

OFFICIAL STATEMENT

NEW ISSUE—Book Entry Only

RATING: S&P: “AAA” (See “RATING” herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a “substantial user” of any facilities financed with the proceeds of the Bonds or by a “related person” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”), but interest on the Bonds is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein.

\$2,309,000
Housing Authority of the City of Chula Vista
Multifamily Housing Revenue Bonds
(GNMA Collateralized—
Oxford Terrace Apartments)
Series 2007A

Dated: November 1, 2007

Maturity Due: As shown on inside front cover hereof

The above-captioned bonds (the “Bonds”) are issued only as fully registered bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple thereof (with the exception of one bond in the amount of \$9,000). Interest on the Bonds will be payable on June 20 and December 20 of each year, commencing June 20, 2008. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York. Principal of and interest on the Bonds is payable by U.S. Bank National Association, as trustee (the “Trustee”), to Cede & Co., which will remit such payments to the Participants (as defined herein) for subsequent disbursement to the purchasers of the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds are issued by the Housing Authority of the City of Chula Vista (the “Issuer”), pursuant to a Trust Indenture (the “Indenture”), dated as of November 1, 2007, between the Issuer and the Trustee, for the purpose of funding a mortgage loan (the “Mortgage Loan”) to be insured by the Federal Housing Administration (“FHA”) an organizational unit within the U.S. Department of Housing and Urban Development (“HUD”), to be assumed by Oxford Terrace Partners, L.P., a California limited partnership (the “Borrower”), to finance the acquisition, rehabilitation and equipping of a multifamily residential rental housing facility (the “Project”) located in the City of Chula Vista, California. See “THE PROJECT AND THE PRIVATE PARTICIPANTS” herein. FHA has issued a commitment (the “Commitment”) to Red Mortgage Capital, Inc. (the “Lender”), that enables the Lender, upon compliance with the terms and conditions thereof, to make a mortgage loan to the Borrower, evidenced by a nonrecourse mortgage note (the “Mortgage Note”) secured by a first lien mortgage on the Project (the “Mortgage”) and to issue and deliver to the Trustee a fully modified mortgage backed security in respect of such Mortgage Note (the “GNMA Security”), guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”). Simultaneously with the issuance of the Bonds, the Issuer is issuing its Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (Oxford Terrace Apartments), Subordinate Series 2007B (the “Subordinate Bonds”). The Subordinate Bonds will be issued in the aggregate principal amount of \$2,363,000. The Subordinate Bonds are not being issued under or secured by any pledge of the Trust Estate (as defined herein) and are not being offered pursuant to this Official Statement. See “THE BORROWER AND THE PROJECT – Plan of Financing” herein.

Any person who purchases a Bond at a price in excess of its principal amount should consider the fact that the Bonds are subject to redemption prior to maturity at the times and to the extent described herein, including redemption at a price equal to the principal amount thereof plus accrued interest, without premium. There is no provision in the Bonds or the Indenture for an acceleration of the Bonds or payment of additional interest or penalties in the event interest on the Bonds is declared or becomes taxable. See “THE BONDS” and “CERTAIN BONDHOLDERS’ RISKS” herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE “STATE”), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) NOR 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. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, THE FEDERAL HOUSING ADMINISTRATION, THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION OR ANY OTHER AGENCY THEREOF AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approving opinion Stradling Yocca Carlson & Rauth, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Goldfarb & Lipman LLP, Oakland, California, for the Lender by its counsel, Krooth & Altman LLP, Washington, D.C., and for the Underwriter by its counsel, Eichner & Norris PLLC, Washington, D.C. It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about November 29, 2007.

November 27, 2007

MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Price</u>	<u>Interest Rate</u>	<u>CUSIP</u>
December 20, 2008	\$90,000	100.000%	4.000%	17132AAK8
December 20, 2011	\$315,000	100.000%	4.500%	17132AAL6
December 20, 2017	\$165,000	100.000%	4.750%	17132AAH5
December 20, 2042	\$1,739,000	100.000%	5.625%	17132AAJ1

[Accrued interest to be added for all Bonds]

No broker, dealer, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy and is not to be construed as a representation of such by the Underwriter or the Issuer. 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 will, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein since the date hereof.

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

This Official Statement is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

References in this Official Statement to the Indenture, the Financing Agreement, the Regulatory Agreement, the Mortgage Note, the Mortgage, the GNMA Security and other documents do not purport to be complete, and reference should be made to such documents for full and complete details of their contents.

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 a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT TEND TO STABILIZE OR MAINTAIN THE MARKET PRICE FOR THE BONDS ABOVE THE LEVELS WHICH WOULD OTHERWISE PREVAIL. SUCH ACTIVITIES, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$2,309,000
Housing Authority of the City of Chula Vista
Multifamily Housing Revenue Bonds
(GNMA Collateralized—
Oxford Terrace Apartments)
Series 2007A

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, which includes the cover page and Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices hereto, must be considered in its entirety. Certain capitalized terms used in this Official Statement are defined herein and in the Appendices hereto. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in the Indenture, the Financing Agreement, the Regulatory Agreement, the Mortgage Note and the Mortgage (as each such term is hereinafter defined).

This Official Statement sets forth certain information concerning the Housing Authority of the City of Chula Vista (the “Issuer”), a body corporate and politic, duly organized and existing under the laws of the State of California (the “State”), and the issuance of the above-captioned bonds (the “Bonds”). The Bonds are issued pursuant to the provisions of the Act, and secured by a Trust Indenture, dated as of November 1, 2007 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are issued to fund a mortgage loan (the “Mortgage Loan”) insured by the Federal Housing Administration (“FHA”) to Oxford Terrace Partners, L.P., a California limited partnership (the “Borrower”) to finance the acquisition, rehabilitation and equipping of a multifamily residential rental apartment project (the “Project”) located in the City of Chula Vista, California. The terms of the Mortgage Loan are to be as set forth in the Financing Agreement, dated as of the date of the Indenture (the “Financing Agreement”), among the Issuer, the Borrower, Red Mortgage Capital, Inc. (the “Lender”), and the Trustee.

FHA has issued a commitment (the “Commitment”) to the Lender that enables the Lender, upon compliance with the terms and conditions thereof and upon compliance with the documents related thereto, to make the Mortgage Loan evidenced by a nonrecourse mortgage note (the “Mortgage Note”) and secured by a first lien mortgage (the “Mortgage”) on the Project and to issue and deliver to the Trustee a fully modified mortgage backed security in respect thereof (the “GNMA Security”) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”).

The principal of, premium, if any, and interest on the Bonds are payable from the payments on the GNMA Security and from any other security pledged under the Indenture. The Bonds will be secured by funds held in the Bond Fund and the Acquisition Fund which will be invested in Qualified Investments. Prior to purchase by the Trustee of the GNMA Security, proceeds of the Bonds will be held in the Acquisition Fund established and held under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “CERTAIN BONDHOLDERS’ RISKS” herein.

Any person who purchases a Bond at a price in excess of its principal amount should consider the fact that the Bonds are subject to redemption prior to maturity at the times and to the

extent described herein, including redemption at a price equal to the principal amount thereof plus accrued interest, without premium. See “THE BONDS” herein.

Simultaneously with the issuance of the Bonds, the Issuer is issuing its Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (Oxford Terrace Apartments), Subordinate Series 2007B (the “Subordinate Bonds”). The Subordinate Bonds will be issued in the aggregate principal amount of \$2,363,000. The Subordinate Bonds are not being issued under or secured by any pledge of the Trust Estate (as defined herein) and are not being offered pursuant to this Official Statement. See “THE BORROWER AND THE PROJECT – Plan of Financing” herein.

The Issuer, the Borrower and the Trustee have entered into a Land Use Restriction Agreement, dated as of the date of the Indenture and effective as of the Closing Date (the “Regulatory Agreement”), which contains certain representations, warranties and covenants of the Borrower relating to (i) requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”), in order for the interest on the Bonds to be excluded from gross income for federal income tax purposes, (ii) requirements of the Act and (iii) certain other legal requirements applicable to the Project. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” and “THE PROJECT AND THE PRIVATE PARTICIPANTS—Occupancy and Rental Restrictions” for a description of additional restrictions on the Project.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE “STATE”), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) NOR 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. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Brief descriptions of the Issuer, the Bonds, the security for the Bonds, the Borrower, the Project, the Indenture, the Financing Agreement, the FHA Regulatory Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Mortgage Note and the Mortgage are included in this Official Statement. All references herein to the Indenture, the Financing Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the FHA Regulatory Agreement, the Mortgage Note and Mortgage and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the offices of the Trustee, U.S. Bank National Association, Corporate Trust Services, 633 W. Fifth Street, 24th Floor, Los Angeles, CA 90071, Attention: Ms. Alicia Estrada.

THE ISSUER

The following information has been provided by the Issuer for use herein. While the information is believed to be reliable, none of the Trustee, the Borrower, the Underwriter, the Lender nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.

The Issuer is the Housing Authority of the City of Chula Vista, a public body corporate and politic, organized and operating under the laws of the State. The Issuer was created on June 27, 1995 by Resolution No. 17022 of the City Council of the City of Chula Vista (the "Council"). Members of the Council serve as members of the Issuer.

The City established the Issuer pursuant to the terms of the Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended (collectively, the "Act") Under the Act, the Issuer is empowered to issue revenue bonds for the purpose, among other, of financing multifamily rental housing for person of low and moderate income. The Bonds are limited obligations of the Issuer and are not payable from the Issuer's general funds. The Issuer has no taxing power.

EXCEPT FOR THE INFORMATION CONTAINED UNDER THE CAPTION "THE ISSUER" AND "ABSENCE OF LITIGATION — THE ISSUER" THE ISSUER HAS NOT PROVIDED ANY OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT. THE ISSUER IS NOT RESPONSIBLE FOR AND DOES NOT CERTIFY AS TO THE ACCURACY OR SUFFICIENCY OF THE DISCLOSURES MADE OR ANY OTHER INFORMATION PROVIDED BY THE BORROWER, THE UNDERWRITER OR ANY OTHER PERSON.

The Issuer has previously issued bonds for the purpose of financing other projects for other borrowers which are payable from revenues received from such other borrowers. Revenue bonds issued by the Issuer for other borrowers have been, and may be, in default as to principal or interest. The source of payment for other bonds previously issued by the Issuer for other borrowers is separate and distinct from the source of payment for the Bonds, and accordingly, any default by any such other borrower with respect to any of such other bonds is not considered a material fact with respect to the payment of the Bonds.

SECTION 8 PROGRAM

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

If the Borrower violates or fails to comply with any provision of or obligation under the HAP Contract or any lease to tenants or assert or demonstrate an intention not to perform some or all of its obligations under the HAP Contract or any lease to tenants, and fail to cure such violation or fail to comply or perform in the time permitted pursuant to the HAP Contract, HUD may terminate the HAP

Contract or take other corrective action to achieve compliance in its discretion. Any termination of the HAP Contract may adversely affect the ability of the Borrower to meet its obligations under the Bond Documents which could result in a redemption of the Bonds at par.

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

The HAP Contract is not security for the Bonds to secure repayment of the Borrower's obligations under the Bond Documents.

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 owner or owners of the Bonds mean Cede & Co. and not the beneficial owners of the Bonds.

General

The Bonds are issued in Authorized Denominations. The Bonds are dated the dated date set forth on the cover hereof, and will mature on the dates and in the amounts and bear interest from their date at the rates set forth on the inside cover page hereof. Interest will be payable on each Interest Payment Date set forth on the cover hereof in accordance with the provisions of the Indenture, whether at maturity, upon acceleration or otherwise as provided therein. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of, premium, if any, and interest on the Bonds will be payable by the Trustee to Cede & Co. as nominee of DTC. See "BOOK-ENTRY ONLY SYSTEM" herein.

Limited Obligations

The principal of, premium, if any, and interest on the Bonds are limited obligations of the Issuer, payable solely from payments on the GNMA Security and any other revenues, funds and assets pledged under the Indenture and none of the United States of America, the State of California, nor any other political subdivision or body corporate and politic, or agency of the State of California, or the Issuer (except the Issuer to the limited extent provided in the Indenture), will 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 of the Issuer, and neither the Bonds nor any of the Issuer's agreements or obligations will be construed to constitute an indebtedness of the United States of America, FHA, HUD, GNMA, the State of California, or any other political subdivision or body corporate and politic of the State of California, or the Issuer, within the meaning of any constitutional or statutory provision whatsoever. Payment of the Bonds is not guaranteed or insured by the United States of America or any agency or instrumentality thereof, including FHA, HUD and GNMA.

No agreement or obligation contained in the Indenture will be deemed to be an agreement or obligation of any officer, employee, servant or agent of the Issuer in his or her individual capacity, and neither the Issuer nor any officer thereof executing any Bond will be liable personally on such Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No official,

employee, servant or agent of the Issuer will incur any personal liability with respect to any other action taken by him or her pursuant to the Indenture.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) NOR 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. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Redemption

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date, without premium, as a whole or in part from moneys on deposit in the Bond Fund:

(1) On the dates specified in the Indenture, or if not specified, at the earliest date for which notice can be provided following the deposit of funds into the Bond Fund, but not later than 15 days following such deposit:

(i) in part pursuant to the Indenture, to the extent that the aggregate principal amount of the GNMA Security is less than \$2,309,000 (except to the extent that such difference is due to regularly scheduled payments on the Mortgage Note received by the Lender prior to delivery of the GNMA Security); or

(ii) in whole if the GNMA Security is not delivered to the Trustee or its nominee by the GNMA Security Delivery Date (December 31, 2007) (as such date may be extended under the Indenture).

(2) in part, at the earliest practicable date for which notice can be provided (but not later than 15 days following receipt of such payments) if the Trustee receives payments on the GNMA Security exceeding regularly scheduled payments of principal and interest thereon (other than optional prepayments of a Mortgage Loan by the Borrower) including (but not limited to) payments representing: (i) casualty insurance proceeds, condemnation awards or other amounts applied to the prepayment of the Mortgage Loan following a partial or total destruction or condemnation of the Project; (ii) mortgage insurance proceeds or other amounts received with respect to the Mortgage Loan or the GNMA Security following the occurrence of an event of default under the Mortgage Loan; (iii) a prepayment of the Mortgage Loan required by the applicable rules, regulations, policies and procedures of FHA or GNMA (including the possible exercise by HUD of its right to override the prepayment lock-out and premium provision of the Mortgage Loan under certain circumstances); (iv) prepayments on the Mortgage Loan made by the Borrower without prepayment penalty while under the supervision of a bankruptcy court.

Optional Redemption. The Bonds are subject to redemption on any date on or after December 20, 2017, on the earliest practicable date for which notice can be given, in whole or in part, from payments on the GNMA Security representing voluntary prepayments on the Mortgage Loan, or otherwise at the option of the Issuer (at the direction of the Borrower) from Seasoned Funds, at the redemption price at par.

Mandatory Sinking Fund Redemption. The Bonds described below are subject to mandatory sinking fund redemption, by lot pursuant to the Indenture at a redemption price equal to the principal amount thereof plus accrued interest on the dates and in the principal amounts as set forth below:

Bonds Maturing December 20, 2008

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
June 20, 2008	\$45,000	December 20, 2008†	\$45,000

†Maturity

Bonds Maturing December 20, 2011

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
June 20, 2009	\$50,000	December 20, 2010	\$50,000
December 20, 2009	50,000	June 20, 2011	55,000
June 20, 2010	55,000	December 20, 2011†	55,000

†Maturity

Bonds Maturing December 20, 2017

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
June 20, 2012	\$20,000	June 20, 2015	\$15,000
December 20, 2012	10,000	December 20, 2015	15,000
June 20, 2013	15,000	June 20, 2016	15,000
December 20, 2013	10,000	December 20, 2016	10,000
June 20, 2014	15,000	June 20, 2017	15,000
December 20, 2014	10,000	December 20, 2017†	15,000

†Maturity

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Bonds Maturing December 20, 2042

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
June 20, 2018	\$20,000	December 20, 2030	\$30,000
December 20, 2018	15,000	June 20, 2031	35,000
June 20, 2019	15,000	December 20, 2031	30,000
December 20, 2019	15,000	June 20, 2032	35,000
June 20, 2020	15,000	December 20, 2032	35,000
December 20, 2020	20,000	June 20, 2033	40,000
June 20, 2021	19,000	December 20, 2033	35,000
December 20, 2021	20,000	June 20, 2034	40,000
June 20, 2022	20,000	December 20, 2034	40,000
December 20, 2022	20,000	June 20, 2035	45,000
June 20, 2023	20,000	December 20, 2035	40,000
December 20, 2023	20,000	June 20, 2036	50,000
June 20, 2024	20,000	December 20, 2036	45,000
December 20, 2024	25,000	June 20, 2037	45,000
June 20, 2025	25,000	December 20, 2037	45,000
December 20, 2025	25,000	June 20, 2038	55,000
June 20, 2026	25,000	December 20, 2038	50,000
December 20, 2026	25,000	June 20, 2039	55,000
June 20, 2027	25,000	December 20, 2039	50,000
December 20, 2027	30,000	June 20, 2040	60,000
June 20, 2028	30,000	December 20, 2040	55,000
December 20, 2028	30,000	June 20, 2041	60,000
June 20, 2029	30,000	December 20, 2041	60,000
December 20, 2029	30,000	June 20, 2042	60,000
June 20, 2030	35,000	December 20, 2042†	70,000

†Maturity

Selection of Bonds for Redemption. Any Bonds within a maturity to be redeemed will be selected by the Trustee by lot. The Trustee may employ such experts as it may deem necessary to advise it as to the manner of carrying out such redemption and is entitled to rely on such advice; any expense so incurred by the Trustee will immediately upon demand therefor be reimbursed to the Trustee by the Borrower.

The portion of any Bond to be redeemed will be in Authorized Denominations, and, in selecting Bonds for redemption the Trustee will treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of Redemption. Notice of redemption is to be mailed by the Trustee, by first class mail not less than 30 days and not more than 45 days prior to the Redemption Date; provided that notice with respect to redemptions described under the heading “Extraordinary Mandatory Redemption” above is to be mailed not less than 15 and not more than 20 days prior to the Redemption Date and notice with respect to redemptions described under the heading “Mandatory Sinking Fund Redemption” above is to be mailed no less than 5 days and not more than 10 days prior to the Redemption Date. Each notice will be given to (i) the respective holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) the Securities Depositories set forth in the Indenture, and (iii) the Information Services set forth in the Indenture.

Prior to giving notice of redemption, the Trustee will take into account moneys to be deposited to the Bond Fund on or prior to the Redemption Date, including revenues received as of such estimation date, prepayments on the GNMA Security received during the calendar month preceding the Redemption Date, interest on Qualified Investments, scheduled payments on the GNMA Security to be received on or prior to such Redemption Date and amounts to be transferred from other funds to the Bond Fund.

In the event of a sale of the GNMA Security, notice of redemption will not be given by the Trustee unless it has received in immediately available funds the purchase price of the GNMA Security.

Notice of redemption of Bonds will be given by the Trustee for and on behalf of the Issuer. The Trustee will mail an additional notice 60 days after the Redemption Date with respect to any Bond called for redemption but not tendered for redemption.

Failure by the Trustee to give the notice described above to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notices will not affect the sufficiency of the proceedings for redemption.

In the event of an optional redemption of Bonds on a date on which the Redemption Price includes a redemption premium, the Trustee will not give notice of such redemption unless the Trustee will have received written notice from the Borrower received not less than 45 days in advance of prepayment to the Trustee specifying the amount of principal to be prepaid under the GNMA Security and the date (which will be the 15th date of a month) such principal plus accrued interest through the last day of the preceding month will be paid to the Trustee. The Borrower is required under the Financing Agreement to cause additional amounts, if any, necessary to effect the redemption of the Bonds to be deposited with the Trustee to assure payment of all interest due on the Bonds to the date of redemption taking into account the anticipated earnings on the reinvestment of funds held under the Indenture, or to deposit such amounts with the Trustee.

Anything to the contrary in the Indenture notwithstanding, in the case of a redemption of the Bonds due to an optional prepayment of the Mortgage Loan if the Trustee has not received moneys sufficient to pay principal of and interest on the Bonds to be redeemed from the Mortgage Loan prepayment, then the notice of redemption will also state that such redemption is conditioned upon a deposit of moneys sufficient to redeem the Bonds so called for redemption with the Trustee on or prior to the noticed date of redemption.

Notice of redemption having been given in the manner provided above, and money sufficient for the redemption being held by the Trustee for that purpose, the Bonds so called for redemption will become due and payable on the Redemption Date, and interest thereon will cease to accrue from and after the Redemption Date and the Holders of the Bonds so called for redemption will thereafter no longer have any security or benefit under the Indenture except to receive payment of the Redemption Price for such Bonds.

BOOK-ENTRY ONLY SYSTEM

Portions of the information relating to the Book Entry System under this heading have been furnished by DTC, but have not been independently verified by the Underwriter, the Issuer, the Borrower or the Lender. None of the Underwriter, the Issuer, the Borrower or the Lender makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds will be secured under the Indenture by (a) all right, title and interest of the Issuer in the Financing Agreement, and all amendments, modifications and renewals thereof, reserving, however, the rights (i) of the Issuer to receive or inspect documentation and to give and receive notices, approvals and consents under the Financing Agreement and the Indenture, (ii) of the Issuer to execute and deliver

(subject to the provisions of the Financing Agreement and the Indenture), or to decline to execute and deliver supplements or amendments to the Financing Agreement or the Indenture, and (iii) of the Issuer to be held harmless, to be paid and reimbursed for its fees and expenses and to be indemnified under the Financing Agreement, and to enforce such rights in its own name and for its own account and in its sole discretion to waive the same; (b) all right, title and interest of the Issuer in and to any moneys held by the Trustee under the Indenture, including the proceeds of the Bonds and the interest, profits and other income derived from the investment thereof (excluding the Rebate Fund); (c) all right, title and interest of the Issuer in and to the GNMA Security, including all payments with respect thereto and any interest, profits and other income derived from the investment thereof; and (d) all funds, money and securities (other than amounts in the Rebate Fund) and any and all other rights and interests in property whether tangible or intangible, from time to time by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture for the Bonds by the Issuer or by anyone on its behalf or with its written consent to the Trustee.

The principal of, premium, if any, and interest on the Bonds are limited obligations of the Issuer, payable solely from payments on the GNMA Security and any other revenues, funds and assets pledged under the Indenture and none of the United States of America, the State of California, nor any other political subdivision or body corporate and politic, or agency of the State of California, the Issuer (except the Issuer to the limited extent provided in the Indenture), will 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 of the Issuer, and neither the Bonds nor any of the Issuer's agreements or obligations will be construed to constitute an indebtedness of the United States of America, FHA, HUD, GNMA, the State of California, or any other political subdivision or body corporate and politic of the State of California, the Issuer, within the meaning of any constitutional or statutory provision whatsoever. Payment of the Bonds is not guaranteed or insured by the United States of America or any agency or instrumentality thereof, including FHA, HUD and GNMA.

THE GNMA MORTGAGE-BACKED SECURITIES PROGRAM

The summary and explanation of the GNMA Mortgage-Backed Securities Program and the other documents referred to herein do not purport to be complete, and reference is made to the GNMA Mortgage-Backed Securities Guide (GNMA Handbook 5500.3, dated November 1, 1999, as amended) (the "GNMA Guide") and to said documents for full and complete statements of their provisions.

GNMA is a non-stock corporate instrumentality of the United States within HUD, with its principal office in Washington, D.C.

The GNMA Security will be a "fully modified pass-through" mortgage-backed security issued by the Lender. The face amount of the GNMA Security will be in approximately the same amount as the outstanding principal balance of the Mortgage Note. The Lender will be required to pass through to the Trustee, as the holder of the GNMA Security, by the 15th day of each month (17th day if the GNMA Security is held in book-entry form) the monthly scheduled installments of principal and interest on the Mortgage Note (less the GNMA guarantee fee and the Lender's servicing fee), whether or not the Lender receives such payment from the Borrower, plus any unscheduled prepayments of principal of the Mortgage Note received by the Lender during the preceding calendar month. GNMA guarantees the timely payment of the principal of and interest on the GNMA Security.

GNMA Guaranty

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by among

other things, mortgage pools consisting of a single mortgage loan insured by the Federal Housing Administration (“FHA”) pursuant to, among others, Section 207 pursuant to Section 223(f) of the National Housing Act. Section 306, of the National Housing Act further provides that “[t]he full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” An opinion, dated December 12, 1969, of the then Assistant Attorney General of the United States, states that such guaranties under Section 306 of mortgage-backed securities of the type being delivered to the Trustee on behalf of the Issuer are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

Pursuant to such authority, GNMA, upon delivery of a GNMA Security to the Lender will have guaranteed the timely payment of the principal of and interest on the GNMA Security.

GNMA Borrowing Authority

In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306 of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department (the “Treasury”) in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Security. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the then Secretary of the Treasury to the then Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA warrants to the holder of the GNMA Security that, in the event it is called upon at any time to make good its guaranty of the payment of principal of and interest on the GNMA Security, it will, if necessary, in accordance with Section 306, apply to the Treasury for a loan or loans in amounts sufficient to make payments of principal and interest on the GNMA Security.

Servicing of the Mortgage Loan

The Lender is responsible for servicing and otherwise administering the Mortgage Loan in accordance with generally accepted practices of the mortgage banking industry and the GNMA Guide.

The monthly remuneration of the Lender, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the GNMA Security outstanding. The total of the servicing and guaranty fees with respect to the GNMA Security is 0.25% per annum, payable monthly, calculated on the principal balance of the GNMA Security outstanding on the last day of the month preceding such date of calculation. Of the 0.25% total fee, part is paid to GNMA as a guaranty fee, and the remainder is retained by the Lender as a servicing fee. The GNMA Security carries an interest rate 0.25% per annum less than the interest rate on the Mortgage Note because the servicing and guaranty fees are deducted from payments on the Mortgage Note.

It is expected that interest and principal payments on the Mortgage Note will be the source of money for payments on the GNMA Security. If such payments are less than what is due, the Lender may advance its own funds to ensure timely payment of scheduled installments of principal and interest due on the GNMA Security. GNMA guarantees such timely payment in the event of the failure of the Lender to pass through such scheduled principal and interest payments when due (whether or not made by the Borrower).

The Lender is required to advise GNMA in advance of any impending default on scheduled payments on the GNMA Security so that GNMA as guarantor will be able to continue such payments as

scheduled on the 15th day of each month (17th day if the GNMA Security is held in book-entry form). If, however, such payments are not received as scheduled, the Trustee or its nominee, on behalf of the Issuer, has recourse directly to GNMA.

The guaranty agreement to be entered into by GNMA and the Lender in connection with the issuance of the GNMA Security (the “GNMA Guaranty Agreement”) will provide that, in the event of a default by the Lender, including (i) a request to GNMA to make a payment of principal or interest on the GNMA Security, (ii) insolvency of the Lender, or (iii) default by the Lender under any other guaranty agreement with GNMA, GNMA will have the right, by letter to the Lender, to effect and complete the extinguishment of the Lender’s interest in the Mortgage Note, and the Mortgage Note will thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Security. In such event, the GNMA Guaranty Agreement provides that on and after the time GNMA directs such a letter of extinguishment to the Lender, GNMA will be the successor in all respects to the Lender in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein.

Payment of Principal and Interest on the GNMA Security

Payment of interest on the GNMA Security is required to be made in monthly installments on or before the 15th day of each month commencing the month next following the date of issue of the GNMA Security until the Mortgage Note is prepaid or matures. Upon the issuance of the GNMA Security and the commencement of the payment of principal thereon, the GNMA Security will be payable in monthly installments of principal and interest, subject to prepayment due to prepayment of the Mortgage Loan, assignment of the Mortgage Loan for FHA insurance benefits or acceleration of the Mortgage Note. Each installment on the GNMA Security is applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Security. The amount of principal due on the GNMA Security is the scheduled principal amortization currently due on the Mortgage Note.

The monthly installments are subject to adjustment by reason of any prepayments or other early or unscheduled recoveries of principal on the Mortgage Note. The Lender is required to pay to the Trustee or its nominee, as holder of the GNMA Security, monthly installments of not less than the interest due on the GNMA Security at the rate specified on the GNMA Security, together with any scheduled installments of principal, whether or not collected from the Borrower, and any prepayments or early recoveries of principal.

At its option, the Lender may repurchase the Mortgage Loan and pay off the GNMA Security in the event that no payment is made on the Mortgage Loan for three consecutive months.

Liability of Lender

The GNMA Security will not constitute a liability of or evidence any recourse against the Lender. The GNMA Security is based on and backed by the Mortgage on the real property securing the Mortgage Note. Recourse may be had by the Trustee or its nominee only to GNMA in the event of any failure of timely payment as provided for in the GNMA Guaranty Agreement with respect to the GNMA Security.

SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE NOTE AND MORTGAGE

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

The Mortgage Note is secured by the Mortgage given by the Borrower for the benefit of the Lender. Mortgage Loan proceeds will be disbursed by the Lender, and the Lender will be reimbursed for such disbursements upon the purchase of the GNMA Security by the Trustee. Upon the purchase of the GNMA Security from the Lender by the Trustee or its nominee, monthly scheduled installments of principal and interest on the Mortgage Note (less the GNMA guaranty fee and the Lender's servicing fee) will be passed through to the Trustee as scheduled payments of principal and interest on the GNMA Security.

The Mortgage Loan, as evidenced by the Mortgage Note and secured by the Mortgage (i) is expected to be originated and given to the Borrower on the Closing Date; (ii) is to be insured by FHA pursuant to and in accordance with the provisions of Section 207 pursuant to Section 223(f) of the National Housing Act and applicable regulations thereunder, as evidenced by the endorsement by FHA of the Mortgage Note evidencing the Mortgage Loan; (iii) is to be in the original principal amount equal to the principal amount of the Bonds; (iv) is to bear interest at the rate of 6.20% per annum; (v) is to have a final maturity of December 1, 2042; (vi) is to be payable in 420 monthly installments of principal and interest, commencing on January 1, 2007; (vii) will be secured on a nonrecourse basis; and (viii) is not subject to prepayment prior to November 30, 2017, without the consent of the holder of the Mortgage Note except that (A) the Mortgage Note is subject to prepayment as a whole or in part at any time without premium or penalty, from the proceeds of any casualty insurance or condemnation awards received following a partial or total destruction or condemnation of the Project, in the event and to the extent that such casualty proceeds or condemnation awards are not applied to the repair or restoration of the Project in accordance with the FHA loan documents, (B) the Mortgage Note is subject to prepayment as a whole or in part on the last business day of any month at the option of the Borrower, on or after November 30, 2017, upon at least 30 days advance written notice to the Lender, and upon payment of the principal amount of the Mortgage Note then outstanding together with the applicable prepayment premium attributable to the balance of the Mortgage Note plus interest through the last day of the month in which the prepayment occurs; (C) the Mortgage Note is subject to prepayment as a whole or in part without premium to the extent, if any, required by applicable rules, regulations, policies and procedures of HUD or GNMA; and (D) notwithstanding any prepayment prohibition imposed or penalty required by the Mortgage Note, the Mortgage Note is subject to prepayment in part or in full without the consent of the Lender and without prepayment penalty, if HUD determines that prepayment will avoid a Mortgage Insurance claim and is therefore in the best interest of the federal government. In the event of a partial prepayment, the Mortgage Note may be reamortized to reflect its reduced principal amount.

If the Borrower makes any such prepayment on the Mortgage Note, the amount prepaid will be paid to the Lender and passed through to the Trustee or its nominee, as a prepayment on the GNMA Security and applied to the redemption of Bonds, as described under the heading "THE BONDS—Redemption" herein

THE BORROWER AND THE PROJECT

The following information concerning the Borrower and the Project has been provided by representatives of the Borrower and has not been independently confirmed or verified by either the Issuer, Bond Counsel, the Trustee, the Underwriter or the Lender. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Borrower

Oxford Gardens Community Association, Inc., a California nonprofit public benefit corporation (the "Seller") is the current owner of the Project and, pursuant to a Ground Lease and Purchase

Agreement between the Seller and Oxford Terrace Partners, L.P., a California limited partnership (the “Borrower”), the Seller will lease the land on which the Project is located and sell the improvements thereon to the Borrower for a period of 75 years. In connection with such lease and sale, the Seller will be taking back a surplus cash note (the “Subordinate Note”) in an amount equal to \$1,920,958 which will be secured by surplus cash from the Project and will be subordinate to the Bonds. See “PLAN OF FINANCING” herein.

The general partner of the Borrower is Anaheim Gardens Corporation (the “General Partner”) owning a 0.01% interest in the Borrower. The General Partner is an affiliate of Alpha Project for the Homeless, which has over 20 years experience in the development and operation of low-income housing. The address of the Borrower is Oxford Terrace Partners, L.P., c/o Alpha Project, 3737 Fifth Avenue, Suite 203, San Diego, California 92103.

The Borrower does not have substantial assets other than the Project and does not intend to acquire any other assets or to engage in any business activities other than those related to the ownership of the Project. Affiliates of the General Partner are engaged in and will continue to engage in the acquisition, development, ownership and management of similar types of housing projects, including projects that may compete with the Project. The officers and directors of the General Partner may be financially interested in, as officers, partners or otherwise, and devote substantial times to, business and activities that may be inconsistent or competitive with the interests of the Project.

Simultaneously with the issuance of the Bonds, the Borrower expects to sell a 99.99% interest in the Borrower to Provident Tax Credit Fund IX (the “Investor Limited Partner”). The Investor Limited Partner will make its investment based upon the expected qualification of the Project for low income housing tax credits under Section 42 of the Code. The Investor Limited Partner will fund the tax credit equity, expected to be approximately \$2,579,273, in stages according to the terms and conditions of the Partnership Agreement. However, if the conditions for a payment are not met, such payments will not be made. The total amount to be funded and the timing of the fundings are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the Borrower’s projections on the Closing Date and neither the Issuer nor the Underwriter make any representations as to the availability of such funds.

The obligations and liabilities of the Borrower under the Mortgage Note are of a nonrecourse nature and are limited to the Project and moneys derived from the operation of the Project. None of the Borrower nor their members, trustee, directors or officers have any personal liability for payments on the Mortgage Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Project. Accordingly, neither the Borrower’s financial statements nor those of their members are included in this Official Statement.

The Project

Construction of the Project was completed in 1972. The Project is located on a site of approximately 5.38 acres at 555 Oxford Street in the City of Chula Vista, California, approximately five miles south of Downtown San Diego. The 132-unit apartment project consists of 11 two-story walkup buildings. Common amenities include recreation room, computer lab, common laundry facilities, bar-b-cue and picnic area, sport court and tot lot. In addition there are 3 open parking areas as well as security gated entrance and fencing.

Following acquisition of title to the Project, the Borrower is expected to use approximately \$15,000 per unit for the rehabilitation of the Project, which is expected to be completed by December 2008.

At completion of rehabilitation of the Project, the Project is expected to be composed of the following:

<u>Unit Type</u>	<u>Number of Units</u>	<u>Square Feet/Unit</u>
1 Bedroom/1 Bath	40	538
2 Bedroom/1 Bath	80	750
3 Bedroom/1.5 Bath	12	967
Total Units	132	93,124

The table below sets forth a brief summary from the audited financial statements of the operating history of the Project for the calendar years 2006, 2005 and 2004. None of the Issuer, the Trustee, the Underwriter or the Lender make any representation as to the accuracy of the financial information summarized below.

	2006	2005	2004
Effective Gross Income	\$856,805	\$715,649	\$695,911
*Less: Total Expenses Before Depreciation	<u>710,372</u>	<u>573,359</u>	<u>690,288</u>
Net Operating Income Available for Debt Service	<u>\$146,433</u>	<u>\$142,290</u>	<u>\$5,623</u>

*Includes replacement reserve deposits of \$90,000 for year 2006, \$62,500 for year 2005 and \$60,000 for year 2004.

Average annual occupancy for the Project was approximately 99% for 2006, 99% for 2005 and 99% for 2004. Occupancy for the Project was approximately 100% as of June, 2007, the most recent date for which such information was available.

The Manager

The Project will be managed by Tarantino Property Management Company (the “Manager”). The Manager was founded in 1995 and has been involved in the management of residential rental projects since that time. The Manager has been providing professional management services for multifamily housing owners for more than 12 years. The Manager has substantial experience in the rehabilitation and management of rental properties made affordable under the Section 42 Low-Income Housing Tax Credit Program. The Manager’s portfolio includes conventional apartment communities, senior housing properties, and properties developed under all low and moderate income programs.

Housing Assistance Payments Contract

The Project currently receives project based housing assistance pursuant to a housing assistance payments contract (the “HAP Contract”) executed under Section 8 of the United States Housing Act of 1937. The HAP Contract expired by its terms on September 30, 2007. Upon Closing of the Bond transaction, the Borrower expects the HAP Contract to be renewed for one twenty-year terms, subject to availability of appropriations in any year.

Interest Reduction Payments

The Project will be subject to and will receive certain Interest Reduction Payments (as defined herein) pursuant to the terms of an Agreement for Interest Reduction Payments (“IRP Agreement”) and Section 236 of the National Housing Act (the “NHA”).

Payments pursuant to the IRP Agreement (the “Interest Reduction Payments”) are a firm obligation of HUD and are not subject to annual Congressional appropriations. Funds pursuant to the IRP Agreement will be paid by the Borrower to the Lender and approved by the Lender to repay a portion of debt service on the Mortgage Loan made with respect to the Project commencing January 1, 2008.

Under the Section 236(e)(2) Program (also known as the “Decoupling Program”) under the NHA, Interest Reduction Payments may continue being paid for the benefit of a project after the original mortgage is prepaid if the property is preserved as affordable housing. HUD has approved the Borrower’s proposal to preserve the Project as affordable housing and to continue the Interest Reduction Payments. Further, HUD will allow the Issuer to assign its rights and interests in the Interest Reduction Payments to the Lender as part of the issuance of the Bonds. As a condition to its approval, HUD requires the Borrower to assume a Section 236(e) Use Agreement upon acquisition of the Project which shall apply only to the Project.

It is anticipated that the Project will receive Interest Reduction Payments under the IRP Agreement. On the first day of each month, commencing on January 1, 2008 and continuing to, and including January 1, 2012, the Lender shall be entitled to receive Interest Reduction Payments. Each month the Lender shall execute and submit to HUD, on or before the 20th day of the month, a completed Mortgagee’s Certification and Application for Interest Reduction Payments, Form HUD-3111 (the “IRP Requisition”), directing that the payment under the IRP Agreement for the immediately succeeding month be paid directly to the Lender.

Occupancy and Rental Restrictions

The Regulatory Agreement imposes certain rental, operational and other requirements on the Borrower and the Project with respect to the tax-exempt status of the Bonds under the Code and State law including requirements that at least 40% of the units in the Project be rented to persons or families having incomes at or below 60% of area median gross income, in each case with adjustments for family size.

In addition to the rental restrictions imposed upon the Project by the Regulatory Agreement, the Project will be further encumbered by a tax credit restrictive covenant (the “LIHTC Tax Certificate”), to be executed by the Borrower in connection with the low-income housing tax credits (the “LIHTCs”) anticipated to be granted for the Project and in compliance with the requirements of Section 42 of the Code.

The LIHTC Tax Certificate will require LIHTC income targeting and rental rate restrictions for the Project under Section 42 of the Code, subject to certain exceptions. The LIHTC Tax Certificate will, among other things, require that 100% of the units in the Project be occupied by persons or families having incomes at or below 60% of the area median gross income under Section 42(g)(2) of the Code and that all (100%) units in the Project be rent-restricted to 30% of 60% of the area median gross income, with adjustment for family size, under Section 42(g)(2) of the Code throughout the extended use period (as defined in the Code). Under the Code, the extended use period terminates with respect to the Project prior to its stated expiration date if the Project is acquired by foreclosure. Notwithstanding the foregoing, the Code requires that any termination of the extended use period due to foreclosure will not permit,

before the end of the extended use period, (a) the eviction or termination of tenancy of an existing tenant without cause, or (b) any increase in the gross rent of any such units.

The Borrower has entered into a Use Agreement with the Secretary of HUD (the “Use Agreement”), pursuant to which the use of the Project will be restricted to use as rental housing for very low-income persons in conformance with the requirements of Section 236 of the National Housing Act, as amended, and all applicable federal regulations. The Borrower, for itself, its successors and assigns, has covenanted with HUD to continue to operate the Project on terms at least as advantageous to existing and future tenants as the terms required by the original HUD Section 236 loan agreement, the Housing Assistance Payment Contracts and all applicable federal regulations for not less than the remaining term of the original HUD Section 236 loan. The Use Agreement creates recorded restrictions that “run with the land” and would apply to the use of such real estate by any future owner thereof. In addition, the Project is subject to use restrictions proposed by HUD in connection with the acquisition of the Project by the Borrower’s predecessor-in-interest under the Low Income Housing Preservation and Resident Homeownership Act of 1990. These restrictions also “run with the land” and last for the useful economic life of the Project. The ability of the Trustee to realize funds from the sale or rental of the Project upon an Event of Default in connection with the Bonds therefore may be limited by the above-described restrictions on the use of the Project.

The foregoing is not intended to be a complete summary of all material information regarding the Project. Potential investors in the Bonds should rely on their own due diligence and/or the GNMA Security.

Plan of Financing

The total financing cost of the Project is estimated by the Borrower to be approximately \$9,808,259. The estimated sources and uses of funds (exclusive of interim sources or uses of funds or accrued interest on the Bonds) are as follows:

Sources of Funds	
Bond Proceeds	\$2,309,000
Subordinate Bond Proceeds	2,363,000
Seller Carry-Back – Surplus Cash Note	1,920,958
Tax Credit Proceeds	2,579,273
Existing Reserves	407,651
Deferred Developer Fee	<u>228,377</u>
Total	\$9,808,259
Uses of Funds	
Development Costs	\$8,190,114
Developer Fee	1,152,789
Rating Agency Requirements	25,000
HUD Required Deposits	155,090
Bond Costs of Issuance	186,300
Mortgage Transaction Costs	<u>98,966</u>
Total	\$9,808,259

Subordinate Bonds

Simultaneously with the issuance of the Bonds, the Issuer is issuing its Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (Oxford Terrace Apartments), Subordinate

Series 2007B (the “Subordinate Bonds”). The Subordinate Bonds will be issued in the aggregate principal amount of \$2,363,000 pursuant to a separate Indenture of Trust, dated as of November 1, 2007 (the “Subordinate Indenture”) by and among the Issuer and the Trustee, and a separate Loan Agreement, dated as of November 1, 2007 (the “Subordinate Loan Agreement”) by and between the Issuer, the Borrower and the Trustee. The proceeds of the Subordinate Bonds will be loaned to the Borrower (the “Subordinate Bonds Loan”) to provide part of the financing for the Borrower’s acquisition, rehabilitation and equipping of the Project. The Subordinate Bonds Loan will be a recourse obligation of the Borrower. The Subordinate Bonds will mature on December 20, 2042 and will bear interest at a fixed rate payable each June 20 and December 20 commencing on June 20, 2008 and at maturity or earlier redemption date. The Subordinate Bonds are not issued under or secured by any pledge of the Trust Estate and are not being offered pursuant to this Official Statement. A default on the Borrower's obligations with respect to the Subordinate Bonds will not constitute a default on the Bonds.

THE LENDER

Red Mortgage Capital, Inc. (the “Lender”), an Ohio corporation, is a mortgage banking firm specializing in FHA-insured construction and permanent mortgage loans, Fannie Mae forward commitments and permanent mortgage loans, and both Fannie Mae and FHA bond credit enhancements for multifamily and seniors housing projects across the United States. The Lender also is approved by GNMA to issue modified pass-through securities.

The Lender is one of the most active FHA mortgagees and GNMA issuers for HUD insured project loans and one of the top Fannie Mae DUS™ lenders (by annual volume) in the country. As of June 30, 2007, the Lender serviced over 1,300 multifamily and seniors housing project loans totaling more than \$8.4 billion, which includes over 400 FHA-insured mortgage loans totaling more than \$1.7 billion and over 600 Fannie Mae mortgage loans totaling more than \$5.6 billion.

To be approved by GNMA to issue modified pass-through securities with respect to long-term mortgages on multifamily project, a GNMA issuer is required to have a net worth (based on audited financial statements) equal to at least \$500,000 plus 0.2 percent of any securities outstanding in excess of \$30,000,000.

ESTIMATED SOURCES AND USES OF FUNDS UNDER THE INDENTURE

The following table sets forth the estimated sources and uses of certain funds to be available upon the issuance and delivery of the Bonds:

Sources of Funds	
Bond Proceeds	\$2,309,000
Equity Contribution	<u>25,000</u>
Total	\$2,334,000
Uses of Funds	
Deposit to Acquisition Fund	\$2,309,000
Deposit to Bond Fund (lag deposit)	14,000
Deposit to Bond Fund (negative arbitrage deposit)	<u>11,000</u>
Total	\$2,334,000

CERTAIN BONDHOLDERS' RISKS

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

Early Redemption and Loss of Premium

Purchasers of Bonds, including those who purchase Bonds at a price in excess of their principal amount or who hold Bonds trading at a price in excess of the principal amount thereof, should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest, without premium, in the event such Bonds are redeemed prior to maturity. This could occur, for example, if the Mortgage Note is prepaid as a result of a casualty or condemnation award payment affecting the Project or if there is a default under the Mortgage.

Limited Security

The Bonds are limited obligations of the Issuer payable solely from the Trust Estate, which includes certain funds pledged to and held by the Trustee pursuant to the Indenture.

Taxability

The Bonds are not subject to redemption, and the rate of interest on the Bonds is not subject to adjustment, by reason of the interest on the Bonds being included in gross income for purposes of federal income taxation. Such event could occur if the Borrower (or any subsequent borrower of the Project) does not comply with the provisions of the Tax Certificate, the Regulatory Agreement and the Financing Agreement that are designed, if complied with, to satisfy the continuing compliance requirements of the Code in order for the interest on the Bonds to be excludable from gross income for purposes of federal income tax. See "TAX MATTERS" herein.

As a condition of FHA's insuring the Mortgage Note, the Tax Certificate, the Regulatory Agreement and the Financing Agreement are made expressly subordinate to the obligations under the Mortgage, and enforcement of the Tax Certificate, the Regulatory Agreement and the Financing Agreement are expressly limited so that enforcement will not serve as the basis for a declaration of default under the Mortgage or an acceleration of the Mortgage Note or result in any claim under the Mortgage Note, or claim against the Project, the Mortgage Note proceeds, any reserve or deposit made with the Lender or another person or entity required by HUD in connection with the Mortgage Note transaction, or against the rents or other income from the Project for payment under the Tax Certificate, the Regulatory Agreement or the Financing Agreement. Consequently, the rights of the Issuer or the Trustee to enforce a claim for money damages would be severely restricted and, among other things, it would not be possible to accelerate the debt evidenced by the Mortgage Note or to seek FHA insurance benefits. There is no provision in the Bonds or the Indenture for an acceleration of the indebtedness evidenced by the Bonds or payment of additional interest in the event interest on the Bonds were declared taxable, and the Issuer will not be liable under the Bonds or the Indenture for any such payment on the Bonds whatsoever.

Secondary Markets 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 for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds contemplated

by this Official Statement, and no assurance can be given that the Bonds can be resold at their initial offering prices for any period of time.

Rental Market Conditions

The economic feasibility of the Project depends in large part upon being substantially occupied. Although representatives of the Borrower believe, based on current occupancy information and on surveys of the area where the Project is located, that a substantial number of persons currently need housing facilities such as the Project, no assurance can be given that such occupancy levels will be sustained in the future. Occupancy of the Project may be affected by competition from existing housing facilities or from housing facilities which may be constructed in the area served by the Project, including new housing facilities which the Borrower's affiliates may acquire. If the Borrower defaults on the Mortgage Loan, payment of FHA mortgage insurance benefits would result in a prepayment of the GNMA Security and, consequently, a redemption of Bonds without premium.

Enforceability of Remedies

The remedies available to the Trustee and the owners of the Bonds upon an event of default under the Financing Agreement, the Tax Certificate, the Regulatory Agreement, the Continuing Disclosure Agreement or the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Financing Agreement, the Tax Certificate, the Regulatory Agreement, the Continuing Disclosure Agreement or the Indenture may not be readily available or may provide that the obligations of the Borrower contained in such agreements will be limited obligations payable solely from the revenues of the Project, and that no partner of the Borrower will have any personal liability for the satisfaction of any obligation of the Borrower under such agreements or of any claim against the Borrower arising out of such agreements or the Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds and the documents described above is subject to limitations imposed by such things as the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity), including judicial limitations on rights to specific performance and bankruptcy, insolvency, reorganization, moratorium or other similar laws heretofore or hereafter in effect affecting creditors' rights, to the extent constitutionally applicable.

Forward-Looking Statements

Certain statements in this Official Statement that relate to the Project and the Borrower including, but not limited to, statements under the captions "THE BORROWER AND THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS UNDER THE INDENTURE," are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Borrower. 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 Borrower to be materially different from any expected future results or performance. Such factors include, but are not limited to, items described in "CERTAIN BONDHOLDERS' RISKS."

Additional Bonds and Subordinate Financing

Simultaneously with the issuance of the Bonds, the Issuer is issuing its Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (Oxford Terrace Apartments), Subordinate

Series 2007B (the “Subordinate Bonds”). The Subordinate Bonds will be issued in the aggregate principal amount of \$2,363,000. The Subordinate Bonds are not being issued under or secured by any pledge of the Trust Estate (as defined herein) and are not being offered pursuant to this Official Statement. See “THE BORROWER AND THE PROJECT – Plan of Financing” herein.

The Borrower may obtain additional financing for the Project at a future date. Such additional financing could be in the form of additional bonds issued by the Issuer. Additional Bonds could be issued on a parity basis with the Bonds pursuant to a supplemental trust indenture provided that the issuance thereof was not materially adverse to the interest of the Bondholders. Such additional financing could also be in the form of a conventional loan the payment obligations with respect to which would be subordinate to or in some cases could be on parity with the Borrower’s payment obligations under the Mortgage Loan. In either case, the increased repayment obligations of the Borrower could increase the likelihood of an early redemption of the Bonds. Any such redemption would be at a price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

SUMMARY OF CERTAIN PROVISIONS OF THE FHA REGULATORY AGREEMENT

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

The Borrower has assumed all obligations under the FHA form of Regulatory Agreement with respect to the Project. The FHA Regulatory Agreement provides, among other things, that the Borrower must maintain the Project in good condition. Dwelling units are not to be rented for a period of less than 30 days or more than three years.

The FHA Regulatory Agreement also prohibits the conveyance, transfer or encumbrance of the Project or any right to manage the Project without the prior written approval of FHA. The Borrower may not make, receive, or retain any distribution of assets or income from the Project except from Surplus Cash and only as permitted under applicable laws.

The Borrower is prohibited, without the prior written approval of FHA, from remodeling, adding to or demolishing any part of the Project or engaging in any other business or activity or incurring any obligation or liability not in connection with the Project.

The Project and all books, records, and documents relating thereto are required to be subject to examination and inspection at any reasonable time by FHA. Books and accounts of the Project are to be kept in accordance with FHA requirements and complete annual financial reports are to be furnished to FHA within 60 days of the end of each fiscal year.

In the event of a default in the performance of the Borrower’s obligations under the FHA Regulatory Agreement, even in the absence of a default under the Mortgage Note or the Mortgage, FHA may (a) notify the Lender of such default and request the Lender to declare a default under the Mortgage Note and the Mortgage, and the Lender may, at its option, declare the whole indebtedness due and proceed with assignment of the Mortgage Note and the Mortgage to FHA, (b) collect all rents and charges in connection with the operation of the Project and use such collections to pay the Borrower’s obligations under the FHA Regulatory Agreement and under the Mortgage Note and the Mortgage and the expenses of maintaining the Project, (c) take possession of and operate the Project, and (d) apply for an injunction, appointment of a receiver or such other relief as may be appropriate.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a “substantial user” of any facilities financed with the proceeds of the Bonds or by a “related person” as such terms are used in Section 147(a) of the Code, but interest on the Bonds is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income of interest on the Bonds is based upon certain representations of fact and certifications made by the Issuer, the Borrower, and others and is subject to the condition that the Issuer and Borrower comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds and the Subordinate Bonds, to assure that interest on the Bonds and the Subordinate Bonds will not become included in gross income for federal income tax purposes. In particular, the Code includes a requirement that a certain percentage of rental units in the Project financed by the Bonds and the Subordinate Bonds be occupied by persons as specified income levels continuously during a period specified under the Code, and that such Project be rented or available for rental on a continuous basis during a period specified under the Code. Failure to comply with such requirements of the Code might cause the interest on the Bonds and the Subordinate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds and the Subordinate Bonds. The Issuer and Borrower have covenanted to comply with all such requirements.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of interest on the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. On May 21, 2007, the U.S. Supreme Court agreed to review a Kentucky state court decision, in the matter of *Kentucky v. Davis*, on the issue of whether the U.S. Constitution commerce clause precludes states from giving more favorable tax treatment to state and local government bonds issued within that state than the tax treatment given bonds issued outside that state. The outcome of this or any similar case cannot be predicted, but the ultimate result could be a change in the treatment for state tax purposes of interest on the Bonds. If the *Kentucky v. Davis* decision is affirmed by the United States Supreme Court, states such as California may be required to eliminate the disparity between the income tax treatment of out-of-state tax-exempt obligations and the income tax treatment of in-state tax-exempt obligations, such as the Bonds. The impact of such a United States Supreme Court decision may also affect the market price for, or the marketability of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding this matter.

Bond Counsel’s opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the

exclusion from gross income of interest on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the Issuer and Borrower continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix B.

UNDERWRITING

Kinsell, Newcomb & De Dios, Inc. (the "Underwriter") has agreed to purchase the Bonds from the Issuer at a price equal to 100% of the aggregate principal amount of the Bonds maturing plus accrued interest. The Underwriter will be paid a fee in connection with the Bonds in an amount equal to \$57,725. In addition, the Underwriter will receive a payment from the Borrower in the amount of \$25,000 to reimburse the Underwriter for initial deposits made by the Underwriter under the Indenture. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if they are issued, the obligation to make such purchase being subject to certain terms and conditions set forth therein, the approval of certain legal matters by counsel, and certain other information. The Underwriter intends to offer the Bonds initially at the offering price shown on the cover page hereof, which price may subsequently change without requirement of prior notice. The Underwriter reserves the right to join with other dealers and underwriter in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers at prices lower than the public offering prices.

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

RATING

It is a condition to the issuance of the Bonds that S&P has assigned the rating set forth on the cover page hereof. The rating reflects only the view of S&P at the time the rating was issued and an explanation of the significance of such rating may be obtained from S&P. The rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating can be expected to have an adverse effect on the market price of the Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Stradling Yocca Carlson & Rauth, as Bond Counsel. Certain legal matters will be passed upon for the for the Borrower by its counsel, Goldfarb & Lipman LLP, Oakland, California, for the Lender by its counsel, Krooth & Altman LLP, Washington, D.C., and for the Underwriter by its

counsel, Eichner & Norris PLLC, Washington, D.C. Compensation for certain of the foregoing counsel is contingent upon the issuance of the Bonds.

ABSENCE OF LITIGATION

The Issuer

It is a condition to the Underwriter's acceptance of the Bonds on the Closing Date that the Issuer deliver a certificate to the effect that there are no legal proceedings pending or, to the Issuer's knowledge, threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or the payment, collection or application of the proceeds thereof or of the revenues and other money and securities pledged or to be pledged under the Indenture or in any way contesting or affecting any authority for or the validity of the Bonds or the Indenture.

The Borrower

It is a condition to the Underwriter's acceptance of the Bonds on the Closing Date that the Borrower deliver a certificate to the effect that there are no legal proceedings pending or, to the Borrower's knowledge, threatened to restrain or enjoin the issuance, sale or delivery of the Bonds or the payment, collection or application of the proceeds thereof or of the revenues and other money and securities pledged or to be pledged under the Indenture or in any way contesting or affecting any authority for or the validity of the Bonds or the Indenture.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds, and the Issuer will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Issuer will have no liability to the owners of the Bonds or any other person with respect to such disclosures.

The Borrower has covenanted, pursuant to the Continuing Disclosure Agreement, dated as of the date of the Indenture ("Disclosure Agreement"), by and between the Borrower and the Trustee, to provide annually certain audited financial information and operating data relating to the Project (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events such as a default under the Indenture, a change in the rating on the Bonds, an event adversely affecting the tax-exempt status of the Bonds, or adversely affecting the Bondholders, or any event similar thereto. The Annual Report is to be filed by the Trustee on behalf of the Borrower with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the "Repositories") and a State repository, if any, and may also be obtained from the Trustee. The notices of material events is to be filed by the Trustee on behalf of the Borrower, with the Repositories and a State repository, if any. A form of the Disclosure Agreement is attached hereto as Appendix F.

A failure by the Borrower to comply with the provisions of the Disclosure Agreement will not constitute a default under the Indenture or Financing Agreement (although Bondowners will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

MISCELLANEOUS

The foregoing summaries and explanations do not purport to be comprehensive, and are expressly made subject to the exact provisions of documents referred to herein. Copies of the Indenture, the Financing Agreement, the Tax Certificate, the Regulatory Agreement, the Mortgage Note, the Continuing Disclosure Agreement and the Mortgage may be obtained from the Trustee or, during the initial marketing of the Bonds, the Underwriter. Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Issuer, the Borrower, or the Underwriter and the purchasers or holders of any Bonds.

[Borrower's Signature page to the Official Statement]

OXFORD TERRACE PARTNERS, L.P.,
a California limited partnership

By: Anaheim Gardens Corporation,
a California nonprofit public benefit corporation,
its general partner

By: /s/ Robert McElroy
Robert McElroy, President

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APPENDIX A

CERTAIN DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Indenture, the Financing Agreement, other Bond Documents and this Official Statement.

“Acquisition Fund” means the fund of that name established by the Indenture.

“Act” means Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as now in effect and as it may from time to time hereafter be amended and supplemented.

“Agreement” or “Financing Agreement” means the Financing Agreement dated as of November 1, 2007, as it may be amended from time to time, among the Issuer, the Borrower, the Trustee and the Lender.

“Authorized Denominations” means, with respect to the Bonds, \$5,000 principal amount and any integral multiple thereof (with the exception of one bond in the amount of \$9,000).

“Bonds” means the City of Chula Vista Multifamily Housing Revenue Bonds (GNMA Collateralized — Oxford Terrace Apartments), Series 2007A in the original aggregate principal amount of \$2,309,000 pursuant to the Indenture.

“Bond Counsel” means any attorney at law or firm of attorneys selected by the Issuer, of nationally recognized standing in matters pertaining to the validity of and federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Documents” means the Financing Agreement, the Indenture, the Bonds, the Regulatory Agreement, the Bond Purchase Agreement, the Continuing Disclosure Agreement and any other instrument or document executed in connection with the Bonds, together with all modifications, extensions, renewals and replacements thereof, but excluding the GNMA Documents and the Mortgage Loan Documents.

“Bond Fund” means the fund of that name established by the Indenture.

“Bondholder” or “Holder,” when used with respect to any Bond, means the Person in whose name such Bond is registered.

“Bonds Outstanding” means as of any date of calculation the aggregate principal amount of all Outstanding Bonds.

“Bond Purchase Agreement” means, as to the Bonds, the purchase agreement among the Issuer, the Borrower and the Underwriter, setting forth the terms and conditions for the sale of the Bonds.

“Bond Register” means the records maintained by the Trustee on behalf of the Issuer in which the names and addresses of the Bondholders are recorded.

“Borrower” means Oxford Terrace Partners, L.P., a California limited partnership, as mortgagor under the Mortgage Loan originated pursuant to the Financing Agreement.

“*Business Day*” means a day on which national banks located in the city in which the designated corporate trust office of the Trustee is located are open.

“*CEDE & CO.*” means CEDE & CO., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“*Certificate*” means, with reference to the Trustee, the Lender or the Borrower, a written certificate signed in the name of the Trustee, the Lender or the Borrower by such person as may be designated and authorized to sign for the Trustee, the Lender or the Borrower, respectively.

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

“*Closing Date*” means the date of the initial issuance and delivery of the Bonds to the order of the initial purchasers thereof November 29, 2007.

“*Code*” means the Internal Revenue Code of 1986, the applicable regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that 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 means that Section of the Code, including such applicable regulations, rulings, announcements, notices and procedures.

“*Commencement of Amortization*” or “*Commencement of Amortization Date*” means January 1, 2008, the commencement of monthly payments of principal and interest on the Mortgage Note. The above date shall be delayed one or more times if the Trustee shall have received a written request of the Borrower, for such delay not later than 30 days prior to the date then in effect for Commencement of Amortization, accompanied by the items listed in the Indenture relating to the extension of the GNMA Security Delivery Date.

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

“*Costs of Issuance*” means all costs incurred in connection with the issuance of the Bonds, generally those treated as Costs of Issuance under present Treasury Department regulations and rulings, and including all costs incurred in connection with the authorization, sale and issuance of the Bonds and the transactions contemplated in the Indenture, including, but not limited to (1) underwriter’s spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which they are expected to be sold to the public); (2) counsel fees (including bond counsel, underwriter’s counsel, the Issuer’s counsel, Trustee’s counsel, Borrower’s counsel, as well as any other specialized counsel fees and expenses incurred in connection with the borrowing); (3) financial advisor fees and expenses incurred in connection with the borrowing; (4) rating agency fees; (5) initial and prepaid Trustee Fees incurred in connection with the borrowing; (6) paying agent and certifying and authenticating agent fees related to issuance of the Bonds; (7) accountant fees related to issuance of the Bonds; (8) printing costs (for the Bonds and of preliminary and final offering materials); (9) costs incurred in connection with the required public approval process (e.g., publication costs for public notices generally and costs of the public hearing or voter referendum); (10) costs of engineering and feasibility

studies necessary to the issuance of the Bonds (as opposed to such studies related to rehabilitation or construction of the Project, but not to the borrowing); and (11) the Issuer Fees.

“Costs of Issuance Fund” means the fund of that name established pursuant to the Indenture.

“Dissemination Agent” means the Trustee.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds.

“DTC Participant” means any banker, broker or dealer who is a participant of DTC.

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

“Expense Fund” means the fund of that name established by the Indenture.

“Extraordinary Trustee’s Fees and Expenses” means those fees and expenses, including but not limited to attorneys’ fees and expenses, in excess of the Trustee’s Fees in connection with an Event of Default under the Indenture.

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

“Federal Tax Status” means the status of the interest on the Bonds as excludible from gross income for federal income tax purposes of the Holders of the Bonds.

“FHA” means the Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, its successors and assigns.

“FHA Insurance” means the federal mortgage insurance for the Mortgage Loan issued by HUD by endorsement of the Mortgage Note authorized under Section 223(f) of the National Housing Act.

“FHA Regulatory Agreement” means the agreement between the Borrower and HUD in which the Borrower agrees to comply with the terms of the FHA insurance program.

“Financing Agreement” means the Financing Agreement, dated as of November 1, 2007, among the Issuer, the Lender, the Trustee and the Borrower.

“GNMA” means Government National Mortgage Association, its successors and assigns.

“GNMA Documents” means the documents that are subject to the GNMA Guide.

“GNMA Security” means the fully modified pass-through security in the form of a project loan certificate issued by the Lender with a maturity date not later than December 1, 2042, registered in the name of the Trustee or its nominee and guaranteed by GNMA as to timely payment of principal of and interest pursuant to Section 306(g) of the National Housing Act and the regulations promulgated thereunder, backed by the Mortgage Loan made by the Lender to finance the Project in accordance with the Financing Agreement, which Mortgage Loan is insured by the Secretary of Housing and Urban Development by and through the Federal Housing Administration. The GNMA Security may be delivered under the book-entry system authorized by GNMA.

“GNMA Security Delivery Date” means December 31, 2007 or the latest date the GNMA Security can be delivered to the Trustee in accordance with Indenture, unless extended in accordance with the Indenture.

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

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

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

“Indentures” means collectively, the Senior Indenture and the Subordinate Indenture.

“Information Services” include Financial Information, Inc., “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302 Attention: Editor; Kenny Information Services, “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10004; Moody’s Investors Service “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor’s Ratings Group “Called Bond Record,” 25 Broadway, New York, New York 10004; or, in accordance with then current guidelines of

the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the Issuer may designate in writing to the Trustee.

“Interest Payment Date” or *“Payment Date”* means (a) June 20 and December 20 of each year, commencing June 20, 2008, and (b) the Maturity Date.

“Issue Date” means the Closing Date.

“Issuer” means the Housing Authority of the City of Chula Vista, California, a public body corporate and politic, duly organized and existing under the laws of the State of California, together with its permitted successors and assigns.

“Issuer Documents” means the Resolution, the Financing Agreement, the Indenture, the Bond Purchase Agreement and the Regulatory Agreement.

“Issuer Fees” means the financing fee payable to the Issuer at closing and the Issuer’s annual administration fee in an amount equal to 0.125% of the original principal amount of the Bonds, paid annually in advance on each December 20 commencing December 20, 2008.

“Legislation” means any resolution, ordinance or similar legislative action taken by the Issuer.

“Lender” means Red Mortgage Capital, Inc., an Ohio corporation, and its successors and assigns.

“Maturity Date” means December 20, 2042.

“Mortgage” means the Deed of Trust with Assignment of Rents given by the Borrower for the benefit of the Lender, insured by FHA, as the same may be modified from time to time, evidencing the Lender’s security interest in the Project, which Mortgage secures the Mortgage Note.

“Mortgage Loan” means the mortgage loan used to finance the acquisition, rehabilitation and equipping of the residential rental housing project originated by the Lender, insured by FHA, evidenced by the Mortgage Note, secured by the Mortgage and backing the GNMA Security, all in accordance with the Financing Agreement.

“Mortgage Loan Documents” means, the FHA Commitment, the Mortgage Note, the Mortgage, the FHA Regulatory Agreement and any related documents between the Borrower and the Lender or FHA and all other documents entered into by the Borrower in connection with the making of the Mortgage Loan by the Lender. The term *“Mortgage Loan Documents”* shall also include the National Housing Act and all rules and regulations of HUD.

“Mortgage Note” or *“Note”* means the Deed of Trust note executed by the Borrower in favor of the Lender, evidencing the Borrower’s obligation to the Lender for the Mortgage Loan, and which has been endorsed for FHA insurance, as appropriate.

“Mortgage Rate” means 6.20% per annum, the rate of interest on the Mortgage Loan.

“National Housing Act” means the National Housing Act of 1934, as amended (Public Law 479, 48 Stat. 1246, 12 U.S.C. 1701 et seq.).

“*Notice by Mail*” or “*notice*” of any action or condition “*by Mail*” means a written notice meeting the requirements of the Indenture mailed by certified or registered mail to the Holders of specified registered Bonds at the addresses shown in the Bond Register.

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

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

(b) Bonds for the payment or redemption of which moneys or obligations will have been theretofore deposited with the Trustee in accordance with the Indenture; and

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

“*Paying Agent*” or “*paying agent*” means the Trustee and its successors designated pursuant to the Indenture.

“*Payment Date*” means June 20 and December 20 of each year, commencing June 20, 2008.

“*Payment in Full of the Bonds*” means the first date when there are no longer any Bonds deemed to be Outstanding pursuant to the Indenture.

“*Person*” and words importing persons means associations, partnerships (including without limitation, general and limited liability companies), joint ventures, societies, estates, trusts, corporations, limited liability companies, limited liability partnerships, public and governmental bodies, any other legal entities and natural persons.

“*Project*” means the 132-unit project located in Chula Vista, California, financed in part with proceeds of the Mortgage Loan, and known as Oxford Terrace Apartments, as more particularly described in the Regulatory Agreement.

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

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

- (i) Government Obligations;
- (ii) direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category;
- (iii) obligations, in each case rated in the Highest Rating Category, of (a) any state or territory of the United States of America, (b) any agency, instrumentality, authority or political subdivision of a state or territory, (c) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision or (d) any state or territory of the United States of America or any agency, instrumentality, authority or political subdivision of a state or territory which have been advance refunded and are secured by Government Obligations or by other such pre-refunded municipal securities;
- (iv) any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category;
- (v) commercial paper rated in the Highest Rating Category;
- (vi) interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (a) the Qualified Financial Institution’s unsecured short-term obligations are rated in the Highest Rating Category or (b) such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation;
- (vii) an agreement held by the Trustee for the investment of moneys at a guaranteed rate with a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, provided that the investment agreement is in a form acceptable to the Issuer and the Lender, and provided, further, that the investment agreement includes the following restrictions:
 - (1) the invested funds are available for withdrawal without penalty or premium at any time that (a) the Trustee is required to pay moneys from the Fund(s) to which the investment agreement is applicable or (b) any Rating Agency indicates that it will lower, suspend or withdraw or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the investment agreement;
 - (2) the investment agreement is the unconditional and general obligation of the Qualified Financial Institution providing, and, if applicable, the Qualified Financial Institution guaranteeing or insuring, the investment agreement, and is not subordinated to any other obligation;
 - (3) the Trustee receives an Opinion of Counsel that the investment agreement is legal, valid, binding and enforceable, in accordance with its terms, upon the

Qualified Financial Institution providing the investment agreement and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a Qualified Financial Institution guaranteeing or insuring the investment agreement is legal, valid, binding and enforceable, in accordance with its terms, upon such Qualified Financial Institution; and

(4) the investment agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the investment agreement is withdrawn or suspended by any rating agency or falls below the Highest Rating Category, such Qualified Financial Institution will, within ten (10) days following the withdrawal, suspension or downgrade, either: (a) (1) collateralize the investment agreement (if the investment agreement is not already collateralized) with Qualified Investments described in paragraph (i) or (ii) above by depositing such collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain (A) the integrity of the Cash Flow Projection most recently provided with respect to the Bonds and (B) the then-current rating of the Bonds, or, if the investment agreement is already collateralized, increase the collateral with Qualified Investments described in paragraph (i) or (ii) above by depositing such collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain (C) the integrity of the Cash Flow Projection most recently provided with respect to the Bonds and (D) the then-current rating of the Bonds, (2) transfer the investment agreement and the rights and obligations of the Qualified Financial Institution under the investment agreement to a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or (3) deliver a guarantee from a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category or (b) at the direction of the Trustee, following the failure of the Qualified Financial Institution to take one or more of the actions described in the foregoing clauses (a)(1)-(a)(3), repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee unless required by law. The investment agreement may provide that the Qualified Financial Institution providing the investment agreement will have the right to elect among the actions described in clauses (a)(1), (a)(2) and (a)(3), but will not have the right to elect the action described in clause (b) as an alternative to the actions described in clauses (a)(1), (a)(2) and (a) (3);

(viii) any money market mutual fund (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated “AAAm-G” or “AAAm” by S&P or “Aaa” by Moody’s, so long as the portfolio of such money market mutual fund is limited to Government Obligations and/or agreements to purchase Government Obligations; if approved in writing by the Lender, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (ii) or (iii) above; a money market mutual fund is not a Qualified Investment if both S&P and Moody’s rate the money market mutual fund and one such rating is below the level required by this paragraph (viii);

(ix) any other investment authorized by the laws of the State if such investment is approved by the Lender and the Rating Agency;

provided that Qualified Investments will not include the following: (1) any investment with a final maturity or any agreement with a term greater than one year from the date of the investment (except (a) obligations that provide for the optional or mandatory tender, at par, by the holder of such obligations at least once within one year of the date of purchase, (b) Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to Article VIII and (c) investments listed in paragraph (vii) and (ix) above), (2) any obligation (other than obligations described in paragraph (i) and (ii) above) with a purchase price greater or less than the par value of such obligation, (3) any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities, (4) any interest-only or principal-only stripped security, (5) any obligation bearing interest at an inverse floating rate, (6) any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity, (7) any investment the interest rate on which is variable and is established other than by reference to a single interest rate index plus a single fixed spread, if any, and which interest rate moves proportionately with that index, (8) any investment described in paragraph (iv) or (vii) above with a Qualified Financial Institution (as defined in clause (d) of the definition of “Qualified Financial Institution”) if the Qualified Financial Institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the investment agreement and (9) any investment to which the Rating Agency has added an “r” or “t” highlighter.

If an investment agreement is entered into which does not require the Qualified Financial Institution providing the investment agreement to either (a) satisfy one or more of the requirements of clause (a) of subparagraph (4) of paragraph (vii) above upon a withdrawal or suspension of, or downgrade in the rating of the Qualified Financial Institution providing the investment agreement or (b) compensate the Trustee for any loss in yield upon reinvestment if the investment agreement is terminated following a withdrawal or suspension of, or downgrade in, the rating of the Qualified Financial Institution providing, guaranteeing or insuring the investment agreement, the yield on the investment agreement above the minimum yield permitted by the Rating Agency (presently 1.75% per annum) will not be taken into account in any Cash Flow Projection provided to the Rating Agency in connection with its rating of the Bonds.

“*Rating Agency*” means Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies, Inc. and its successors and assigns, or if it is dissolved or no longer assigns credit ratings then any other nationally recognized statistical rating agency then maintaining a rating on the Bonds.

“*Rebate Amount*” means any amount calculated to be due and payable to the United States pursuant to the Financing Agreement.

“*Rebate Analyst*” means Eichner & Norris, PLLC, and its successors under the Indenture.

“*Rebate Fee*” means the cost of arbitrage rebate calculation payable in an amount equal to \$3,750 payable on June 20, 2012 and on each fifth anniversary of such date thereafter, subject to pro rata reduction to the extent of any reduction in the principal balance of any GNMA Security other than pursuant to scheduled amortization. Any such reduction in the Rebate Fee shall be payable by the Borrower pursuant to the Financing Agreement.

“*Rebate Fund*” means the fund of that name established by and described in the Indenture.

“*Rebate Requirement*” means the amount calculated to be due and payable to the United States with respect to the Bonds pursuant to the Tax Certificate.

“*Record Date*” means, with respect to a Payment Date, the close of business on the fifth day of the month in which such Payment Date occurs, whether or not a Business Day, or in the case of any proposed redemption, the fifteenth day next preceding the date of mailing notice of such redemption. With respect to any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Payment Date, the Record Date shall be a date established by the Trustee, and shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the payment of such defaulted interest.

“*Redemption Date*” means any date on which Bonds are redeemed in accordance with the Indenture.

“*Redemption Price*” means, unless otherwise provided, the principal amount thereof plus accrued interest to the date fixed for redemption.

“*Registrar*” means the Trustee, or any successor Registrar, appointed in accordance with this Indenture, each of which shall be a transfer agent registered in accordance with Section 17(A)(c) of the Securities Exchange Act of 1934. “*Designated Office*” of the Registrar shall mean the designated corporate trust office of the Trustee if the Trustee is serving as Registrar, and with respect to any other Registrar shall mean the office thereof designated in writing to the Trustee.

“*Regulatory Agreement*” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of November 1, 2007 (as supplemented and amended from time to time), by and among the Issuer, the Trustee, the trustee for the Subordinate Bonds and the Borrower.

“*Resolution*” means the Resolution of the Issuer adopted with respect to the Bonds, authorizing the issuance and sale of the Bonds, as it may from time to time be supplemented, modified or amended.

“*Revenues*” means (i) all income derived from the investment of money credited to the funds and accounts created under the Indenture; and (ii) on and after the respective dates of payment therefor, all payments required to be made to the Trustee under the GNMA Security.

“*Seasoned Funds*” means (a) any Bond proceeds, (b) money that (i) constitutes proceeds of any refunding obligations and (ii) has been paid directly to the Trustee and has never come into the possession or control of the Borrower, (c) any payment of principal, interest or premium or prepayment penalty passed through to the Trustee under the GNMA Security, (d) any moneys with respect to which the Trustee has received an opinion of qualified nationally recognized bankruptcy counsel acceptable to the Trustee to the effect that the use by the Trustee of such moneys in accordance with the Indenture would not constitute an avoidable preference under the provisions of the Indenture, and will not be recoverable under the provisions of the Indenture and will not be subject to the automatic stay provisions of the Indenture, respectively, of the Federal Bankruptcy Code or similar laws of the United States of America or the State in the event a petition in bankruptcy is filed by or against the entity depositing such moneys; and (e) the proceeds from the investment of money described in (a), (b), (c) and (d) above.

“*Section 8*” means Section 8 of the United States Housing Act of 1937, as amended.

“*Securities Depositories*” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; Pacific Securities Depository Trust Company, Pacific and Company, P.O. Box 7041, San Francisco, California 94120, Fax (415) 393-4128; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496-5058; or, in accordance with the then current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other

securities depositories or any such other securities depositories or any such other securities depositories or any such depositories as the Issuer may designate in writing to the Trustee.

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

“*State*” means the State of California.

“*Subordinate Bonds*” means the Issuer’s Multifamily Housing Revenue Bonds (Oxford Terrace Apartments) Subordinate Series 2007B to be issued and delivered on the Closing Date.

“*Supplemental Indenture*” means any indenture duly authorized and entered into between the Issuer and the Trustee amending or supplementing the Indenture in accordance with the provisions thereof.

“*Surplus Cash*” means surplus cash as defined in the FHA Regulatory Agreement.

“*Tax Certificate*” means the Tax Regulatory Agreement and No-Arbitrage Certificate, dated the Closing Date, executed and delivered by the Issuer and the Borrower.

“*Transfer*” means any conveyance, transfer, whether by sale, exchange, gift or assignment or other disposition of a facility.

“*Trust Estate*” means the property rights, money, securities and other amounts pledged and assigned pursuant to the Granting Clauses of the Indenture.

“*Trustee*” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, and any successor as trustee under the Indenture.

“*Trustee Fees*” means the fees, expenses and disbursements for the Trustee and Dissemination Agent, payable annually in advance to the Trustee, in an amount equal to \$2,800 commencing December 20, 2008 and each December 20 thereafter, subject to pro rata reduction to the extent of any reduction in the principal balance of any GNMA Security other than pursuant to scheduled amortization. Any such reduction in the fee shall be payable to the Borrower pursuant to the Financing Agreement.

“*Underwriter*” means Kinsell, Newcomb & De Dios, Inc.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

[Date of Closing]

Housing Authority of the City of Chula Vista
Chula Vista, California

Re: \$2,309,000 *Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (GNMA Collateralized – Oxford Terrace Apartments), Series 2007A and the \$2,363,000 Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (Oxford Terrace Apartments), Subordinate Series 2007B*

Ladies and Gentlemen:

We have acted as Bond Counsel to the Housing Authority of the City of Chula Vista (the “Authority”) in connection with the issuance of its \$2,309,000 Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (GNMA Collateralized – Oxford Terrace Apartments), Series 2007A (the “Senior Bonds”) and its \$2,363,000 Housing Authority of the City of Chula Vista Multifamily Housing Revenue Bonds (Oxford Terrace Apartments), Subordinate Series 2007B (the “Subordinate Bonds,” and, together with the Senior Bonds, the “Bonds”).

The Senior Bonds have been issued pursuant to a resolution of the Authority adopted on October 2, 2007 (the “Resolution”), the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Act”), and a Trust Indenture, dated as of November 1, 2007 (the “Senior Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Subordinate Trustee”). The Subordinate Bonds have been issued pursuant to the Resolution, the Act, and a Subordinate Indenture, dated as of November 1, 2007 (the “Subordinate Indenture,” and, together with the Senior Indenture, the “Indentures”), by and between the Authority and U.S. Bank National Association, as subordinate trustee (the “Subordinate Trustee”). Capitalized terms used herein and not defined shall have the meanings given to them in the Indentures. The Senior Bonds and the Subordinate Bonds are separately secured under the Senior Indenture and the Subordinate Indenture, respectively.

The Senior Bonds are dated the date of original delivery of the Senior Bonds, and mature on the date and bear interest at the rates per annum set forth in the Senior Indenture. The Senior Bonds are registered Senior Bonds in the form set forth in the Senior Indenture, redeemable in the amounts, at the times and in the manner provided for in the Senior Indenture.

The Subordinate Bonds are the date of original delivery of the Subordinate Bonds and mature on the date and bear interest payable on the dates and at the rates per annum set forth in the Subordinate Indenture. The Subordinate Bonds are issuable only as fully registered Subordinate Bonds in the forms set forth in the Subordinate Indenture, redeemable at the times and in the manner provided for in the Subordinate Indenture.

The Bonds are being issued for the purpose of financing the acquisition, rehabilitation and improvement of a multi-family rental project (the “Project”) by Oxford Terrace Partners, L.P., a California limited partnership (the “Borrower”). In the event that certain conditions set forth in the

Indenture are satisfied subsequent to the issuance of the Bonds, the proceeds of the Bonds will be loaned to the Borrower to acquire, rehabilitate and improve the Project.

In rendering our opinion, we have examined the Act and originals or certified copies of the Resolution, the Indentures, the Financing Agreement dated as of November 1, 2007 (the "Financing Agreement"), by and among the Authority, the Trustee and the Borrower, the Subordinate Loan Agreement dated as of November 1, 2007 (the "Subordinate Loan Agreement"), by and among the Authority, the Trustee and the Borrower and the Regulatory Agreement and Declaration of Restrictive Covenants dated as of November 1, 2007 (the "Regulatory Agreement"), by and among the Authority, the Trustee and the Borrower, and such other information and documents as we have deemed necessary to render the opinions set forth herein. As to questions of fact material to the opinions stated herein, we have relied upon representations made by the Authority in the Indenture, and by the Authority and the Borrower in the Regulatory Agreement, the certified proceedings of the Authority and certifications of public officials of the Authority, the Borrower, the initial purchasers of the Bonds and others furnished to us without undertaking to verify through independent investigation the accuracy of the representations and certifications relied upon by us. In rendering this opinion, we have assumed the genuineness of all signatures and documents presented to us. The Indentures, the Financing Agreement, the Subordinate Loan Agreement and the Regulatory Agreement are collectively referred to herein as the "Bond Documents."

Based upon our examination of all of the foregoing, and in reliance thereon, and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) the Senior Bonds have been duly and validly authorized, executed and delivered by the Authority and are valid and binding special and limited obligations of the Authority, payable solely out of the revenues and receipts provided therefor in the Senior Indenture;

(2) the Subordinate Bonds have been duly and validly authorized, executed and delivered by the Authority and are valid and binding special and limited obligations of the Authority, payable solely out of the revenues and receipts provided therefor in the Subordinate Indenture;

(3) the Bond Documents have been duly authorized, executed and delivered by the Authority and, assuming proper authorization, execution and delivery by the respective other parties thereto, are valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms;

(4) the Senior Indenture creates a valid, express and irrevocable trust under the laws of the State of California of the Trust Estate (as defined in the Senior Indenture) held or set aside under the Senior Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Senior Indenture;

(5) the Subordinate Indenture creates a valid, express and irrevocable trust under the laws of the State of California of the Trust Estate (as defined in the Subordinate Indenture) held or set aside under the Subordinate Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Subordinate Indenture;

(6) assuming continuing compliance subsequent to the issuance of the Bonds with the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Bonds, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any

period during which such Bond is held by a “substantial user” of the property financed with the proceeds of the Bonds or a “related person,” as such terms are used in Section 147(a) of the Code; provided, however, interest on the Bonds is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; and

(7) interest on the Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraphs (1) through (5) above are subject to the condition that the enforceability of the Bond Documents and the Bonds may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance, insolvency, by other laws affecting creditors’ rights generally, by the exercise of judicial discretion in accordance with general principles of equity and by limitations on legal remedies against public agencies in the State of California. In addition, we express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained therein.

The opinion expressed in paragraph (6) above as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is subject to the condition that the applicable requirements of the Code are complied with subsequent to the issuance of the Bonds. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressly set forth in paragraph (6) above, we express no opinion as to any federal tax consequences with respect to the Bonds.

Certain requirements and procedures contained or referred to in the Bond Documents and the Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on the Bonds on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction and express no opinion as to the enforceability of the choice of law provisions contained in the Bond Documents.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF 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, copies of which are on file with the Issuer and the Trustee.

Establishment of Funds

The following funds and accounts will be established and maintained by the Trustee under the Indenture:

- (a) Acquisition Fund;
- (b) Bond Fund;
- (c) Costs of Issuance Fund;
- (d) Expense Fund; and
- (e) Rebate Fund.

The Trustee will be entitled to establish other trust funds and accounts including, but not limited to, an account for Seasoned Funds in the Bond Fund as the Trustee will deem necessary in order to properly administer the Trust Estate. The Trustee may also terminate funds and accounts that are no longer needed.

Acquisition Fund

The Trustee will deposit into the Acquisition Fund the amount required by the Indenture and any amounts paid to the Trustee for deposit into the Acquisition Fund as described below. Proceeds of the Bonds will be allocated to the payment, or reimbursement of the payment, of qualified costs of the Project.

On the date on which the Trustee or its nominee acquires the GNMA Security in accordance with the Financing Agreement, the Trustee will remit to the Lender, to the extent of available funds, an amount equal to 100% of the GNMA Security, plus accrued interest thereon (such accrued interest to be withdrawn from the Bond Fund).

On the first Business Day following the acquisition of the GNMA Security, the Trustee will transfer to the Bond Fund from the Acquisition Fund an amount, if any, by which the principal amount of the GNMA Security acquired by the Trustee is less than the principal amount of the Mortgage Loan as set forth in the Indenture (except to the extent such difference is due to regularly scheduled payments on the Mortgage Note received by the Lender prior to delivery of the GNMA Security to the Trustee), for application to the extraordinary mandatory redemption of Bonds pursuant to the Indenture. If the GNMA Security is not delivered by the GNMA Security Delivery Date, the amount of the Acquisition Fund will remain invested in Qualified Investments, until redemption of the Bonds in the applicable principal amount pursuant to the Indenture.

The Trustee will on the GNMA Security Delivery Date use any remaining funds in the Acquisition Fund for the redemption of the Bonds in accordance with the Indenture.

Upon the acquisition of the GNMA Security by the Trustee, the Trustee is to transfer any remaining balance in the Acquisition Fund to the Bond Fund.

Bond Fund

All payments received by the Trustee with respect to the GNMA Security representing scheduled payments of principal and/or interest thereon, all investment earnings from moneys on deposit in the Acquisition Fund, Expense Fund and Bond Fund and all moneys received by the Trustee with respect to the Financing Agreement will be deposited in the Bond Fund. Any payments received by the Trustee with respect to prepayments of the GNMA Security will be paid into the Bond Fund.

On each Payment Date the Trustee will disburse amounts in the Bond Fund in the following order of priority:

- (i) to pay the interest due and payable on the Bonds on such Payment Date;
- (ii) to pay the principal of the Bonds due and payable on such Payment Date whether at maturity or pursuant to mandatory sinking fund redemption;
- (iii) to transfer to the Expense Fund, that amount, after considering amounts of deposit therein in accordance with the Indenture, which is equal to the Issuer Fees, the Trustee Fees and the Rebate Fee, if any, due on such Payment Date;
- (iv) to transfer to the Rebate Fund, that amount, if any, required pursuant to the Tax Certificate and the Indenture;
- (v) on the first Business Day after the First Interest Payment Date after the GNMA Security has been delivered to pay to the Lender an amount equal to (A) all previously unreimbursed amounts provided by the Lender to effect any extension of the GNMA Security Delivery Date, as set forth in a certificate of the Lender plus (B) all other amounts due to the Lender as set forth in a certificate of the Lender; provided, however, that such disbursements, if any, shall not be made if such disbursements would reduce the balance in the Bond Fund to a balance of less than \$13,000.

The Trustee will deposit into the Bond Fund (i) amounts transferred from the Acquisition Fund as required by the Indenture, (ii) amounts received as prepayments of principal with respect to the GNMA Security held by the Trustee in accordance with the Indenture, and (iii) amounts received from or on behalf of the Borrower representing a redemption premium paid by the Borrower with respect to a voluntary prepayment of its Mortgage Loan in an amount corresponding to the redemption premium specified in the Indenture. The Trustee will apply amounts in the Bond Fund to pay the principal of and redemption premium, if any, of Bonds redeemed prior to maturity in accordance with the Indenture. Interest earned on moneys set aside in the Bond Fund which are not needed to pay principal of and premium, if any, on Bonds called for redemption will be retained in the Bond Fund.

The GNMA Security will be held at all times for the benefit of the Bondholders. If the Trustee does not receive a payment on the GNMA Security when due by the fifteenth day of any month, the Trustee will immediately, but no later than the close of business on the next Business Day, notify the Lender and demand payment. If the Lender does not make payment by the end of the next Business Day,

the Trustee will immediately notify and demand payment from, GNMA in immediately available funds, and such payment will be deposited in the Bond Fund upon receipt.

All Seasoned Funds received as premium payments will be deposited under the Indenture separate and apart from other money in an account established for such purpose in the Bond Fund and will be used to redeem Bonds in accordance with the Indenture.

Costs of Issuance Fund

Amounts in the Costs of Issuance Fund will be disbursed by the Trustee only to pay Costs of Issuance upon receipt of a written requisition of the Borrower which requisition will state the amount to be paid, the payee and the purpose for such payment. On the date that is 120 days following the date of initial execution and delivery of the Indenture, the Trustee will remit to or at the direction of the Borrower all amounts remaining in the Costs of Issuance Fund.

Expense Fund

The Trustee is to apply moneys on deposit in the Expense Fund on each Payment Date in the following order of priority and solely for the following purposes: (i) to pay the Trustee Fees; (ii) to pay the Issuer Fees; and (iii) to pay the Rebate Fee, if any.

Rebate Fund

The Rebate Fund shall be separate from any other fund established and maintained under the Indenture or under any laws governing the creation and use of funds by the Issuer. There shall be deposited in the Rebate Fund the Rebate Requirement (with respect to the Bonds) in accordance with the Tax Certificate. Subject to the transfer provisions described below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Issuer nor the Borrower nor the Holder of any Bonds shall have any rights in or claim to such money.

Notwithstanding any other provisions in the Indenture, the Trustee shall deposit amounts to the Rebate Fund from deposits by the Borrower or from amounts available for such purpose held in the Bond Fund, if and to the extent required, when stipulated pursuant to the Tax Certificate. Within 30 days after the end of every fifth Bond Year (as defined in the Tax Certificate), and within 55 days after the date on which no Bonds are Outstanding, the Borrower or the Trustee shall cause the Rebate Analyst to deliver to the Trustee and the Issuer a certificate stating whether any rebate payment is required to be made, as set forth in the Tax Certificate, and the Borrower shall deliver to the Trustee any amount so required to be paid.

The Trustee shall have no obligations to rebate any amounts required to be rebated as described under this heading, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the Borrower.

The Trustee shall invest all amounts held in the Rebate Fund in Qualified Investments, described in clause (8) of the definition thereof, subject to the restrictions set forth in the Tax Certificate.

The Trustee shall remit part or all of the balances in the Rebate Fund to the United States or as reimbursement to the Borrower upon written request of the Borrower certifying that such amount has been duly paid by the Borrower to the United States. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or

provision made therefor satisfactory to the Trustee shall be withdrawn and remitted to the Borrower; provided, however, that any funds from the FHA Insurance shall be returned to FHA.

Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the Indenture described under this heading and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

In the event of any conflict between the requirements of the Indenture described under this heading and the Tax Certificate, the terms of the Tax Certificate shall control.

Investment of Funds

All moneys in any Fund will be invested in Qualified Investments upon the written direction of the Borrower (or by a consultant approved by the Borrower which consultant may be the Trustee), with proper regard for the preservation of principal. In the absence of instructions from the Borrower to the Trustee, the Trustee will, to the extent practicable, invest solely in Qualified Investments specified in Section (8) of the definition thereof. The investments and earnings on the Acquisition Fund, the Bond Fund and the Expense Fund will be held by the Trustee and deposited in the Bond Fund and the investments and earnings on all other Funds will be deemed at all times to be a part of the fund and account in which such money was held; provided that for purpose of investment, money held in any of the funds established under the Indenture (except the Rebate Fund) may be commingled; provided, however, that any money held by the Trustee as Seasoned Funds will be held by the Trustee in a separate account. Each investment will mature on or before the Business Day prior to the day such amounts are required and in the amounts required, to enable the Trustee to make payments due on the Bonds or otherwise under the Indenture, but in no event (except in the case of the investment agreement) longer than 180 days from the date of acquisition. The Trustee is directed to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund will be insufficient to cover a proper disbursement therefrom. The Trustee will not comply with any request which is inconsistent with the express provisions of the Indenture.

Qualified Investments purchased as an investment of moneys in any fund or account established pursuant to the Indenture will be credited to such fund or account. Except as provided in the next sentence, all investment of amounts deposited in any fund or account created by or pursuant to the Indenture or otherwise containing the gross proceeds of the Bonds (within the meaning of Section 148 of the Code) will be acquired, disposed of and valued (as of the date that valuation is required by the Indenture or the Code) at Fair Market Value (which calculation will be the responsibility of the Borrower. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code will be valued by or on behalf of the Borrower at their present value (within the meaning of the Code).

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell at the market price or present for redemption, any Qualified Investment so purchased whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Qualified Investment is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment. The Trustee may trade with itself or any of its affiliates, in the purchase and sale of securities for such investments and may charge its ordinary and customary fees for such trades, including cash sweep fees. Investments in any and all funds and accounts (except the Rebate Fund) may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee under the Indenture, provided that the Trustee will at all times account for such investments

strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture.

Final Balances

Upon final payment or provision for such final payment of all principal of, premium, if any, and interest on the Bonds, upon final payment to the United States Treasury, if any, and upon satisfaction of all claims arising under the Indenture, including the payment of all fees, charges and expenses of the Trustee, the Issuer, the Dissemination Agent, the Rebate Analyst and the Lender which are properly due and payable thereunder, or upon the making of adequate provision for the payment of such amounts, as permitted thereby, all moneys remaining in all Funds is to be remitted to the Borrower.

Events of Default

Each of the following is an “event of default” under the Indenture:

- (a) default in the due and punctual payment of any interest on any Bond; or
- (b) default in the due and punctual payment of the principal of or premium, if any, on any Bond whether at the stated maturity thereof, or on proceedings for redemption thereof; or
- (c) default, and the continuation thereof for a period of 30 days following notice to the Trustee, in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds.

Notwithstanding the occurrence of any Event of Default under the Indenture, so long as the GNMA Security is delivered to the Trustee on or before the GNMA Security Delivery Date, as the same may be extended, the Trustee will purchase the GNMA Security from the Lender pursuant to the provisions of the Indenture and the funds on deposit in the Acquisition Fund and the Bond Fund will remain available for such purpose.

The Trustee will notify Bondholders of any Event of Default of which pursuant to the Indenture it has notice of or is deemed by the Indenture to have notice of an Event of Default.

An event of default under the Indenture will not constitute an event of default under the documents relating to the Mortgage Note or the GNMA Security.

Remedies

Subject to its right to indemnification and reimbursement as provided in the Indenture, upon the occurrence of an event of default, the Trustee will have the power, but will not be obligated to, proceed with any right or remedy granted by the Constitution and laws of the State, as it may deem best, including any suit, action or special proceeding in equity or at law for the specific performance of any covenant or agreement contained in the Indenture or for the enforcement of any proper legal or equitable remedy as the Trustee deems most effectual to protect its rights under the Indenture, insofar as such may be authorized by law; provided, however, that, in connection with any default described in (c) above, the Trustee is not to accelerate the indebtedness on the Bonds Outstanding by declaring the principal of all Bonds and the interest accrued thereon immediately due and payable without the written consent or request of the holders of 100% of the Bonds Outstanding.

Rights of Bondholders

If any event of default has occurred and if requested so to do by the holders of not less than 25% of the principal amount of the Bonds Outstanding, and if indemnified as provided in the Indenture, the Trustee will be obliged to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interest of the holders.

Application of Moneys

All moneys received by the Trustee or a receiver pursuant to any right given or action taken under the default provisions of the Indenture and all moneys in the possession of the Trustee will, subject to any provision made pursuant to the Indenture, after payment of the cost and expenses of any proceedings resulting in the collection of such moneys, including the fees and expenses of the Trustee and its counsel in connection therewith, be deposited in the Bond Fund; and all moneys in the Bond Fund are to be applied, together with the other moneys held by the Trustee subject to the Indenture, as follows:

Unless the principal of all the Bonds has become due and payable or has been declared due and payable, all such moneys are to be applied:

FIRST—to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Bonds;

SECOND—to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds that have become due (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Indenture) whether at maturity or by call for redemption, in the order of their due dates and beginning with the earliest such due date, with interest on such Bonds from the date upon which they become due and, if the amount available is not be sufficient to pay in full principal of, premium, if any, and interest on the Bonds due on any particular date, together with such interest, then to the payment thereof ratably, according to the amount of the principal, interest, and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

THIRD—to the payment of any extraordinary amounts due to the Trustee; and

FOURTH—to the payment of any unpaid fees and expenses of the Trustee, the Issuer, the Dissemination Agent, the Rebate Analyst and the Lender;

If the principal of all the Bonds has become due and payable or has been declared due and payable, all such moneys are to be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, and if the amount available is not sufficient to pay in full such principal, premium, if any, and interest, then to the payment ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied as described in this subcaption, such moneys are to be applied at such times, and from time to time as the Trustee determines, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee applies such funds, it is to fix the date (which will be an Interest Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee is to give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and is not required to make payment to the holder of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Remedies of Bondholders

No holder of any Bond is to have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereunder or for the appointment of a receiver or any other remedy thereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in the Indenture; (b) such default has become an event of default; (c) the holders of at least 25% of the aggregate principal amount of the Bonds Outstanding have made written request to the Trustee and have offered reasonable opportunity either to proceed to exercise the powers granted to it in the Indenture or to institute such action, suit or proceeding in its own name; (d) such holders have offered to the Trustee indemnity as provided in the Indenture; and (e) the Trustee within 60 days thereafter fails or refuses to exercise such powers, or to institute such action, suit or proceeding; and such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts under the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for any other remedy under the Indenture; it being understood and intended that no one or more holders of the Bonds are to have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture or the rights of any other holders of Bonds or to obtain priority or preference over any other holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all holders of Bonds. Nothing contained in the Indenture, however, is to affect or impair the right of any Bondholder to enforce the payment of the principal of, the premium, if any, and interest on any Bond at the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds to the respective holders thereof, at the time, in the place, from the sources and in the manner expressed in the Bonds.

Waivers of Events of Default

The Trustee is to waive any event of default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of a majority of the principal amount of the Bonds then Outstanding; provided, however, that there is not to be waived (a) any Event of Default in the payment of the principal of any Bonds at the date of maturity specified therein, or upon proceedings for mandatory redemption, or (b) any default in the payment when due of the interest or premium on any such Bonds, unless prior to such waiver or rescission all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default has occurred on overdue installments of interest or all arrears of payments of principal or premium, if any, when due (whether at the stated maturity thereof or upon proceedings for mandatory redemption) as the case may be, and all fees, costs, and expenses of the Trustee, in connection with such default Seasoned Funds in an amount necessary to cure such default will have been made or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default is discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders are to be restored to

their former positions and rights under the Indenture respectively, but no such waiver or rescission is to extend to any subsequent or other default, or impair any right consequent thereto.

Non-Default and Prohibition of Mandatory Redemption Upon Tax Event

The occurrence of any event (“Tax Event”) which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the Bondholders, including any violation of any provision of the Regulatory Agreement or any of the other Bond Documents, shall not (i) directly or indirectly constitute an Event of Default under the Indenture or permit acceleration of, the Mortgage Loan or the Bonds, or (ii) give rise to a mandatory redemption of the Bonds, or (iii) give rise to the payment to the Bondholders of any amount, denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages,” “damages” or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the Tax Event. Nothing described under this heading will be deemed to amend or supplement the terms of the Mortgage Loan Documents. Promptly upon determining that a Tax Event has occurred, the Issuer or the Trustee, by notice in writing to the Loan Servicer, all Registered Owners of the Bonds and the Underwriter, shall state that a Tax Event has occurred and whether the Tax Event is cured, curable within a reasonable period or incurable. Notwithstanding the availability of the remedy of specific performance to cure a Tax Event that is curable within a reasonable period, neither the Issuer nor the Trustee shall have, upon the occurrence of a Tax Event, any right or obligation to cause or direct acceleration of the Bonds or the Mortgage Loan, to enforce the Mortgage Note or to foreclose the Mortgage, to accept a deed to the Project in lieu of foreclosure, or to effect any other comparable conversion of the Project.

Supplemental Indentures

The Issuer and the Trustee may with the prior written consent of the Lender (except for (i) below in which case no consent is required) which consent is not to be unreasonably denied and, without the consent of or notice to any of the Bondholders, enter into an indenture or indentures supplemental to the Indenture as will not be inconsistent with the terms and provisions thereof or materially adverse to the interests of the holders of the Bonds for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) to change or modify any provision thereof so as to make it consistent, to the maximum extent practicable, with existing rules, regulations and procedures of HUD and FHA;
- (c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them;
- (d) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral;
- (e) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute or under any state securities laws;
- (f) to make such other changes that do not adversely affect the security of the Bondholders (it being intended that so long as there is no adverse effect on the GNMA Guaranty Agreement or reduction in the payments due under the Mortgage Note, the Bondholders will not be considered to be adversely affected unless the Trustee determines otherwise);

- (g) to permit the Trustee to comply with any obligations imposed upon it by law;
- (h) to achieve compliance of the Indenture with any applicable federal securities or tax laws;
- (i) to maintain the exemption from federal and, if applicable, State income taxation of interest on the Bonds;
- (j) to improve or maintain the rating on the Bonds so long as such change does not affect the interest rates or maturities of the Bonds; or
- (k) in connection with any other change in the Indenture that, in the judgment of the Trustee, in reliance upon an opinion of counsel, is not to the prejudice of the Trustee or the Bondholders.

With the prior written consent of the Lender, and the consent of the holders of not less than two-thirds of the principal amount of the then outstanding Bonds, the Issuer and the Trustee may, from time to time, enter into supplemental indentures for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in the provisions described in this paragraph contained is to permit, or to be construed as permitting (a) an extension of the stated maturity or a reduction in the principal amount or reduction in the rate, or extension of time of payment of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the holder of such Bond; (b) the creation of any lien prior to or on a parity with the lien of the Indenture; (c) a reduction in the amount of principal amount of Bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding that would be affected by the action to be taken; (d) the modification of the rights, duties or immunities of the Trustee without the consent of the Trustee; (e) a privilege or priority of any Bond over any other Bonds; (f) any action that may result in the interest on the Bonds being includable in gross income for federal income tax purposes; or (g) a reduction in the number of Bondholders required to consent to an acceleration after an event of default described in (c) under the heading "Events of Default" above, without the consent of the holders of 100% of the principal amount of the outstanding Bonds.

Anything in the Indenture to the contrary notwithstanding, a supplemental indenture under the Indenture that increases the obligations of the Borrower or Lender is not to become effective unless and until the Borrower or Lender has consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee will cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Borrower or Lender at least 15 days prior to the proposed date of execution and delivery of any supplemental indenture. The Borrower will be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Borrower on or before the close of business of the Trustee on the fifteenth day after the mailing of said notice and a copy of the proposed supplemental indenture.

Amendment of Certain Documents

The Issuer and the Trustee may, with the opinion of Bond Counsel, make or consent to any amendment, change or modification of the GNMA Security and the Financing Agreement or the Regulatory Agreement for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said documents, as the Issuer and the Trustee may deem necessary or desirable and not inconsistent

with said documents or the Indenture and which will not adversely affect the interests of the holders of the Bonds or adversely affect the rating on the Bonds.

The Trustee

The Trustee is appointed the Trustee under the Indenture for the purpose of receiving all moneys which the Issuer is required to deposit or cause to be deposited with the Trustee under the Indenture, to hold in trust, allocate, use and apply the same as provided in the Indenture and otherwise to hold all the offices and to perform all the functions and duties provided in the Indenture to be held and performed by the Trustee. The Trustee will, prior to an Event of Default, and after the curing of all events of default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee will, during the existence of any event of default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent individual would exercise or use under the circumstances in the conduct of his or her own affairs. The Trustee signifies its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering the Indenture; and by executing and delivering the Indenture, the Trustee is deemed to have accepted such duties and obligations, but only upon the terms and conditions set forth in the Indenture.

The Trustee may at any time resign by giving 45 days written notice of such resignation to the Issuer and by giving the Bondholders notice of such resignation by mail. Upon receiving such notice of resignation, the Issuer will promptly appoint a successor Trustee by an instrument in writing.

Discharge of Lien

If the Issuer (i) pays or causes to be paid to the holders of the Bonds the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and in the Indenture, and has paid all fees and expenses of the Trustee, the Issuer, the Rebate Analyst and the Dissemination Agent and (ii) keeps, performs and observes all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the estate and rights granted by the Indenture, at the option of the Issuer, are to cease, determine and be void, and thereupon the Trustee is to cancel and discharge the lien of the Indenture and execute and deliver to the Issuer such instruments in writing as are requisite to satisfy the lien thereof, is to reconvey to the Issuer the estate thereby conveyed, and is to assign and deliver to the Issuer any interest in property at the time subject to the lien of the Indenture which may then be in its possession, except amounts held by the Trustee for the payment of principal of and interest and premium, if any, on the Bonds.

All Bonds, prior to the maturity or redemption date thereof, are deemed to have been paid within the meaning and with the effect expressed in the paragraph above if, under circumstances that do not cause the interest on the Bonds to become includable in gross income for federal income tax purposes, the following conditions have been fulfilled: (a) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Issuer has given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, notice of redemption of such Bonds on said date; and (b) there is on deposit with the Trustee either money or direct obligations of, or obligations guaranteed by, the United States of America in an amount that, together with known investment earnings thereon, is sufficient to pay when due the principal, premium, if applicable, and interest due and to become due on the Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

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

General Terms of the Financing

In order to provide financing for the Project and pay financing costs pertaining thereto, including certain costs of issuance of the Bonds, the Issuer will, concurrently with the execution of the Financing Agreement and subject to the conditions set forth in the Indenture, issue, sell and deliver the Bonds pursuant to the Indenture and will deposit the proceeds from the sale of the Bonds and other money provided for that purpose with the Trustee, as provided in the Indenture. The Lender agrees to make the Mortgage Loan to the Borrower in accordance with the terms and conditions of the FHA Commitment upon endorsement of the Mortgage Note by FHA for FHA Insurance and to use commercially reasonable efforts to issue the GNMA Security as provided in the Financing Agreement to obtain proceeds of the Bonds to make the Mortgage Loan. Notwithstanding any provision to the contrary contained in the Financing Agreement, the Lender will have no obligation to make the Mortgage Loan or issue the GNMA Security unless and until FHA will have endorsed the Mortgage Note for FHA Insurance. The Borrower agrees to make all payments under the Mortgage Note when due and the Borrower agrees to abide by the provisions of the Borrower Documents applicable to the Borrower.

Borrower and Issuer Not to Adversely Affect Federal Tax Status of the Bonds

The Borrower, for the benefit of the Issuer and each Bondholder, represents that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required of it, alone or in conjunction with the Issuer under the Financing Agreement, to maintain the Federal Tax Status of the Bonds. The Borrower represents that it has not taken or permitted to be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf (other than an action required by HUD under the National Housing Act, the applicable regulations thereunder, or the Mortgage Loan Documents), any actions that would adversely affect such Federal Tax Status. The Borrower agrees that it will not make any changes in the Project that will result in a violation of the limitation of the maturity of the Bonds under Section 147(b) of the Code. The covenants of the Borrower in the Financing Agreement with respect to preservation of such Federal Tax Status are made expressly subject to all HUD requirements (or prohibitions) pursuant to the National Housing Act, HUD insurance regulations, the Mortgage Loan Documents and the applicable regulations adopted pursuant thereto.

If the Borrower becomes aware of any situation, event or condition which would adversely affect the Federal Tax Status of the Bonds, the Borrower will promptly give written notice thereof to the Issuer, the Lender and the Trustee.

The Issuer covenants that it will take, or require to be taken, all actions that may be required of the Issuer to maintain the Federal Tax Status of the Bonds. It will not take or authorize to be taken any actions that would adversely affect such Federal Tax Status under the Code. In order to comply with this paragraph, the Issuer may and is authorized to rely upon the advice and direction of Bond Counsel.

The Borrower and the Issuer have entered into a Regulatory Agreement for purposes of assuring that the Federal Tax Status of the Bonds will be maintained.

Amendments, Changes and Modifications

The Financing Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties and only as set forth in the Indenture.

Delivery of the GNMA Security

The Lender agrees to use commercially reasonable efforts to deliver to the Trustee or its nominee the GNMA Security as soon as practicable and in any event on or before the GNMA Security Delivery Date; provided that the GNMA Security will not be dated or bear interest from a date before the Closing Date. The Borrower agrees to cooperate with the Lender in any manner reasonably requested in order to achieve the timely delivery of the GNMA Security to the Trustee or its nominee. Neither the Borrower nor the Lender have any reason to believe that the GNMA Security will not be delivered to the Trustee or its nominee on or before the GNMA Security Delivery Date. The Trustee agrees that it will hold the GNMA Security in trust for the benefit of the Bondholders.

Acquisition of GNMA Security

Terms. The GNMA Security will be dated the first day of the month in which it is delivered and will be stated to pay interest on the fifteenth day of each month commencing the fifteenth day of the month following the month of the date of issue. The GNMA Security will be at the rate and terms that are stated in the Indenture.

Purchase Price and Delivery of the GNMA Security. The Lender will use commercially reasonable efforts to deliver the GNMA Security with respect to the Project to the Trustee or the Trustee's nominee as soon as practicable after the closing of the Mortgage Loan. Simultaneously with the receipt by the Trustee or the Trustee's nominee of the GNMA Security (with sufficient notice by the Lender to the Trustee to permit liquidation of the necessary Qualified Investments, and otherwise as soon as practicable), the Trustee will, to the extent permitted by the Indenture, pay the Lender in immediately available funds an amount equal to the principal amount of the GNMA Security, plus accrued interest from the dated date of the GNMA Security so acquired at the rate of interest on the GNMA Security to (but not including) the date of its acquisition by the Trustee. If delivery of the GNMA Security is after the Commencement of Amortization of the Mortgage Loan, the Lender will hold in escrow pursuant to applicable GNMA requirements any payments of principal of the Mortgage Loan after Commencement of Amortization and prior to the GNMA Security issue date and upon delivery of the GNMA Security (i) retain any principal amortization payments which reduced the principal amount of the GNMA Security to less than the original principal amount of the Mortgage Loan and (ii) will pass any remaining principal payments through to the Trustee or its nominee, and the Trustee will deposit any such principal payments to the Bond Fund.

Funding the Acquisition of the GNMA Security from the Acquisition Fund. The Trustee will advance funds from the Acquisition Fund (and the Bond Fund to the extent provided in the Indenture), in accordance with the procedures set forth in the Financing Agreement, to acquire the GNMA Security upon delivery of the GNMA Security. The Trustee will not advance funds under the Financing Agreement until the GNMA Security in the correct denomination and bearing the correct rate is delivered and is otherwise in compliance with the Financing Agreement and the Indenture.

Limitation on Payment for GNMA Security. Nothing in the Financing Agreement will be construed to impose a duty on the Trustee to purchase the GNMA Security in an aggregate par amount in excess of the original principal amount of the Bonds plus accrued interest from the date of issuance to the

date of delivery, nor will there be any duty on the Trustee to use the moneys other than those available as described above.

Mortgage Loan to Borrower

Upon compliance with the terms and conditions of the FHA Commitment and the Mortgage Loan Documents, the Lender agrees to make the Mortgage Loan to the Borrower on the terms and conditions specified in the Financing Agreement and in the FHA Commitment and the Mortgage Loan Documents. The Mortgage Loan (i) will be insured by FHA under Section 223(f) of the National Housing Act and applicable regulations thereunder, as evidenced by the endorsement by FHA of a Mortgage Note for FHA Insurance; (ii) will be in such principal amount as may be approved by FHA, but in no event in excess of the original principal amount of the Bonds, (iii) will bear interest at the Mortgage Rate; (iv) will have the term described under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE NOTE AND MORTGAGE" herein; (v) will be payable in equal monthly installments of principal and interest, with amortization commencing on the date established pursuant to the Financing Reports; (vi) will be secured on a nonrecourse basis pursuant to the Mortgage Loan Documents; and (vii) will not be subject to prepayment prior to maturity except as set forth in the Mortgage Note in accordance with the provisions of the Financing Agreement, and to the extent, if any, required by applicable rules, regulations, policies and procedures of FHA and/or GNMA.

Sufficiency of Acquisition Fund

THE ISSUER DOES NOT MAKE ANY WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE MONEY DEPOSITED UNDER THE INDENTURE AND AVAILABLE FOR THE PURPOSE OF PAYMENT OF THE COSTS OF THE PROJECT WILL BE SUFFICIENT TO PAY ALL THE COSTS THEREOF. The Borrower agrees that if the Borrower pays any cost relating to the costs of the Project, the Borrower will not be entitled to any reimbursement therefor from the Lender, the Issuer, the Trustee or the Holders of the Bonds except out of Bond proceeds allocated to the Borrower upon satisfaction of all other terms and conditions in the Financing Agreement governing disbursements.

Failure to Deliver the GNMA Security by the GNMA Security Delivery Date

Any provisions in any other document to the contrary notwithstanding, in the event the GNMA Security in a principal amount equal to the principal amount of the Mortgage Loan at endorsement (or such lesser amount as required to take into account scheduled principal payments on the Mortgage Loan prior to delivery of the GNMA Security) is not delivered to the Trustee or its nominee by the GNMA Security Delivery Date, the remaining funds held in the Acquisition Fund under the Indenture must be used to redeem Bonds, and neither the Borrower nor the Lender will be entitled to any use of such funds.

Additional Payments by the Borrower

The Borrower agrees to pay, whether out of the proceeds of its Mortgage Loan or other funds (i) all Costs of Issuance of the Bonds, (ii) the costs of obtaining the FHA Insurance for the Mortgage Loan and (iii) all expenses incurred in closing the Mortgage Loan.

The Borrower agrees to provide or cause to be provided all sums required under the Indenture in order to extend GNMA Security Delivery Date, and the Borrower further agrees to execute any and all certificates required by the Lender, the Issuer or the Trustee in order to effectuate such extension pursuant to the provisions of the Indenture.

To the extent not paid by the Trustee from the Expense Fund, the Borrower will be obligated to pay (i) the Trustee Fees to the extent that the funds available under the Indenture for the payment thereof are not sufficient and available therefore, (ii) the Extraordinary Trustee's Fees and Expenses, and (iii) to the extent the Trustee employs any experts that it deems necessary to advise it as to the manner of carrying out redemptions under the Indenture, to the Trustee any expense so incurred by the Trustee.

To the extent not paid by the Trustee from the Acquisition Fund or the Expense Fund, the Borrower will be obligated to pay to the Issuer the Issuer Fees and will reimburse or pay the Issuer for any and all costs, expenses and liabilities, including but not limited to, amounts paid or incurred by the Issuer in satisfaction of any obligation of the Borrower to pay costs and expenses of non-Borrower parties under the Financing Agreement not paid by the Borrower in accordance with the terms thereof. The Issuer will have no obligation to pay, advance funds to pay, or cause to be paid, any costs or expenses of Borrower or non-Borrower parties under the Financing Agreement for any purpose. The Borrower will also be obligated to prepay or reimburse the Issuer for any and all expenses (including reasonable attorneys' fees) paid or to be paid by the Issuer, or required by its Borrower Documents or the Indenture or incurred in enforcing the provisions of its Borrower Documents or the Indenture, or incurred in defending any action or proceedings with respect to the Project, the Borrower Documents or the Indenture, or arising out of or based upon any other document relating to the issuance of the Bonds, which are not otherwise required to be paid by the Borrower under the Financing Agreement.

To the extent not paid by the Trustee from the Expense Fund, the Borrower will be obligated to pay the Rebate Fee and any other necessary consultant employed by the Borrower, the Trustee or the Issuer in connection with any of the requirements imposed by the Indenture and the Tax Certificate to the extent that the funds available under the Indenture for the payment thereof are not sufficient and available therefor. The Borrower will provide or cause to be provided all information and moneys (including moneys necessary to make deposits to the Rebate Fund required by the Indenture and the Tax Certificate and the Rebate Fee to the extent available moneys in the Expense Fund under the Indenture are inadequate to pay such amounts) related to the Borrower, the Mortgage Loan and/or the Project to the Trustee and the Rebate Analyst to enable the Trustee and the Rebate Analyst to perform the duties imposed by the Indenture and the Tax Certificate.

The Borrower will be obligated to pay the Dissemination Agent Fee to the extent the funds available from the Expense Fund under the Indenture are not available therefor as well as any other costs and expenses in order to provide for compliance with the terms of the Disclosure Agreement.

In the event the Borrower is in default under any provision of any of the Borrower Documents, the Borrower will be liable to, and upon demand will pay to, the Issuer, the Trustee and the Lender all reasonable fees and disbursements of such persons and their agents (including attorneys' fees and expenses) which are reasonably connected therewith or incidental thereto except to the extent such fees and disbursements are paid from moneys available therefor under the Indenture.

The Lender will be entitled to retain any payments received from the Borrower as late charges properly due and payable pursuant to the Mortgage Note. The Lender will also be entitled to retain any profits realized from the use of FHA debentures when paying annual FHA Insurance premiums.

Investment of Fund Moneys

Subject to the provisions of the Indenture, at the written request of Borrower, any moneys held as part of any fund or account held under the Indenture will be invested or reinvested by the Trustee in Qualified Investments as provided in the Indenture. The Borrower will be obligated to indemnify the Issuer and the Trustee with respect to the investment of such moneys as provided in the Financing

Agreement. The Borrower covenants that all investment directions given by the Borrower to the Trustee will be in strict compliance with (i) all applicable legal requirements for the investment of moneys in the Special Funds and (ii) the Tax Certificate. If any time and from time to time the Borrower determine that it is necessary to restrict or limit the yield on the investment of moneys held by the Trustee under the Indenture in order to prevent the Bonds from becoming arbitrage bonds within the meaning of Sections 103(b)(2) and 148 of the Code, the Borrower will so instruct the Trustee in writing. The Trustee will incur no liability in following instructions as described under this heading.

Sale or Transfer of the Project

No sale, assignment or transfer of title to the Project, except as may be otherwise required by FHA or the Lender, will be made unless (1) the Lender and FHA consent to such assignment or transfer, (2) the transferee or assignee, as the case may be, assumes all the duties of the Borrower under the Borrower Documents, provided that such assumption may contain an exculpation of the assignee from personal liability with respect to any obligation under the Financing Agreement, except the Borrower's obligation to indemnify the Trustee and the Issuer and reimburse the Trustee and the Issuer for the fees and expenses of the Trustee and the Issuer, as the case may be, and (3) no Event of Default with respect to the Project being transferred will have occurred and be continuing under the Indenture or the Financing Agreement. The Trustee will consent to any such assignment or transfer if (i) the Lender notifies it in writing that the aforesaid condition (1) is satisfied, (ii) the Trustee receives an Opinion of Bond Counsel to the effect that such transfer or assignment would not adversely affect the Federal Tax Status of the Bonds, and (iii) the Trustee receives evidence satisfactory to the Trustee that such transfer or assignment will not result in a withdrawal or reduction in any rating on the Outstanding Bonds by the Rating Agency (if the Bonds are then rated by the Rating Agency). Upon the assumption of the duties of the Borrower by an assignee as provided in the Financing Agreement, the outgoing Borrower will be released from all executory obligations so assumed; provided, however, the Borrower will not be released from its obligation to pay or reimburse the fees and expenses of the Issuer, the Lender and the Trustee and to indemnify the Trustee, the Lender and the Issuer without the express written consent of the Trustee, the Lender and the Issuer, as applicable, which consent will not be unreasonably withheld. Nothing described under this heading will be construed to supersede any provisions regarding assignment and transfer of the Project contained in the Mortgage Loan Documents.

Option to Prepay Mortgage Loan

The Borrower will have, and is granted, the option to prepay the Mortgage Loan in accordance with the terms of the Mortgage Note.

The Borrower will not be credited with the amount of any such prepayment made by the Borrower until Bonds have been redeemed pursuant to, and in compliance with, the Indenture.

Notice of Prepayment, Effect on Payments on the GNMA Security

The Borrower will give the Trustee and the Lender at least 30 days prior written notice of its intention to prepay the Mortgage Loan. The Lender will transfer to the Trustee any prepayment, along with any prepayment penalties or premiums paid by the Borrower pursuant to the terms of the Mortgage Note and the terms of the GNMA Security and the provisions of the Financing Agreement. In the event of a partial prepayment by the Borrower, the Lender will, if requested by the Trustee, provide to the Trustee a schedule of the regularly scheduled payments on the GNMA Security. If such prepayment is not made by the time required therefor by the terms of the Mortgage Note, any prepayment penalties or premiums previously received by the Lender and not used to prepay the Mortgage Note will be returned to the Borrower by the Trustee.

Events of Default

The occurrence of any of the events described below with respect to the Borrower will constitute a “default” by the Borrower for all purposes of the Financing Agreement; and each such default will, after the giving of notice, if any, passage of time, if any, or occurrence of any event, if any, specified in the subsection describing such default, constitute an “Event of Default” by the Borrower for all purposes of the Financing Agreement:

(a) Failure by the Borrower to pay when due any amounts required to be paid by the Borrower under the Financing Agreement for thirty (30) days following notice to the Borrower that such amounts are required to be paid; or

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraph (a) above for a period of sixty (60) days after written notice of such failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee will agree in writing to an extension of such time prior to its expiration; provided, however, that if the Borrower will proceed to make such repair, restoration, replacement or to take other curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of sixty (60) days, then, upon notice thereof to the Trustee, such period will be increased without such written extension to such extent as will be necessary to enable the Borrower to complete diligently such curative action.

The provisions of paragraph (b) above are subject to the following limitations: if by reason of acts of God; fires; epidemics; landslides; floods, strikes; lockouts or other industrial disturbances; acts of public enemies; acts or orders of any kind of any governmental authority; insurrections; riots; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any cause or event not reasonably within the control of the Borrower, the Borrower is unable in whole or in part to carry out its agreements on its part contained in the Financing Agreement, other than the obligations on the part of the Borrower to pay loan payments, Additional Payments and taxes and to carry insurance, the Borrower will not be deemed in default during the continuance of such inability. The Borrower will, however, use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreements; provided, that the Borrower will in no event be required to settle strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower.

A default or Event of Default under the Financing Agreement by the Borrower will not be construed as or constitute a default under the Mortgage Loan or any Mortgage Loan Document.

Remedies on Default

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

(a) The Trustee may exercise any and all and any combination of remedies available to it with respect to a defaulting Borrower under the Indenture and the Financing Agreement.

(b) The Trustee may take whatever action at law or in equity may appear necessary or desirable to collect any Additional Payments from a defaulting Borrower and other amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Financing Agreement.

Nothing included in the Financing Agreement, other than as described in the next paragraph and “GNMA Documents, Mortgage Loan Documents and HUD/GNMA Regulations Control; No Recourse Against Project Assets” below, will preclude the Trustee from pursuing any other legal remedy against the defaulting Borrower upon the occurrence of an Event of Default under the Financing Agreement. Further, nothing in the Financing Agreement will be deemed to limit the rights of the Borrower to equitable relief or monetary damages should any other party to the Financing Agreement default under the Financing Agreement, except no such rights will exist as to the Issuer. Notwithstanding the foregoing, remedies for any default under the Financing Agreement, which is not a default under the Mortgage Loan Documents, do not include acceleration of the Mortgage Loan or foreclosure of the Mortgage.

Notwithstanding the foregoing, during the period the FHA Insurance is in force and effect, neither the Issuer nor the Trustee will take any action in connection with the enforcement of the Financing Agreement or any other Bond Document which would result in any claim against FHA under the Mortgage Note, or any claim against the Project, any mortgaged property, Mortgage Loan proceeds, any reserve or deposit made with the Lender or another person or entity required in connection with the FHA endorsement of the Mortgage Note for FHA Insurance, or the rents or other income from the Project.

No Remedy Exclusive

No remedy conferred upon or reserved to the Issuer, the Trustee or the Lender by the Financing Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Financing Agreement or any other document now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer, the Trustee or the Lender to exercise any remedy reserved to it as described in the Financing Agreement, it will not be necessary to give any notice, other than such notice as may be expressly required therein. No remedy contained in the Financing Agreement is intended to diminish or contravene any remedy under the Mortgage Loan Documents.

GNMA Documents, Mortgage Loan Documents and HUD/GNMA Regulations Control; No Recourse Against Project Assets

Notwithstanding any provision in the Financing Agreement or any of the other Bond Documents to the contrary, the parties to the Financing Agreement acknowledge and agree that all of their respective rights and powers under the Financing Agreement and the other Bond Documents are subject and subordinate to the National Housing Act, all applicable HUD regulations and related administrative requirements and the Mortgage Loan Documents, and all applicable GNMA regulations, related administrative requirements and the GNMA Documents and the Mortgage Loan Documents, together with any and all amounts from time to time secured thereby, and interest thereon.

To the extent that there is any conflict, inconsistency or ambiguity between or among the Financing Agreement or any of the other Bond Documents, on the one hand, and any applicable FHA Insurance, or GNMA or HUD statutory, regulatory or administrative requirements or any of the Mortgage

Loan Documents or GNMA Documents, on the other hand, the FHA Insurance, HUD or GNMA statutory, regulatory, or administrative requirements and the terms of the Mortgage Loan Documents or the GNMA Documents, as applicable, will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to, the FHA Insurance, HUD and GNMA statutory, regulatory and administrative requirements and the terms of the Mortgage Loan Documents or the GNMA Documents, as applicable. In addition, it is understood and agreed that any Event of Default under the Financing Agreement or any other Bond Document will not in and of itself constitute a default under the Mortgage Loan Documents or the GNMA Documents.

Nothing contained in the Financing Agreement or any other Bond Document will be construed to restrict or adversely affect the duties and obligations of the Lender under the contract of FHA Insurance.

Any Project funds held by the Lender for or on behalf of the Borrower under the FHA Insurance will be maintained separate and apart from the Funds and Accounts established and held by the Trustee under the Financing Agreement for the Bondholders.

The Issuer, the Trustee, any Bondholder and any other person seeking to enforce the Financing Agreement or any other Bond Document or to collect upon any claim or obligation against the Borrower or a Project arising under the Financing Agreement or under the other Bond Documents, including the parties to the Financing Agreement, do not now have and will not later assert any claim against such Project, the proceeds of the Mortgage Loan, any reserve or deposit made with HUD or another Person required by HUD in connection with the Mortgage Loan, or against the rents or other income from the Project, except to the extent of Surplus Cash of the Borrower.

Anything in the Financing Agreement to the contrary notwithstanding, the enforcement of the Financing Agreement or any other Bond Document will not result in any claim against either of the Project, the mortgaged premises, the proceeds of the Mortgage Loan, any reserve or deposit made with the Lender or required by HUD or the Lender in connection with the Mortgage Loan, or against the rents or other income from the Project, except to the extent of available Surplus Cash of the Borrower.

By signing the Financing Agreement, each of the parties to the Financing Agreement has affirmed that no pledge has been made and that it has no claim, and will not later assert any claim, against the Project, the proceeds of the Mortgage Loan, any reserve or deposit made with the Lender or required by HUD or the Lender in connection with the Mortgage Loan, or against the income from the Project (other than available Surplus Cash of the Borrower) for payment of any obligation contained in the Financing Agreement or in any other Bond Documents. Notwithstanding the foregoing, the parties to the Financing Agreement have acknowledged, and nothing contained in the Financing Agreement or any other Bond Document will be construed to limit or affect, the Lender's rights under the Mortgage Loan Documents.

If the Financing Agreement or any other Bond Document contains any provision requiring the Trustee, the Issuer, the Borrower or any other party to the transaction to take any action necessary to preserve the tax exemption of interest on the Bonds, or prohibiting the Trustee, the Issuer, the Borrower or any other party to the transaction from taking any action that might jeopardize such tax exemption, such provision is qualified to except any actions required (or prohibited) by HUD, FHA or GNMA pursuant to the National Housing Act, the FHA Insurance and GNMA regulations and administrative requirements, the U.S. Housing Act of 1937 and the administrative regulations and requirements promulgated by HUD thereunder, and any of the Mortgage Loan Documents.

For the purposes of the Financing Agreement, all references to HUD's statutory, regulatory or administrative requirements will be deemed to include, but will not be limited to, any applicable statutory,

regulatory or administrative requirements pertaining to the U.S. Housing Act of 1937, as may be applicable.

No amendment to the Financing Agreement or any of the other Bond Documents will be made if such amendment would result in a conflict with the National Housing Act, any applicable HUD regulations, HUD requirements, GNMA regulations, GNMA requirements, the Mortgage Loan Documents or the GNMA Documents.

The Borrower will not be deemed to be in violation of the Financing Agreement or any other Bond Document if it will take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable mortgage insurance regulations, related administrative requirements, the Mortgage Loan Documents, applicable GNMA regulations, related administrative requirements and the GNMA Documents and, if applicable, Section 8 of the U.S. Housing Act of 1937, and regulations promulgated thereunder.

The provisions described under this heading will inure to the benefit of the Lender and HUD, and their successors and assigns.

Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms of the Financing Agreement or any of the other Bond Documents will be made in accordance with the National Housing Act and the HUD regulations. Any assignment, transfer or pledge not made in accordance with the provisions described under this heading and said HUD regulations will be void.

Any pledge of Project funds for the Project for the benefit of the Bondholders is limited to a pledge of principal and interest payments and premium received by the Trustee on the GNMA Security. There is no pledge to the Trustee of gross revenues of the Project or any Project assets.

The Bonds are not a debt of the United States of America, HUD, GNMA, FHA or any other governmental agency and are not guaranteed by the full faith and credit of the United States.

In the event that proceeds are received from a condemnation award or from the payment of a claim under a hazard insurance policy, early redemption of the Bonds can arise only subsequent to a prepayment of the Mortgage.

The Financing Agreement does not provide for the creation of a project reserve for replacement.

In the event of any conflict between any provision contained elsewhere in the Financing Agreement or in any other Bond Document and any provision described under this heading, the provisions described under this heading will govern and be controlling in all respects.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

General

The Regulatory Agreement between the Borrower, the Trustee and the Issuer restricts the operation and occupancy of the Project. The covenants contained in the Regulatory Agreement are designed to obtain, among other things, compliance by the Borrower and any subsequent owner of the Project with the requirements of Section 142(d) of the Code and Section 1.103-8(b)(4) of the Regulations, which must be satisfied in order to maintain the exclusion of the interest on the Bonds from the gross income of their holders for Federal income tax purposes. See “THE BORROWER AND THE PROJECT – Occupancy and Rental Restrictions.”

Residential Property Restrictions

Under the terms of the Regulatory Agreement, during the Qualified Project Period, the Borrower is required to own, manage and operate the Project as a “residential rental project” within the meaning of Section 142(d) of the Code and Section 1.103-8(b)(4) of the Regulations. The Project is required to consist only of buildings that contain only residential units and functionally related and subordinate facilities.

The Qualified Project Period means the period beginning on the later of (a) the date when the first of the Bonds are issued or (b) the date on which at least ten percent of the units in the Project are first occupied and ending on the latest of the date (i) that is 15 years after the date on which at least 50 percent of the residential units in the Project are occupied, (ii) that is the first date on which no tax-exempt private activity bond issued with respect to the Project is outstanding or (iii) on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates.

The Regulatory Agreement specifically requires the Borrower to make the residential units in the Project available for lease to the general public without preference, other than to Qualified Tenants (as defined below under “Qualified Tenants”), and prohibits the Borrower from, among other things, allowing any unit in the Project ever to be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court. At no time is the Borrower or a person related to the Borrower to occupy a residential unit in the Project, except up to two units in the Project may be occupied by employees of the Borrower hired to assist in the management of the Project who have no ownership interests or any other exception permitted by law.

Continuous Rental

The Borrower is required, at all times during the Qualified Project Period, to rent or make available for rental each unit in the Project to members of the general public on a continuous basis except for Qualified Tenants as described above, and is not to grant any commercial leases or permit commercial uses.

Qualified Tenants

Under the terms of the Regulatory Agreement, at all times during the Qualified Project Period, not less than ten percent (10%) of the units in the Project shall be continuously occupied by or held available for occupancy by Very Low Income Tenants. “Very Low Income Tenants” means and includes individuals or families with an Adjusted Income which does not exceed 50 percent of the Median Income for the Area as adjusted in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act of 1937 and as adjusted for household size as set forth in the Regulatory Agreement. Additionally, not less than another thirty percent (30%) of the units in the Project shall be continuously occupied by or held available for occupancy by Low Income Tenants. “Low Income Tenants” means and includes individuals or families with an Adjusted Income which does not exceed 60 percent of the Median Income for the Area as adjusted in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act of 1937 and as adjusted for household size as set forth in the Regulatory Agreement. In no event, however, will the occupants of a unit of the Project be considered to be Low Income Tenants or Very Low Income Tenants (collectively, “Qualified Tenants”) if all the occupants are students, no one of whom is entitled to file a joint return for Federal income tax purposes. For purposes of satisfying that requirement, a residential unit will be treated as occupied by Qualified Tenants if the individual or family occupying the unit are Qualified Tenants at the commencement of occupancy, even if they cease to be Qualified Tenants during their tenancy, except where any such resident’s income as of the most recent determination exceeds 140 percent of the 60 percent income limitation amount, and after such determination, but before the next determination, shall be treated as a residential unit of comparable or smaller size in the Project that is occupied by a new resident whose income exceeds that 60 percent limitation. A residential unit that is vacant will still be treated as occupied by a Qualified Tenants if it was last occupied by a Qualified Tenant and has not been reoccupied by another person for more than a temporary period (not to exceed 31 days).

The Regulatory Agreement requires the Borrower to determine annually the current income of each tenant treated as a Qualified Tenant. Furthermore, under the terms of the Regulatory Agreement, the Borrower must periodically prepare and submit to the Issuer certification of continuing program compliance, in substantially the form set forth in the Regulatory Agreement.

Transfer Restrictions

During the Qualified Project Period, the Borrower is required not to do any of the following: sell, transfer, assign, convey, change title to or otherwise dispose of the Project or any interest in it (a “Transfer”), in whole or in part, unless the Issuer has received an opinion of Bond Counsel, which opinion is acceptable to the Issuer, to the effect that such transfer will not adversely affect the exclusion from federal gross income interest on any of the Bonds from gross income of their holders for purposes of federal income taxation.

General Tax-Related Covenants

The Issuer and the Borrower each have agreed in the Regulatory Agreement that, to the best of its ability, (a) it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion of the interest on the Bonds from the gross income of their holders for Federal income tax purposes; (b) it will take all actions as may be necessary, in the written opinion of Bond Counsel, to comply fully with all rules, rulings, policies, procedures, Regulations, and other official statements promulgated, proposed, or made by the Department of Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code and Regulations under that Section; and (c) it will file or record such documents and take such other steps as are necessary, in order to ensure that

the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project.

Term

Unless the Issuer has received a written opinion of Bond Counsel addressed to it to the effect that early termination of the Regulatory Agreement will not adversely affect the exclusion of the interest on all of the Bonds from gross income of their holders for federal income tax purposes, the Regulatory Agreement is to remain in full force and effect for a term equal to the Qualified Project Period. Notwithstanding the immediately preceding sentence, the Regulatory Agreement will terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, foreclosure or delivery of a deed in lieu of foreclosure, change in a Federal law or an action of a Federal agency after the date of the Regulatory Agreement that prevents the Issuer from enforcing the requirements of the Regulatory Agreement, condemnation or other similar event and (b) the payment in full and retirement of the Bonds within a reasonable period after that event. However, the restrictions described above are to be automatically reinstated if, at any time subsequent to the foreclosure or the delivery of a deed in lieu of foreclosure or similar event, the Borrower or any related person (within the meaning of the Regulations) obtains an ownership interest in the Project for Federal income tax purposes.

Provisions Regarding FHA

From and after the date that the Borrower acquires the Project, in the event of any conflict between any non-HUD provision contained in the Regulatory Agreement and any HUD provision, the HUD provisions of the Regulatory Agreement will govern and be controlling in all respects. Specifically, except the requirements in 26 U.S.C. 42(h)(6)(E)(ii), if applicable, the provisions of the Regulatory Agreement are expressly subordinate to the Mortgage, to the FHA Regulatory Agreement, and subordinate to all applicable FHA Regulations and related administrative requirements. In the event of any conflict between the non-HUD provisions of the Regulatory Agreement and the provision of an applicable FHA Regulation, related HUD administrative requirements, or HUD/FHA loan documents, the FHA Regulations, related administrative requirements or loan documents will control.

In the event of foreclosure or transfer of title by deed in lieu of foreclosure, any and all land use covenants contained in the Regulatory Agreement will automatically terminate. Failure to comply with the land-use covenants contained in the Regulatory Agreement will not serve as a basis for default on the Mortgage. Enforcement of the covenants in the Regulatory Agreement will not result in any claim against the Project or the Mortgage proceeds, any reserve or deposit required by HUD/FHA and/or the mortgagee in connection with the Mortgage transaction, or the rents or other income from the Project other than:

- (i) Available surplus cash, if the Borrower is profit-motivated;
- (ii) Available distributions and residual receipts authorized for release by HUD, if the Borrower is limited distribution; or
- (iii) Available residual receipts authorized by HUD, if the Borrower is non-profit.

Any subsequent amendment to the Regulatory Agreement is subject to prior HUD written approval. No action may be taken in accordance with the rights granted in the Regulatory Agreement to preserve the tax exemption of the interest on the Tax-Exempt Bonds or tax credits, or prohibiting the Borrower from taking any action that might jeopardize the tax-exemption and tax credits, except in strict accord with the National Housing Act, applicable mortgage insurance regulations, or the HUD/FHA loan documents or Section 8 of the U.S. Housing Act of 1937 and the regulations thereunder.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$2,309,000

**Housing Authority of the City of Chula Vista
Multifamily Housing Revenue Bonds
(GNMA Collateralized—
Oxford Terrace Apartments)
Series 2007A**

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of November 1, 2007 (this “Disclosure Agreement”), is executed and delivered by Oxford Terrace Partners, L.P., a California limited partnership (the “Borrower”) and U.S. Bank National Association, in its capacity as Dissemination Agent hereunder (the “Dissemination Agent”) and in its capacity as trustee (the “Trustee”) for the holders of the above-captioned bonds (the “Bonds”) under the Trust Indenture, dated as of the date of this Disclosure Agreement (the “Indenture”), between the Housing Authority of the City of Chula Vista (the “Issuer”) and the Trustee. The Borrower, the Dissemination Agent and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Holders of the Bonds and in order to assist the Participating Underwriter in complying with, and constitutes the written undertaking of the Borrower for the benefit of the Bondholders required by, Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. § 240.15c2-12) (the “Rule”).

The Borrower, as an “obligated person” within the meaning of the Rule, undertakes to provide the following information as provided in this Disclosure Agreement:

- (a) Annual Financial Information;
- (b) Audited Financial Statements, if any; and
- (c) Material Event Notices.

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

“*Annual Financial Information*” means, in the case of the Borrower, the financial information or operating data with respect to the Project, provided at least annually, of the type included in Exhibit A hereto, which Annual Financial Information may, but is not required to, include Audited Financial Statements.

“*Audited Financial Statements*” means, in the case of the Borrower, the annual audited financial statements, if any.

“*Beneficial Holders*” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

“*Dissemination Agent*” means the Dissemination Agent named above, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“*Holder*” means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in its depository system.

“*Material Event*” means any of the following events with respect to the Bonds, if material:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related Events of Default under and as defined in the Indenture;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to rights of Bondholders;
- (h) Bond calls (other than mandatory sinking fund redemptions);
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Bonds; and
- (k) Rating changes.

“*Material Event Notice*” means written or electronic notice of a Material Event.

“*MAC*” means the Texas Municipal Advisory Counsel.

“*NRMSIR*” means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule; the NRMSIRs as of the date of this Disclosure Agreement being set forth at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Project*” means the project financed with proceeds of the Bonds.

“*SID*” means a state information depository as operated or designated by the State as such for the purposes referred to in the Rule; there is no *SID* as of the date of this Disclosure Agreement.

Section 3. Provision of Annual Reports.

(a) While any Bonds are outstanding with respect to the Project, the Borrower shall, or upon written direction shall cause the Dissemination Agent to, provide the Annual Financial Information on or before June 1 of each year (the “Borrower Report Date”), beginning on or before June 1, 2008 to each then existing NRMSIR and the *SID*, if any. If the Dissemination Agent is to provide the Annual Financial Information, not later than 15 Business days prior to said date, the Borrower shall provide the Annual Financial Information to the Dissemination Agent. The Borrower shall include with each such submission of Annual Financial Information to the Dissemination Agent a written representation addressed to the Dissemination Agent, upon which the Dissemination Agent may conclusively rely, to the effect that the Annual Financial Information is the Annual Financial Information required to be provided by it pursuant to this Disclosure Agreement and that it complies with the applicable requirements of this Disclosure Agreement. In each case, the Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Annual Financial Information may be provided by specific cross-reference to other documents previously provided to each NRMSIR and the *SID*, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board, as provided in the definition of Annual Financial Information. The Audited Financial Statements, if any, may, but are not required to be, provided as a part of the Annual Financial Information.

(b) If not provided as part of the Annual Financial Information, the Borrower shall, or, upon furnishing such Audited Financial Statements to the Dissemination Agent shall cause the Dissemination Agent to, provide Audited Financial Statements when and if available while any Bonds are Outstanding with respect to the Project to each then existing NRMSIR and the *SID*, if any.

(c) If by 15 Business days prior to an Borrower Report Date the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall contact the Borrower to give notice that the Dissemination Agent has not received the Annual Financial Information and that such information must be provided to the NRMSIRS and *SID*, if any, by the applicable Report Date.

(d) The Dissemination Agent shall:

(i) determine prior to the Borrower Report Date the name and address of each NRMSIR and each *SID*, if any; and

(ii) to the extent the Borrower has provided the Annual Financial Information to the Dissemination Agent and required such information be sent to each NRMSIR or *SID*, file a report with the Borrower certifying that the Annual Financial Information has been provided by the Dissemination Agent to each NRMSIR and *SID*, if any, pursuant to this Disclosure Agreement, stating the date it was provided and listing each then existing NRMSIR and the *SID*, if any, to which it was provided.

(e) If the Dissemination Agent does not receive the Annual Financial Information from the Borrower required by clause (a) of this Section by the applicable Report Date, the Dissemination Agent shall, without further direction or instruction from the Borrower, provide to the Municipal Securities Rulemaking Board and to the SID, if any, notice of any such failure to provide to the Dissemination Agent Annual Financial Information by the applicable Report Date. For the purposes of determining whether information received from the Borrower is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the written representation made by the Borrower pursuant to this Section.

(f) Any filing required to be made hereunder may be made by transmitting such filing to MAC at <http://www.disclosureusa.org> unless the SEC has withdrawn its interpretive advice in its letter to MAC dated September 7, 2004.

Section 4. Reporting of Significant Events.

(a) (i) If a Material Event occurs while any Bonds are Outstanding, the Borrower shall provide a Material Event Notice in a timely manner to the Dissemination Agent and instruct the Dissemination Agent to provide such Material Event Notice in a timely manner to the Municipal Securities Rulemaking Board and the SID, if any. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(ii) The Trustee shall promptly advise the Borrower of the occurrence of any event with respect to the Bonds of which the Trustee has actual knowledge which, if material, would constitute a Material Event. For purposes of this Disclosure Agreement, “actual knowledge” of such event shall mean knowledge by a Responsible Officer of the Trustee at the Corporate Trust Office of the existence of such event. Notwithstanding anything to the contrary herein, the Trustee shall have no duty to determine the materiality of any such event.

(b) Whenever the Borrower obtains actual knowledge of the occurrence of an event which, if material, would constitute a Material Event, whether because of a notice from the Trustee pursuant to subsection (a) or otherwise, the Borrower shall as soon as reasonably possible determine if such event would constitute material information for Bondholders and is, therefore, a Material Event.

(c) If the Borrower provides to the Dissemination Agent information relating to the Borrower or the Bonds, which information is not designated as a Material Event Notice, and directs the Dissemination Agent to provide such information to NRMSIRs, the Dissemination Agent shall provide such information in a timely manner to the NRMSIRs or the Municipal Securities Rulemaking Board and the SID, if any.

Section 5. Termination of Reporting Obligation. The Borrower’s, the Dissemination Agent’s and the Trustee’s obligations under this Disclosure Agreement shall automatically terminate once the Bonds are no longer outstanding or, with respect to the Trustee or the Dissemination Agent, as appropriate, upon the resignation or removal of the Trustee or the Dissemination Agent.

Section 6. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent upon notice to the Dissemination Agent. The Dissemination Agent may resign at any time by providing

30 days' written notice to the Borrower. The initial Dissemination Agent shall be the Dissemination Agent named herein.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower, the Dissemination Agent and the Trustee may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Borrower and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the Borrower shall have provided notice of such delivery and of the amendment to each then existing NRMSIR or the MSRB and the SID, if any, provided that neither the Trustee nor the Dissemination Agent shall be obligated to agree to any amendment that modifies the duties or liabilities of the Dissemination Agent or the Trustee without their respective consent thereto. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal reimbursements, change in law or change in the identity, nature or status of the obligated person or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Beneficial Holders and Holders of any of the Bonds, as determined either by parties unaffiliated with the Borrower (such as counsel expert in federal securities laws), or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment. The initial Annual Financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Financial Information or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Material Event.

Section 9. Default. In the event of a failure of the Borrower, the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, at the written direction of the Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee receives indemnification to its satisfaction, or any Beneficial Holder or Holder of any of the Bonds may, seek mandate or specific performance by court order, to cause the Borrower, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement; provided that none of the Borrower, the Dissemination Agent or the Trustee shall be liable for monetary damages or any other monetary penalty or payment for breach of any of its obligations under this Section or unless, in the case of the Borrower, such breach shall

have been willful or reckless. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Financing Agreement, and the rights and remedies provided by the Indenture and the Financing Agreement upon the occurrence of an “Event of Default” shall not apply to any such failure. The sole remedy under this Disclosure Agreement in the event of any failure of the Borrower, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the benefits, protections and provisions thereof to the same extent as the Trustee. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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 or Trustee’s respective negligence or willful misconduct. The Dissemination Agent and Trustee shall be paid compensation by the Borrower for its services provided hereunder and all expenses, legal fees and advances made or incurred by the Dissemination Agent hereunder. The Dissemination Agent and Trustee shall have no duty or obligation to review any information provided to it by the Borrower hereunder and shall not be deemed to be acting in a fiduciary capacity for the Borrower, the Holders or Beneficial Holders of the Bonds or any other party. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Bonds.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and the Beneficial Holders and Holders of any Bonds and shall create no rights in any other person or entity.

Section 12. Interpretation. It being the intention of the Borrower that there be full and complete compliance with the Rule, this Disclosure Agreement shall be construed in accordance with the written guidance and no-action letters published from time to time by the Securities and Exchange Commission and its staff with respect to the Rule.

Section 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State.

Section 14. 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.

Section 15. HUD Regulations Control. Notwithstanding anything in this document to the contrary, the provisions hereof are subordinate to the Mortgage Loan Documents (as such term is defined in the Financing Agreement) and all applicable HUD mortgage insurance regulations and related administrative requirements. In the event of any conflict between this Disclosure Agreement and the provisions of the Mortgage Loan Documents, any applicable HUD regulations, related HUD administrative requirements, the HUD regulations, related administrative requirements or Mortgage Loan Documents shall control. This Disclosure Agreement is also subordinate to the Mortgage Loan and the rights of HUD under the FHA Regulatory Agreement.

No provisions of this Disclosure Agreement or related documents, including the Financing Agreement are intended to and shall not in any manner alter or conflict with Title 24 of the Code of Federal Regulations or the contracts of FHA Insurance or the Lender's closing documents executed in connection with a Mortgage Loan under Section 207 pursuant to Section 223(f) of the National Housing Act, as applicable (collectively, the "FHA Documents"), and to the extent that they do so, in the opinion of the Secretary of Housing and Urban Development or his successors, this Disclosure Agreement, the Financing Agreement, and related documents, shall be amended or shall be deemed to be amended so as not to alter or conflict with the FHA Documents. Any assignment, transfer or pledge of the Mortgage Loan or a participation in the Mortgage Loan by way of a participation or other arrangement which may be made pursuant to the terms hereof shall be made in accordance with the National Housing Act and the FHA Regulations. Any assignment, transfer or pledge not made in accordance with the terms hereof or said regulations shall be void. Whenever any provision of this Disclosure Agreement requires the approval of FHA, any such provision shall be understood to require the prior written approval of FHA.

A default under this Disclosure Agreement shall not constitute a default under the Mortgage or Mortgage Note. Nothing contained in this Disclosure Agreement any other Bond Documents referred to herein shall restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between the Lender and HUD. The Lender will maintain certain FHA-required escrow funds for the benefit of the Borrower outside the terms of this Disclosure Agreement. The enforcement of this Disclosure Agreement will not result in the Trustee or a Bondholder having any right to, interest in, or claim against any FHA-required escrow funds, the Project, the proceeds of the Mortgage Loan, any reserve or deposit required by the FHA regulations in connection with the Mortgage Loan, or the rents or other income from the Project (other than available Surplus Cash of the Borrower). By execution hereof, each of the undersigned affirms that no pledge has been made and that it has no claim, and will not later assert any claim, against the Project, the mortgage proceeds, any reserve or deposit made with the Lender or any deposit required by HUD in connection with the mortgage transactions, or against the income from the Project for payment of any obligation contained herein; provided, however, that this provision shall not alter, affect or diminish the rights of the Lender under the Mortgage Loan Documents.

(a) No amendment to this Disclosure Agreement shall conflict with the provisions of the National Housing Act, any applicable HUD (and Section 8 of the U.S. Housing Act of 1937, if applicable) regulations, related administrative requirements, and the Mortgage Loan Documents.

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

(c) There is no pledge of the gross revenues or any of the assets of the Project.

(d) The Lender will hold escrow funds required under the Mortgage Loan outside the terms of this Disclosure Agreement, and the Project funds held by the Lender will not be deposited in any of the funds or accounts created by this Disclosure Agreement or under the control of the Trustee.

(e) A default under this Disclosure Agreement shall not constitute a default under the Mortgage Loan Documents.

(f) Nothing contained herein or in the Financing Agreement shall inhibit or impair the right of the Lender to require or agree to any amendment, change or modification of the Mortgage Loan Documents for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under

said Mortgage Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bonds.

(g) This Disclosure Agreement shall not be construed to restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between FHA and the Lender with respect to the Mortgage Loan.

(h) Neither the Issuer, the Trustee, or any of the Bondholders has or shall be entitled to assert any claim against the Project, the proceeds of the Mortgage Loan, any reserves or deposits required by HUD in connection with either or both of the Mortgage Loan, or the rents or deposits or other income of the Project other than available Surplus Cash of the Borrower.

(i) Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to a Project will not be payable to the Trustee, but will be payable to the Lender, and the Bonds will be subject to redemption in whole or in part, prior their stated maturity date, in said event from payments the Trustee receives on the GNMA Security representing and subsequent to a prepayment of the Mortgage Note and the Mortgage from such proceeds or claims payment.

(j) No amendment shall be made to this Disclosure Agreement with respect to HUD requirements without the prior written consent of the Lender and HUD.

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

OXFORD TERRACE PARTNERS, L.P.,
a California limited partnership

By: Anaheim Gardens Corporation,
a California nonprofit public benefit corporation,
its general partner

By: _____
Robert McElroy, President

[Trustee and Dissemination Agent's Signature Page to Continuing Disclosure Agreement]

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent and Trustee

By: _____

EXHIBIT A
ANNUAL DISCLOSURE REPORT

[BOND CAPTION]

Report For Period Ending _____

THE PROJECT

Name:

Address:

Occupancy

Number of Units

Number of Units Occupied as of Report Date

Operating History of the Project

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

Revenues

Operating Expenses¹

Net Operating Income

Debt Service on the Mortgage Loan²

Net Operating Income/(Loss)
After Debt Service

¹Excludes depreciation and other noncash expenses, includes management fee.

²Interest and scheduled principal payments on the Mortgage Loan during the period indicated.

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

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