed any limitations set by applicable regulations, without further notice, the Issuer or the Trustee shall declare a default under the Regulatory Agreement effective on the date of such declaration of default, and upon such default the Lessee hereby agrees to pay to the Trustee an amount equal to any rents or other amounts received by the Lessee for any units in the Project which were in violation of the Regulatory Agreement during the period any such violation continued, and the Trustee, may at the expense of the Lessee, apply to any court, state or federal, for specific performance of the Regulatory Agreement or an injunction against any violation of the Regulatory Agreement, or for the appointment of a receiver to take over and operate the Project in accordance with the terms of the Regulatory Agreement, or any other remedies at law or in equity or any such other actions as shall be necessary or desirable so as to correct noncompliance with the Regulatory Agreement.

The Lessee and the Issuer each acknowledge that the primary purpose for requiring compliance by the Lessee with the restrictions provided in the Regulatory Agreement is to preserve the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds (other than Tax-Exempt Bonds held by a “substantial user” or “related person” within the meaning of Section 147 of the Code) to the Bondholders.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

September 14, 2015

City of Hobbs, New Mexico

Stifel Nicolaus & Co., Inc.
Montgomery, Alabama

Wilmington Trust, National Association
Dallas, Texas

\$5,340,000

**CITY OF HOBBS, NEW MEXICO
MULTIFAMILY HOUSING REVENUE BONDS
(WASHINGTON PLACE APARTMENTS)
SERIES 2015A**

\$1,160,000

**CITY OF HOBBS, NEW MEXICO
MULTIFAMILY HOUSING REVENUE BONDS
(WASHINGTON PLACE APARTMENTS)
TAXABLE SERIES 2015B**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance on the date hereof by the City of Hobbs, New Mexico (the "Issuer") of its Multifamily Housing Revenue Bonds (Washington Place Apartments) Series 2015A (the "2015A Bonds") and of its Multifamily Housing Revenue Bonds (Washington Place Apartments) Taxable Series 2015B (the "2015B Bonds") in the aggregate principal amounts of \$5,340,000 and \$1,160,000, respectively. The Bonds are being issued to finance a portion of the acquisition, rehabilitation and equipping of a multifamily residential project known as Washington Place Apartments (the "Project") located within the City of Hobbs, New Mexico.

The Bonds are being issued pursuant to a Bond Ordinance (the "Ordinance") adopted by the City Commissioners of the Issuer on July 6, 2015 and the Trust Indenture dated as of September 1, 2015 (the "Indenture") between the Issuer and Wilmington Bank, National Association, as trustee (the "Trustee").

In connection with the issuance of the Bonds, we have examined (1) a certified copy of the Ordinance, (2) a certified copy of Municipal Revenue Bond Act, Sections 3-31-1 through 3-31-12, NMSA 1978, as amended and the Municipal Housing Law Act, Sections 3-45-1 through 3-45-25, NMSA 1978, as amended (collectively, the "Act"), (3) an executed counterpart of the Indenture, (4) the form of the Bond, (5) an executed counterpart of the Tax Regulatory Agreement (the "Regulatory Agreement") dated as of September 1, 2015 among the Issuer, Trustee and Washington Place Partners, LLLP, a limited liability limited partnership duly organized and existing under the laws of the State of New Mexico (the "Lessee") imposing certain operating restrictions on the Project, (6) an executed counterpart of the Lease Agreement dated as of September 1, 2015 among the Issuer, the Trustee and Lessee (the "Lease Agreement") setting forth the requirements of the Lessee to make certain lease payments to the Issuer, (7) the applicable provisions of the Constitution, laws and rules and regulations of the State of New Mexico and of the United States of America, (8) the transcript of proceedings relating to the issuance and sale of the Bond and the opinions, certifications and statements of facts and expectations contained in such transcript and (9) such other documents and materials as we have deemed relevant to the opinion expressed herein.

From an examination of the foregoing, we are of the opinion that:

(a) The Issuer is a city duly organized and existing under the Constitution and laws of the State of New Mexico and has the power and authority, under the Constitution and laws of the State of New Mexico, including the Act, to carry out and consummate all transactions contemplated by the Indenture and to pledge the revenues and other amounts out of which the Bonds are payable.

(b) The Bonds have been validly authorized and issued in accordance with the laws of the State of New Mexico now in force and constitute the valid, legal and binding limited obligations of the Issuer payable solely from revenues and amounts pledged under the Indenture.

(c) The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, represents the valid, legal and binding agreement of the Issuer enforceable in accordance with its terms.

(d) Under existing laws, regulations, rulings and judicial decisions, the interest on a 2015A Bonds is excludable from gross income for federal income tax purposes, except (with respect to the hereinafter defined “substantial user”) during any period when such bonds are held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the “Code”). In rendering the opinion in this paragraph (d), we have assumed continuing compliance by the parties thereto with respect to certain covenants in the Lease Agreement, the Regulatory Agreement, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 and the Indenture concerning the continuing excludability of interest on the 2015A Bonds from gross income for federal income tax purposes.

(e) Interest on the 2015A Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

(f) Interest on the Bonds is exempt from State of New Mexico taxation.

(g) The Bonds constitute exempted securities within the meaning of the Securities Act of 1933, as amended, and the Indenture is exempt from application of the Trust Indenture Act of 1939, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Act or to qualify any indenture under said Trust Indenture Act.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient’s particular status or other items of income or deduction. We express no opinion regarding such consequences. The purchasers of the Bonds should consult their tax advisors as to the consequences of purchasing, holding or selling the Bonds.

The obligations of the parties, and the enforceability thereof, with respect to the documents described above are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to

or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Certain of the obligations, and the enforcement thereof, contained in the documents described above are also subject to general principles of equity, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

The opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date hereof. We express no opinion as of any date subsequent hereto or with respect to any pending legislation, regulatory initiatives or litigation.

Certain requirements and procedures contained or referred to in the Indenture, the Lease Agreement, the Regulatory Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed as to the Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

This opinion is delivered solely to the addressees hereof. No other party may rely upon this opinion without our express written consent.

We express no opinion as to title to, or the sufficiency of the description of, the Project (as defined in the Indenture) or any other document or instrument or the priority of any liens, charges or encumbrances on the Project.

Very truly yours

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APPENDIX D

PRO FORMA FINANCIAL PROJECTION

City of Hobbs, New Mexico
 Multifamily Housing Revenue Bonds
 Washington Place Apartments
 Series 2015A and Series 2015B (Taxable)

	Historical Financial Results			Twelve Months Post Closing
	12/31/2012	12/31/2013	12/31/2014	
Revenue				
Gross Potential Rent	655,302	653,456	647,239	851,400
Less: Vacancy Loss	(52,424)	(39,207)	(19,417)	(42,570)
Less: Concessions	-	-	-	-
Less: Loss to Lease	-	-	-	-
Net Rental Income	602,878	614,249	627,822	808,830
Laundry Income	4,570	3,940	4,579	22,800
Other Income	138,622	-	-	-
Reserve Fund Earnings	10,118	8,501	21	-
Total	756,188	626,690	632,422	831,630
Operating Expenses				
Administrative	23,672	28,954	19,489	25,000
Payroll	64,648	66,426	63,994	71,162
Contracted Services	18,134	29,637	26,437	15,000
Guaranteed Payments	45,000	45,000	45,000	-
Electricity	43,855	43,726	29,405	45,000
Gas	31,045	36,455	30,765	35,000
Water	59,636	60,735	48,232	61,500
Operating and Maintenance	46,307	59,781	32,268	25,000
Property Management Fee	-	-	6,679	41,582
Property and Liability Insurance	21,605	28,631	23,582	38,775
Real Estate Taxes	16,355	17,066	17,319	32,928
Other Insurance and Benefits	5,796	7,011	6,433	-
Repair and Replacement Reserves	-	-	-	22,800
Trustee Fee	3,500	4,042	5,500	3,500
Rating Agency Surveillance	-	-	-	5,000
Total	379,553	427,464	355,103	422,247
Net Operating Income	376,635	199,226	277,319	409,384
Economic Occupancy	92.0%	94.0%	97.0%	95.0%
Operating Expense per Unit	4,994	5,625	4,672	5,556

Notes:

The gross potential revenue for twelve months post closing reflects the new HAP rent schedule from HUD effective October 1, 2015
 Other income for fiscal year ending December 31, 2012 represents insurance proceeds resulting from hailstorm damage
 The Seller currently receives a guaranteed payment of \$45,000 per year. This expense will not be paid post bond closing

**WASHINGTON PLACE
APARTMENTS**

Hobbs, New Mexico

COMPILED FINANCIAL STATEMENTS

Including Independent Accountants' Compilation Report

For the Years Ended December 31, 2014, 2013 and 2012 (Historical)
and for the Year Ending December 31, 2015 (Forecasted)

WASHINGTON PLACE APARTMENTS

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Owners
Washington Place Apartments
Hobbs, New Mexico

We have compiled the accompanying historical statements of adjusted net income available for debt service of Washington Place Apartments (the Project) for the years ended December 31, 2014, 2013 and 2012. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified accrual basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified accrual basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the historical financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management (the owners) in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements.

We also have compiled the accompanying forecasted statement of adjusted net income available for debt service of the Project for the year ending December 31, 2015 in accordance with attestation standards established by the American Institute of Certified Public Accountants.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

During our compilations, we did become aware of a departure from accounting principles generally accepted in the United States of America. As described in Note 1 of the summary of selected accounting policies and significant assumptions, the owners have prepared this financial information on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying historic and forecasted financial information is not intended to present results of operations and changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all disclosures required under the modified accrual basis of accounting for historical financial statements. If the omitted disclosures were included in the historical financial statements, they might influence the user's conclusions about the Project's adjusted net income available for debt service. Accordingly, the accompanying historical statements are not designed for those who are not informed about such matters.

To the Owners
Washington Place Apartments

The accompanying forecast and this report are intended to be used with the bond offering documents prepared by Washington Place Apartments solely for the purpose of evaluating future adjusted net income available for debt service and are not intended to be and should not be used for any other purpose.

Baker Tilly Vinchow Krause LLP
Madison, Wisconsin
May 27, 2015

WASHINGTON PLACE APARTMENTS

HISTORICAL STATEMENTS OF ADJUSTED NET INCOME AVAILABLE FOR DEBT SERVICE AND FORECASTED STATEMENT OF ADJUSTED NET INCOME AVAILABLE FOR DEBT SERVICE

For the Years Ended December 31, 2014, 2013 and 2012
and Forecast for the Year Ending December 31, 2015

	Forecast	Historical		
	2015	2014	2013	2012
REVENUE				
Gross potential rent	\$ 851,400	\$ 647,239	\$ 653,456	\$ 655,302
Less: Vacancy loss	(42,570)	(19,417)	(39,207)	(52,424)
Net Rental Revenue	808,830	627,822	614,249	602,878
OTHER INCOME				
Other income	22,800	4,599	12,441	153,310
Total Revenue	831,630	632,421	626,690	756,188
EXPENSES				
General and administrative expenses	152,744	121,020	126,782	105,660
Guaranteed payments	-	45,000	45,000	45,000
Operating and maintenance expenses	47,800	34,279	65,026	52,897
Taxes and insurance expenses	36,728	40,901	45,427	37,960
Utility expenses	141,500	108,402	140,917	134,536
Repair and replacement reserves	22,800	-	-	-
Trustee and agency fees	8,500	5,500	4,042	3,500
Total Operating Expenditures	410,072	355,102	427,194	379,553
ADJUSTED NET INCOME				
AVAILABLE FOR DEBT SERVICE	\$ 421,558	\$ 277,319	\$ 199,496	\$ 376,635

See summary of selected accounting policies and assumptions
and independent accountants' compilation report.

WASHINGTON PLACE APARTMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS For the Years Ended December 31, 2014, 2013 and 2012 (Historical) and for the Year Ending December 31, 2015 (Forecasted)

NOTE 1 - Summary of Selected Accounting Policies

The accompanying financial statement has been prepared on the modified accrual basis of accounting. Adjusted net income available for debt service is net income adjusted to exclude depreciation, amortization and interest expense and includes replacement reserve deposits which are assumed to be expensed. This method of accounting is a departure from accounting principles generally accepted in the United States.

NOTE 2 - Summary of Significant Assumptions

Forecast

This financial forecast presents, to the best of management's knowledge and belief, the expected adjusted net income available for debt service for Washington Place Apartments (the Project) for the forecast period. Accordingly, the forecast reflects management's judgment as of May 27, 2015, the date of this forecast, of expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Gross Potential Rent

Management developed the gross revenue forecast by using the Housing Assistance Payment (HAP) contract with the United States Department of Housing and Urban Development.

Vacancy Loss

Management has assumed a 95% occupancy rate for purposes of the forecast. For fiscal year ending December 31, 2014, the Property was 97% occupied.

Expenditures

Forecasted expenditures are based on historical expenditures adjusted for the implementation of the purchaser's post acquisition operating plan. All operating and maintenance expenses are based on standard physical requirements with a stabilized (non-liquidating) operational plan with preventative maintenance procedures in place to protect and enhance the economic life of the housing asset.

Management Fee

The forecasted management fee will be 5% of gross rental collections.

Utilities

Utilities expense is forecasted net of the utility reimbursement under the project's HAP contract. Utility expenditures include trash removal costs, electricity, gas and water.

WASHINGTON PLACE APARTMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS
For the Years Ended December 31, 2014, 2013 and 2012 (Historical)
and for the Year Ending December 31, 2015 (Forecasted)

NOTE 2 - Summary of Significant Assumptions (cont.)

Other Operating Assumptions

Deposits to a replacement reserve account are forecasted to be \$300 per unit per year.

Trustee fees of \$3,500 and rating agency fees of \$5,000 are forecasted to be paid to the bond holder annually.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT, dated September 14, 2015 (this “**Disclosure Agreement**”), is executed and delivered by Washington Place Partners, LLLP (the “**Obligated Party**”) and Wilmington Trust, National Association, as Dissemination Agent (the “**Dissemination Agent**”), in connection with the issuance by the City of Hobbs, New Mexico of its Multifamily Housing Revenue Bonds (Washington Place Apartments), Series 2015A and its Multifamily Housing Revenue Bonds (Washington Place Apartments) Taxable Series 2015B (“**Bonds**”).

WITNESSETH:

WHEREAS, in connection with the issuance of the Bonds, the Obligated Party has agreed to enter into this Disclosure Agreement to provide certain financial and operating information, as well as notice of the occurrence of certain events, during the life of the Bonds, all in accordance with section (d)(2) of the Rule (as hereinafter defined); and

WHEREAS, the Obligated Party desires to appoint Wilmington Trust, National Association as Dissemination Agent to assist the Obligated Party with carrying out its obligations under this Disclosure Agreement, and Wilmington Trust, National Association is willing to accept such appointment in accordance with the terms hereof.

NOW, THEREFORE, IN CONSIDERATION OF THE COVENANTS AND PROMISES HEREIN CONTAINED, the Obligated Party and the Dissemination Agent agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Party and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and to assist the Participating Underwriter (as defined herein) in complying with the Rule. The Obligated Party represents that it is the only Obligated Person (as defined in the Rule) with respect to the Bonds and that no other person is expected to become an Obligated Person at any time after the issuance of the Bonds.

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

“**Annual Financial Information**” means the financial information and operating data described in Section 4 and in Exhibit A hereto.

“**Annual Report**” means the Annual Financial Information and the Audited Financial Statements for any Fiscal Year, as more fully described in Section 4 hereof.

“**Annual Report Certificate**” means the certificate of the Obligated Party with respect to its Annual Report, the form of which is attached hereto as Exhibit B.

“**Annual Report Date**” means, September 30 of each year or such later date as the information comprising the Annual Report is customarily prepared and made publically available.

“**Annual Report Disclosure**” means the dissemination of the Annual Report as set forth in Section 4 hereof.

“Audited Financial Statements” means the audited financial statements of the District, prepared pursuant to the standards and as described in Section 4 hereof.

“Authorizing Instrument” means the Trust Indenture dated as of September 1, 2015 by and between Wilmington Trust, National Association, and the City of Hobbs, New Mexico, which sets forth the terms of the Bonds.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, the Bonds (including persons holding such Bonds through nominees, depositories or other such intermediaries).

“Business Day” means any day other than a Saturday, Sunday, legal holiday or a day on which the Dissemination Agent or banking institutions in Hobbs, New Mexico are authorized or required by law to close.

“Commission” means the Securities and Exchange Commission.

“Disclosure Representative” means the General Partner of the Obligated Party.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosure of the MSRB.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Listed Events” means any of the events with respect to the Bonds described in Section 5 hereof.

“Listed Events Disclosure” means dissemination of a notice of the occurrence of a Listed Event as set forth in Section 5 hereof.

“Material” with respect to information, means information as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the offering document related to the Bonds, information disclosed hereunder, or information generally available to the public. Notwithstanding the foregoing, “Material” information includes information that would be deemed “material” for purposes of the purchase or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the information.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” means Stifel, Nicolaus & Company, Inc. and each other broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“Prescribed Form” means, with regard to the filing of the Annual Report, each notice of the occurrence of a Listed Event and other notices described herein with the MSRB, such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“**Rule**” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“**State**” means the State of New Mexico.

Section 3. CUSIP Number/Final Official Statement. The CUSIP Number of the final maturity of the Bonds is 43385PA G4. The final Official Statement relating to the Bonds is dated September 8, 2015 (the “**Final Official Statement**”).

Section 4. Annual Report Disclosure.

(a) ***Provision of Annual Report.***

(i) On or before each Annual Report Date, the Obligated Party shall provide, or shall cause the Dissemination Agent to provide, to the MSRB an Annual Report which is consistent with the requirements of this Section 4. The Annual Report shall be submitted in Prescribed Form, and it may cross-reference other information as provided in Section 4(b) below. The Audited Financial Statements of the Obligated Party may be submitted separately from the balance of the Annual Report if not available by the Annual Report Date. The Annual Financial Information need not be separately provided if included in the Audited Financial Statements.

(ii) Not later than forty-five (45) days prior to each Annual Report Date, the Dissemination Agent shall submit to the Obligated Party the form of Annual Report Certificate attached hereto as Exhibit B and shall request that the Obligated Party return the completed certificate along with its Annual Report prior to the date set forth in subsection 4(a)(iii) below.

(iii) Not later than fifteen (15) days prior to the Annual Report Date, the Obligated Party shall provide the Annual Report and the completed Annual Report Certificate to the Dissemination Agent. Promptly upon its receipt of the Annual Report, but no later than the Annual Report Date, the Dissemination Agent shall send the Annual Report to the MSRB in Prescribed Form. The Dissemination Agent shall notify the Obligated Party in writing of the date the Dissemination Agent provided the Annual Report to the MSRB.

(iv) If the Dissemination Agent has not received a copy of the Annual Report by the date set forth in subsection (a)(iii) above, the Dissemination Agent shall contact the Obligated Party to determine if the Obligated Party has submitted its Annual Report as required by subsection (a)(i) above. If the Dissemination Agent is unable to verify that the Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall send a notice to the MSRB and the Obligated Party in substantially the form attached as Exhibit C.

(b) ***Contents of Annual Report.***

(i) The Annual Report for each Fiscal Year shall contain (or incorporate by reference as described below) the following, but only to the extent customarily prepared and made publicly available:

(A) The Project's Audited Financial Statements for the previous Fiscal Year, prepared in accordance with generally accepted accounting principles; provided that if the Project's Audited Financial Statements are not available prior to the Annual Report Date, then (I) the Annual Report shall contain unaudited financial statements, if prepared and if in a format similar to the financial statements contained in the Final Official Statement, (II) the Obligated Party shall give, or shall cause the Dissemination Agent to give, notice in the same manner as for a Listed Event under subsection 5(f), which notice shall provide the estimated date of when the Project's Audited Financial Statements shall be available and (III) the audited financial statements shall be provided to the MSRB when they become available; and

(B) The Obligated Party's Annual Financial Information specified on Exhibit A hereto for the previous Fiscal Year; provided, however, that to the extent all or portions of the Annual Financial Information are included in the Project's Audited Financial Statements, such information need not be separately provided, but the Obligated Party shall file, or shall cause the Dissemination Agent to file, a notice to such effect to accompany the Audited Financial Statements.

(ii) Any or all of the items listed above may be included by specific reference to other documents, including official statements or prospectuses of debt issues of the Obligated Party or related public entities, which have been previously provided to the MSRB or the Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Obligated Party shall clearly identify in the Annual Report each such other document so included by reference.

(iii) If any part of the Annual Report can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Obligated Party will include a statement to such effect as part of its Annual Report for the year in which such event first occurs and will provide notice of the same to the MSRB in Prescribed Form.

Section 5. Disclosure of Listed Events.

(a) Upon the occurrence of any of the following Listed Events, the Obligated Party (or the Dissemination Agent on behalf of the Obligated Party) shall give notice of the occurrence of such event to the MSRB in accordance with this Section 5:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults, if Material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if Material;

(viii) Bond 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;

(xii) bankruptcy, insolvency, receivership or similar event of the Obligated Party*;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Obligated Party or the sale of all or substantially all of the assets of the Obligated Party, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if Material; and

(xiv) appointment of a successor or additional Trustee/Paying Agent or the change of name of a Trustee/Paying Agent, if Material.

Notwithstanding the foregoing: notice of the occurrence of any Listed Event described in (viii) or (ix) above need not be given under this Section 5 any earlier than when notice (if any) of the underlying event is given to the registered owners of the affected Bonds pursuant to the Authorizing Instrument; and notice of any scheduled sinking fund redemption in accordance with the schedule set forth in the Authorizing Instrument or the Official Statement need not be given under this Disclosure Agreement.

(b) Within one (1) Business Day of obtaining actual knowledge of the occurrence of a Listed Event, the Dissemination Agent shall contact the Disclosure Representative, inform such person of the occurrence of such event, and request that the Obligated Party promptly notify the Dissemination Agent in writing whether to report the occurrence of the Listed Event pursuant to subsection 5(f).

(c) When the Obligated Party obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection 5(b) or

* For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Party in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Party, 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, or 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 Obligated Party.

otherwise, the Obligated Party shall promptly determine whether notice of such occurrence is required to be disclosed pursuant to the Rule.

(d) If the Obligated Party determines that the occurrence of a Listed Event is required to be disclosed pursuant to the Rule, the Obligated Party shall promptly instruct the Dissemination Agent in writing to report the occurrence pursuant to subsection 5(f).

(e) If in response to a request from the Dissemination Agent pursuant to subsection 5(b), the Obligated Party determines that the occurrence of a Listed Event is not required to be disclosed pursuant to the Rule, the Obligated Party shall promptly direct the Dissemination Agent in writing not to report the occurrence pursuant to subsection (f).

(f) If the Obligated Party has instructed the Dissemination Agent to report the occurrence of a Listed Event, the Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in Prescribed Form not later than ten (10) Business Days after the occurrence of the Listed Event.

(g) If the Obligated Party provides the Dissemination Agent with additional information in accordance with Section 9 hereof and directs the Dissemination Agent to deliver such information to the MSRB, the Dissemination Agent shall deliver such information in a timely manner to the MSRB in Prescribed Form.

Section 6. Termination of Reporting Obligation. The Obligated Party's obligations under this Disclosure Agreement shall terminate when the Obligated Party shall have no legal liability for any obligation on or relating to the repayment of the Bonds, including a legal defeasance of the Bonds.

Section 7. Dissemination Agent. The Obligated Party has appointed Wilmington Trust, National Association as Dissemination Agent to assist the Obligated Party with carrying out its obligations under this Disclosure Agreement and Wilmington Trust, National Association has accepted its appointment as Dissemination Agent. The Obligated Party may discharge the Dissemination Agent upon 30 days' written notice to the Dissemination Agent, with or without appointing a successor. The Obligated Party may appoint additional Dissemination Agents without the consent of any existing Dissemination Agent. The Dissemination Agent may resign hereunder upon 30 days' written notice to the Obligated Party. If at any time during the term of this Disclosure Agreement the Obligated Party has not appointed a Dissemination Agent, then the Obligated Party shall be deemed to be the Dissemination Agent and shall be solely responsible for all obligations hereunder.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Obligated Party pursuant to this Disclosure Agreement. The Obligated Party 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 negligence or willful misconduct. The obligations of the Obligated Party under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 8. Amendment or Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Party and the Dissemination Agent may amend this Disclosure Agreement (and, to the extent that any such amendment does not materially change or increase its obligations

hereunder, the Dissemination Agent shall agree to any amendment so requested by the Obligated Party), and any provision of this Disclosure Agreement may be waived, if (a) permitted by the Rule or (b):

(i) The amendment or waiver 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 Obligated Party or the type of business conducted;

(ii) This Disclosure Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver either (A) is approved by the Bondholders in the same manner as provided in the Authorizing Instrument for amendments thereto with the consent of Bondholders, or (B) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Bondholders.

Following any amendment or waiver of a provision of this Disclosure Agreement, the Obligated Party shall give notice in the same manner as for the occurrence of a Listed Event under subsection 5(f) and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Obligated Party.

Section 9. Dissemination of Additional Information. The Obligated Party may disseminate, or may cause the Dissemination Agent to disseminate, additional information in any Annual Report, notice of the occurrence of an event other than a Listed Event, or any other information in addition to that which is required by this Disclosure Agreement by means of dissemination set forth in this Disclosure Agreement or any other means of communication. Such information shall be provided in Prescribed Form. The Obligated Party shall have no obligation under this Disclosure Agreement or the Rule to update such additional information, to include it in any future Annual Report or to provide notice of any future occurrence of such event.

Section 10. Default. If the Obligated Party or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, any Bondholder may seek specific performance by court order to cause the Obligated Party or the Dissemination Agent, as applicable, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Authorizing Instrument, and the sole remedy under this Disclosure Agreement upon any failure of the Obligated Party or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Transmission of Information and Notices. Notwithstanding anything in this Disclosure Agreement to the contrary, unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in Prescribed Form. The Dissemination Agent shall determine each year prior to the Annual Report Date whether a change has occurred in the MSRB's email address or filing procedures and requirements under the Rule or with respect to EMMA.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Party, the Dissemination Agent, each Participating Underwriter and the Beneficial Owners of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The Obligated Party and the Dissemination Agent shall maintain records of all Annual Report Disclosures and Listed Event Disclosures, including the content of such disclosures, the names of the entities with whom such disclosure was filed and the date of filing such disclosure. Such records shall be kept for at least 10 years after the respective dates of such filings.

Section 14. Assignment. The Obligated Party shall not transfer its obligations under this Disclosure Agreement unless the transferee agrees to assume all obligations of the Obligated Party under this Disclosure Agreement or to execute a continuing disclosure undertaking under the Rule. Any corporation or association (a) into which the Dissemination Agent is merged or with which it is consolidated, (b) resulting from any merger or consolidation to which the Dissemination Agent is a party, or (c) succeeding to all or substantially all of the corporate trust business of the Dissemination Agent shall be the successor Dissemination Agent without the execution or filing of any document or the taking of any further action.

Section 15. Notices. All notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered personally or by mail to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Disclosure Agreement and addressed as set forth below or telecopied to the telecopier number of the recipient, with confirmation of transmission, indicated below:

If to the Obligated Party, at:

Washington Place Partners, LLLP
c/o Huntley Witmer Development, LLC
1246 Brockton Avenue, Suite#6
Los Angeles, CA 90025
Telephone: 310.857.8746
Email: matt@hwdevllc.com

If to Dissemination Agent, at:

Wilmington Trust, National Association
15950 North Dallas Parkway
Suite 550
Dallas, TX 75248
Telephone: 972-383-3151
Email: clindsey@wilmingtontrust.com

Section 16. Governing Law. The provisions of this Disclosure Agreement shall be governed by the laws of the State.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages to follow]

EXECUTED AND DATED on behalf of the Obligated Party and the Dissemination Agent by their duly authorized representatives as of the date first written above.

WASHINGTON PLACE PARTNERS, LLLP, a
New Mexico limited liability limited partnership

By: Washington Place Management, LLC, its
General Partner

By: Huntley Witmer Development, LLC, its
Managing Member

By: _____
Matthew Segerdal
Its: Member

**WILMINGTON TRUST, NATIONAL
ASSOCIATION**, as Dissemination Agent

By: _____
Name: _____
Title _____

Signature Page to Continuing Disclosure Agreement

EXHIBIT A

CONTENTS OF ANNUAL FINANCIAL INFORMATION

“*Annual Financial Information*” of the Obligated Party means updates of the following captions, headings and subheadings set forth in the Final Official Statement, **but only to the extent customarily prepared and made publicly available**:

THE LESSEE AND THE PROJECT

SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

To the extent all or portions of the Annual Financial Information are included in the Project’s Audited Financial Statements, such information need not be separately provided, but the Obligated Party shall file, or shall cause the Dissemination Agent to file, a notice to such effect to accompany the Audited Financial Statements.

EXHIBIT B

FORM OF ANNUAL REPORT CERTIFICATE

DATE: _____

[Dissemination Agent]

Attention: Corporate Trust

Re: _____ Bonds, Series _____

Pursuant to the Continuing Disclosure Agreement, dated _____, 20__ (the “Disclosure Agreement”), between [Obligated Party] (the “Obligated Party”) and Wilmington Trust, National Association (the “Dissemination Agent”), the Obligated Party has agreed to provide the Project’s Audited Financial Statements and updates to specific financial information and operating data originally provided in the Official Statement relating to the above-referenced Bonds.

Attached hereto are the audited financial statements of the Project for the fiscal year ended _____, 20__. If the Obligated Party does not customarily prepare financial statements and make such statements publicly available, the Obligated Party shall attach hereto a letter to such effect.

The Obligated Party has provided or hereby provides the Dissemination Agent with the information contained in the Official Statement within the captions, headings and/or subheadings checked below, to the extent customarily prepared each year and made publicly available, and such information either is included in the Audited Financial Statements or is provided in a separate report or document attached to this Certificate. To the extent such information is not customarily prepared by the Obligated Party and is not made publicly available, the Obligated Party has so indicated such below.

Not Prepared or Made Publicly Available	Attached	Included in Audit	
			THE LESSEE AND THE PROJECT
			SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

The information checked above is presented in a manner consistent with the Official Statement.

WASHINGTON PLACE PARTNERS, LLLP, a
New Mexico limited liability limited partnership

By: Washington Place Management, LLC, its
General Partner

By: Huntley Witmer Development, LLC, its
Managing Member

By: _____
Matthew Segerdal
Its: Member

EXHIBIT C

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: [Obligated Party]
Name of Bond Issue: _____ Bonds, Series

Date of Issuance: _____, 20____
BASE CUSIP: _____

NOTICE IS HEREBY GIVEN that the Obligated Party has not provided [the Annual Report] [a portion of the Annual Report, such as the Project's audited financial statements] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement relating to such Bonds, between the Obligated Party and the Dissemination Agent, and Rule 15c2-12(d)(2) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. The Obligated Party anticipates that [the remainder of] the Annual Report will be filed by _____.

Dated:

[Dissemination Agent],
on behalf of the Obligated Party

By: _____
Its: _____

cc: [Obligated Party]