B 10 (Official Form 10) (12/07)

UNITED STATES BANKRUPTCY COURT Northern District of Georgia | **PROOF OF CLAIM**

Name of Debtor: Cornerstone Ministries Investments Inc
Case Number: 08-20355-reb

NOTE *This form should not be used to make a claim for an administrative expense arising after the commencement of the case A request for payment of an administrative expense may be filed pursuant to 11 U S C § 503*

Name of Creditor (the person or other entity to whom the debtor owes money or property)
MuniMae Portfolio Services LLC authorized servicing agent for Indenture Trustee

☐ Check this box to indicate that this claim amends a previously filed claim

Name and address where notices should be sent
Matthew W Oakey c/o Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400 Baltimore MD 21201

Court Claim Number _____ (*If known*)

Telephone number
(410) 727-7702

Filed on _____

Name and address where payment should be sent (if different from above)
U S Bank Corporate Trust Attention Toni Shumpert
1441 Main Street Suite 775 Columbia, South Carolina 29201

☐ Check this box if you are aware that anyone else has filed a proof of claim relating to your claim Attach copy of statement giving particulars

Telephone number
(803) 212-7905

☐ Check this box if you are the debtor or trustee in this case

1 Amount of Claim as of Date Case Filed $ 11,709,555 56

If all or part of your claim is secured complete item 4 below however if all of your claim is unsecured do not complete item 4

If all or part of your claim is entitled to priority complete item 5

☑ Check this box if claim includes interest or other charges in addition to the principal amount of claim Attach itemized statement of interest or charges *(Interest continues to accrue on principal amount See attached)

2 Basis for Claim money loaned
(See instruction #2 on reverse side)

3 Last four digits of any number by which creditor identifies debtor _____

3a Debtor may have scheduled account as MMA - Loan Guarantee on Appian Way
(See instruction #3a on reverse side)

4 Secured Claim (See instruction #4 on reverse side)
Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information

Nature of property or right of setoff ☐ Real Estate ☐ Motor Vehicle ☐ Other
Describe

Value of Property $_____ **Annual Interest Rate**___**%**

Amount of arrearage and other charges as of time case filed included in secured claim, if any $_____ **Basis for perfection** _____

Amount of Secured Claim $_____ **Amount Unsecured $**_____

5 Amount of Claim Entitled to Priority under 11 U S C §507(a) If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim

☐ Domestic support obligations under 11 U S C §507(a)(1)(A) or (a)(1)(B)

☐ Wages salaries or commissions (up to $10 950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor s business whichever is earlier – 11 U S C §507 (a)(4)

☐ Contributions to an employee benefit plan – 11 U S C §507 (a)(5)

☐ Up to $2 425* of deposits toward purchase lease or rental of property or services for personal family or household use – 11 U S C §507 (a)(7)

☐ Taxes or penalties owed to governmental units – 11 U S C §507 (a)(8)

☐ Other – Specify applicable paragraph of 11 U S C §507 (a)(__)

Amount entitled to priority

$_____

**Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment*

6 Credits The amount of all payments on this claim has been credited for the purpose of making this proof of claim

7 Documents Attach redacted copies of any documents that support the claim such as promissory notes purchase orders invoices itemized statements of running accounts contracts judgments mortgages and security agreements You may also attach a summary Attach redacted copies of documents providing evidence of perfection of a security interest You may also attach a summary *(See definition of redacted on reverse side)*

DO NOT SEND ORIGINAL DOCUMENTS ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING

If the documents are not available please explain

FILED
FOR COURT USE ONLY
OCT 30 2008
BMC

Date 10/29/2008

Signature The person filing this claim must sign it Sign and print name and title if any of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above Attach copy of power of attorney if any

Matthew W Oakey Attorney for Creditor Matthew W Oakey

Penalty for presenting fraudulent claim Fine of up to $500 000 or imprisonment for up to 5 years or both 18 U S C §§ 152 and 3571

Cornerstone
01908

APPIAN WAY APARTMENTS

$11,500,000 00

NOTE INTEREST RATE	**6 15%**
DEFAULT INTEREST RATE	**2 00%**
UNPAID BALANCE AT TIME OF DEFAULT	**$11,500,000 00**
DATE OF DEFAULT	**4/18/2008**

ACCRUAL PERIOD	UNPAID PRIN BALANCE	NOTE INTEREST DUE	DEFAULT INTEREST DUE	TOTAL DUE	AMOUNT PAID	DATE PAID	BALANCE DUE
04/01/08-04/30/08	$11 500 000 00	$58 937 50	$8 305 56	$67 243 06	$58 937 50	5/1/2008	$8 305 56
05/01/08 05/30/08	$11 500 000 00	$58 937 50	$19 166 67	$78 104 17	$58 937 50	6/2/2008	$27 472 22
06/01/08 06/30/08	$11 500 000 00	$58 937 50	$19 166 67	$78 104 17	$58 937 50	7/10/2008	$46 638 89
07/01/08 07/30/08	$11 500 000 00	$58 937 50	$19 166 67	$78 104 17	$58 937 50	8/1/2008	$65 805 56
08/01/08-08/30/08	$11 500 000 00	$58 937 50	$19 166 67	$78 104 17	$58 937 50	9/1/2008	$84 972 22
09/01/09 09/30/08	$11 500 000 00	$58 937 50	$19 166 67	$78 104 17	$58 937 50	10/1/2008	$104 138 89
10/01/08 10/30/08	$11 500 000 00	$58 937 50	$19 166 67	$78 104 17	$58 937 50		$123 305 56

EXTENSION FEES

07/01/08 09/30/08	$11 500 000 00			$28 750 00			$28 750 00
10/01/08-12/31/08	$11 500 000 00			$28 750 00			$57 500 00
01/01/09 03/31/09	$11 500 000 00			$28 750 00			$86 250 00

ATTACHMENTS TO PROOF OF CLAIM

(Appian Way)

1 Loan and Financing Agreement by and between Appian Way Apartments, L P ("Borrower") and South Carolina State Housing Finance and Development Authority ("Issuer") dated as of September 1, 2005

2 First Amendment to Loan and Financing Agreement by and between Issuer and Borrower dated as of December 30, 2005

3 Guaranty Agreement by Cornerstone Ministries Investments, Inc and Sage Living Centers, Inc ("Sage") in favor of Issuer, The Bank of New York and MuniMae Portfolio Services, LLC ("MuniMae") dated as of September 1, 2005

4 Servicing Agreement by and between MuniMae and The Bank of New York dated as of September 1, 2005

5 Documents pertaining to the change in Indenture Trustee from The Bank of New York to U S Bank National Association

LOAN AND FINANCING AGREEMENT

dated as of September 1, 2005

by and between

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,

As Issuer

and

APPIAN WAY APARTMENTS, L P ,

As Borrower

$11,500,000
SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY
MULTIFAMILY RENTAL HOUSING REVENUE BONDS
(APPIAN WAY APARTMENTS PROJECT),
SERIES 2005

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APPENDIX I - Definitions
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LOAN AND FINANCING AGREEMENT

THIS LOAN AND FINANCING AGREEMENT (this "Agreement") is entered into as of the 1st day of September, 2005, by and between the SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY, a public body corporate and politic and an agency of the State of South Carolina (the "Issuer"), and APPIAN WAY APARTMENTS, L P , a South Carolina limited partnership (the "Borrower")

RECITALS

WHEREAS, the Borrower desires to finance the acquisition, construction, equipping and improvement of the Project (hereinafter defined) with proceeds of tax-exempt bonds issued by the Issuer, and

WHEREAS, pursuant to and in accordance with the Act (hereinafter defined), the Issuer has determined to issue and sell its Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005 in the principal amount of $11,500,000 (the "Bonds"), and to fund a loan in the principal amount of the Bonds (the "Loan") to the Borrower, which Loan shall be used to finance the acquisition, construction, equipping and improvement of the Project, and

WHEREAS, the issuance of the Bonds and the financing of the Project have been approved by the Issuer pursuant to the Resolution (hereinafter defined), and the execution and delivery of this Agreement by the Issuer have been in all respects duly and validly authorized by the Issuer in accordance with the Act, and

WHEREAS, the Issuer and the Borrower desire to enter into this Agreement to evidence the terms of the Loan made by the Issuer to the Borrower pursuant to the terms of the Act

AGREEMENTS

NOW, THEREFORE, in consideration of the premises, the respective representations, covenants and agreements hereinafter contained, and of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows (provided, that in performance of the agreements of the Issuer herein contained, any obligation the Issuer may thereby incur for the payment of money shall not constitute an indebtedness or a charge against the general credit of the Issuer, the State of South Carolina, or of any other public body, shall not create any pecuniary liability of the Issuer, the State of South Carolina, or any other public body, and shall be payable solely from the sources herein provided)

ARTICLE I

DEFINITIONS

SECTION 1 1 Definitions - General Certain terms used in this Agreement and in certain of the other documents executed and delivered in connection herewith are defined in Appendix I attached hereto and made a part hereof Such terms shall have the meanings given to them in Appendix I, unless specifically provided otherwise or unless the context clearly indicates otherwise

SECTION 1 2 Accounting Terms Unless specifically provided otherwise, all accounting terms shall have the definitions given them in accordance with generally accepted accounting principles as applied to the applicable Person on a consistent basis in the preparation of its previous annual financial statements

SECTION 1 3 Rules of Construction The words "hereof", "herein", "hereunder", "hereto", "Agreement", and other words of similar import refer to this Agreement in its entirety

The term "including" shall mean "including, but not limited to"

References to Articles, Sections and other subdivisions of each Document are to the designated Articles, Sections and other subdivisions of such Document

The headings of each Document are for convenience only and shall not define or limit the provisions thereof

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

Any reference to particular sections or subsections of the Code shall include any successor or predecessor provisions of law or regulations, to the extent the same shall apply to the Bonds

SECTION 1 4 References to Bonds Ineffective After Termination Date On the Termination Date, all references in this Agreement to the Bonds shall be ineffective, and neither the Issuer, the Trustee nor the Holders shall thereafter have any rights hereunder, except with respect to any Surviving Rights

SECTION 1 5 Recitals Incorporated Herein by Reference The parties hereto acknowledge that the Recitals contained hereinabove are true and correct and agree that the same are incorporated herein as a substantive part of this Agreement

ARTICLE II

THE BONDS

SECTION 2 1 The Bonds Simultaneously with the execution and delivery of this Agreement, the Issuer has issued the Bonds The Bonds bear interest and are payable as provided therein and in the Indenture, and the purchase price of the Bonds shall be advanced in installments by the Holders thereof as and when required under the terms of Section 2 1(b) of the Indenture The Bonds shall mature and all Outstanding principal of, premium (if any) and interest on the Bonds shall be due and payable in full on the Maturity Date, all as provided more fully in the Bonds and the Indenture

SECTION 2 2 Indenture Approval and Requirements The execution of this Agreement by the Borrower shall constitute conclusive evidence of the approval of the Indenture by the Borrower Additionally, the Borrower agrees that whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, the Borrower shall perform such duty or obligation to the same extent as if the Borrower were an express party to the Indenture, and the Borrower hereby agrees to carry out and perform all of its obligations thereunder

SECTION 2 3 Redemption The Bonds shall be subject to optional or mandatory redemption at the times and in the manner set forth in the Indenture

ARTICLE III

THE LOAN, THE NOTE, SECURITY FOR THE LOAN

SECTION 3 1 The Loan, The Note The Issuer agrees, upon the terms and subject to the conditions set forth in this Agreement, to make the Loan to the Borrower The Loan shall be made on the Closing Date from the proceeds of the Bonds, as provided in Article VI hereof A portion of the proceeds of the Loan shall be advanced to the Borrower for the construction of the Project in accordance with the provisions of Article VI of this Agreement The Loan is evidenced by the Note and is payable as provided therein and in this Agreement All payments under this Agreement, the Note, and all of the other Documents shall be payable by the Borrower directly to the Trustee (except for any payments made pursuant to any Reimbursement Rights, which, if so requested by the person entitled thereto, may be made directly to such person, and except for payments required to be made after the occurrence of an Event of Default under this Agreement, which, to the extent directed by the Servicing Agent, shall be payable directly to the Servicing Agent), to be applied by the Trustee or the Servicing Agent, as applicable, in accordance with the terms of the Indenture The receipt by the Trustee of any amounts payable under the Bonds or any of the other Documents and delivered to it pursuant to this Section 3 1 shall discharge the respective obligations of the Borrower to the Issuer, the Borrower to the Trustee and the Issuer to the Trustee, to the extent of such payment, unless an Act of Bankruptcy shall occur within ninety-one (91) days of the Issuer's or the Trustee's (as the case may be) receipt of such payment, in which event such obligation shall not be deemed discharged unless and until the Issuer, the Trustee or the Holders (as

the case may be) is or are conclusively entitled (whether by final adjudication or otherwise) to retain such payment

The Borrower hereby covenants and agrees to repay the Loan under the terms of the Note by paying, at the times and in the manner provided in the Note and this Agreement, an amount sufficient to pay the principal of and premium, if any, and interest due on the Bonds, and to make all payments or deposits to the funds and accounts established under the Indenture and the Replacement Reserve Agreement as and when required thereunder The Borrower agrees to pay interest on the Loan at the Applicable Rate, plus any late charges or additional interest becoming due under the Note as a result of any payment not being made when due It is understood and agreed that all payments under the Loan and the Note by the Borrower (other than payments relating to the Reserved Rights of the Issuer) have been assigned by the Issuer to the Trustee and its successors and assigns The Borrower has consented to such assignment The Issuer hereby directs the Borrower, and the Borrower hereby agrees, to pay to the Trustee all amounts payable by the Borrower pursuant to the Loan and the Note, except as otherwise set forth specifically in this Agreement The Borrower promises to pay to the Servicing Agent, as compensation for its efforts in collecting delinquent payments from the Borrower, on demand from the Servicing Agent, a "late charge" equal to five percent (5%) of any payment required by the Note to be made on the Loan and the Bonds (including but not limited to the repayment of the outstanding principal amount of the Loan on the Maturity Date or any earlier date on which the Loan and any Bond is required to be redeemed under the terms of this Agreement) which is not received by the Holders on the date such payment is due

The Borrower agrees to pay the reasonable fees and expenses of the Issuer (including its upfront issuance fee equal to $86,250 which shall be paid on the Closing Date and the Trustee's Fees related to the issuance of the Bonds, including the reasonable fees and expenses of their counsel, and to pay the reasonable fees and expenses of the Construction Inspector in connection with the construction of the Project The Borrower will also pay to the Trustee for application as provided in the Indenture (or directly to the payee, if requested by the payee) (a) all reasonable ongoing fees and expenses of the Issuer (including the Issuer's Annual Administrative Fee) and the reasonable ongoing fees and expenses of the Trustee (including the Trustee's Fee) with respect to the Bonds and the Loan (including its duties under the Replacement Reserve Agreement), including, without limitation, reasonable legal fees and expenses, and (b) the Servicing Fee and the reasonable third-party expenses of the Servicing Agent relating to the performance of its duties under the Servicing Agreement, and (c) the reasonable third-party expenses incurred by the Servicing Agent in connection with its review and oversight of the construction of the Project The Borrower will also pay any reasonable expenses of the Issuer, the Trustee and the Servicing Agent in connection with any redemption of the Bonds Specifically, and without limiting the foregoing, the Borrower agrees to pay or cause to be paid to the Issuer, the Servicing Agent and the Trustee or to any payee designated by the Issuer, the Servicing Agent or the Trustee, within 30 days after receipt of request for payment thereof, all reasonable expenses of the Issuer, the Servicing Agent or the Trustee related to the Project, and the financing thereof under the terms of the Indenture, including, without limitation, fees and expenses (including but not limited to the reasonable fees and expenses of such parties' accountants, attorneys, experts, receivers and agents) incurred in connection with the interpretation, enforcement or amendment of any Documents relating to the

Project or the Bonds The payment obligations set forth in this paragraph shall survive the Termination Date

The Borrower also agrees to pay to the Trustee, for the benefit of the Issuer, the Issuer's Annual Administrative Fee in twelve (12) equal monthly installments by the fifth (5^{th}) Business Day of each month The monthly installment of the Issuer's Annual Administrative Fee shall be paid by the Trustee to the Issuer promptly upon receipt by the Trustee of sufficient funds from the Borrower The Trustee shall give notice to the Borrower and the Issuer within five (5) Business Days of any failure of the Borrower to pay the Issuer's Annual Administrative Fee as set forth herein, provided, that the Trustee's sole obligation shall be to notify the Issuer if the Trustee has not received such payment within such five (5) Business Days and the Trustee shall have no duty to confirm the sufficiency of any amount thereof

SECTION 3 2 Prepayment of Loan

(a) The Loan may not be voluntarily prepaid by the Borrower, in whole or in part, at any time prior to September 1, 2022 From and after September 1, 2022, the Borrower may prepay the Loan, in whole or in part, and a corresponding amount of the Bonds shall be redeemed pursuant to the terms of the Indenture, by paying to the Trustee an amount equal to 100% of the principal amount of the Bonds (or portion thereof) being redeemed, plus interest accrued to the redemption date

(b) Notwithstanding the foregoing provision of this Section 3 2, the Borrower may be required to prepay the Loan, in whole, at the option of the Holders of a majority of the Outstanding principal amount of the Bonds upon the occurrence of an Event of Taxability, but only if so elected by the Holders within ninety (90) days of the occurrence of an Event of Taxability, and a corresponding amount of the Bonds shall be redeemed pursuant to the terms of the Indenture, by paying to the Trustee an amount equal to 106% of the principal amount of the Bonds, plus interest accrued to the redemption date, provided, however, that the foregoing redemption premium of six percent (6%) shall not be payable if the Event of Taxability is solely the result of a change in federal tax laws as determined by Bond Counsel at the sole cost and expense of the Borrower

(c) The Borrower acknowledges that the Loan shall be prepayable in full at the option of the Holders of 100% of the outstanding principal amount of the Bonds at any time on or after September 1, 2022, without premium, all as provided more fully in Section 3 3(b)(ii) of the Indenture

(d) The Borrower acknowledges that the Loan shall be subject to prepayment, in whole or in part, at such other times as the Bonds are subject to redemption under Sections 3 3(b), 3 3(c) and 3 4 of the Indenture, in which event the Borrower shall be required to prepay the Note in an aggregate amount equal to the principal amount and accrued interest required to be paid on the Bonds in connection with such redemption, which amounts paid by the Borrower shall be applied first to accrued and unpaid interest due under the Note, and then to the outstanding principal balance of the Note Without limiting the foregoing, the Borrower agrees

to make any Loan Equalization Payment required under the terms of Section 3 4(a)(ii) of the Indenture, as and when required thereunder

(e) The Borrower acknowledges that the Loan shall be prepayable in whole, on March 31, 2006 (or on such later date as agreed to in writing by the Servicing Agent and the Borrower), if, the Bond Proceeds Fund Release Date has not occurred by December 31, 2005, or by such later date as established by the Servicing Agent in its sole and absolute discretion

SECTION 3 3 Payments by Borrower Upon Redemption of the Bonds Upon any redemption of the Bonds pursuant to Article III of the Indenture, the Borrower, on a date no later than the date fixed for redemption, shall pay

(a) to the Trustee, moneys in an amount sufficient, together with other moneys (if any) held by the Trustee and available for redemption of the Bonds, to redeem those Bonds fixed for redemption on such date at the applicable redemption price set forth in Article III of the Indenture, including any premium applicable under the terms of Article III of the Indenture,

(b) to the Trustee, moneys in an amount sufficient to pay any other of the Borrower's Obligations owing to the Trustee, the Issuer or the Servicing Agent through the date fixed for redemption, and

(c) to the other parties to this transaction, including but not limited to the Holders, moneys in an amount sufficient to pay any other of the Borrower's Obligations due to any of such persons through the date of redemption

SECTION 3 4 Payments by Borrower Upon the Occurrence of an Event of Taxability, Right of Borrower to Contest

(a) Increase to Taxable Rate

(i) The rate of interest on the Bonds shall increase to the Taxable Rate upon the occurrence of an Event of Taxability The Borrower and the Issuer shall each promptly provide the Trustee and the Servicing Agent with written notice of the occurrence of an Event of Taxability or any event which, with the passage of time, could become an Event of Taxability Subject to Section 3 4(c) hereof, the Borrower agrees to pay interest on the Note and the Issuer agrees to pay interest on the Bonds (but only from Pledged Receipts) at the Taxable Rate during any Period of Taxability

(ii) In the event that any current or previous Holder of a Bond (whether after payment in full of such Bond or after transfer of such Bond by such previous Holder to another Holder) incurs a tax liability or a reduction in losses or loss carry forwards (whether in a tax return or as a result of a deficiency or otherwise) as a result of the interest payable on such Bond not being excludable from the Gross Income of such Holder, the Borrower agrees to pay to such Holder

(but only to the extent not already paid to the Trustee pursuant to Section 3 4(a)(i) above for payment to such Holder) supplemental interest ("Supplemental Interest") in an amount equal to the difference between the Taxable Rate and the Tax-Exempt Rate applicable to the Outstanding principal balance of such Bond for the portion of the Period of Taxability during which such Holder is required to include interest on the Bonds in Gross Income

Any such amount paid to any Holder or previous Holder shall be deemed to be additional interest on such Bond (so that the total amount of interest paid on such Bond during the Period of Taxability with respect to such Holder is equal to the amount of interest which would have been paid to such Holder during the Period of Taxability if such Bond had borne interest during the Period of Taxability at the Taxable Rate)

(b) Penalties, etc In addition to the Supplemental Interest set forth in subsection (a) above, the Borrower agrees to pay to the Holders (including any previous Holders) an amount equal to any penalties or other charges assessed against any such Holder by the Internal Revenue Service for failure to include interest on the Bonds in the Gross Income of such Holder, together with any and all attorneys' fees, court costs, or other out-of-pocket costs incurred by such Holder in connection therewith

(c) Right to Contest Notwithstanding the foregoing provisions of this Section 3 4 (but subject to the provisions of subsections (d), (e) and (f) below), the Issuer, the Trustee and the Holders (including any previous Holders) will afford the Borrower the opportunity, at the Borrower's sole cost and expense, to contest

(i) the validity of any amendment to the Code which causes the interest on the Bonds not to be excludable from the Gross Income of any Holder, or

(ii) any challenge to the validity of the tax exemption with respect to the interest on the Bonds, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals, but excluding the right to control audits of the Holders' tax returns and excluding the right to participate in or control any litigation or administrative process with respect to the tax returns of any Holder)

(d) Security Required for Contest In order for the Borrower to exercise its right to contest set forth in subsection (c) above, the following conditions must be met, complied with and satisfied to the complete satisfaction in all respects of the Issuer and the Holders (and any previous Holders) so affected

(i) the Borrower shall, on demand, immediately reimburse the Issuer, the Trustee, the Servicing Agent and such Holder for any and all expenses (including reasonable attorneys' fees and expenses for services that may be required or desirable, in the reasonable judgment of such Holder, the Trustee, the Servicing Agent or the Issuer) that may be incurred by any of them in connection with any

such contest, and shall, on demand, immediately reimburse such Holder for any and all penalties or other charges payable by such Holder for failure to include such interest in its Gross Income, and

(ii) the Borrower shall furnish to such Holder such security and indemnity as such Holder may in its sole discretion reasonably require to assure that such Holder shall not receive a lower yield (net of income taxes) on the Bonds than would have been realized by such Holder had such contest by the Borrower never occurred

(e) Payments Required Pending Outcome of Tax Contest During any contest by the Borrower as set forth above, the Borrower shall make payments on the Note and the Issuer shall make payments on the Bonds (but only from Pledged Receipts) at the Tax-Exempt Rate and the Trustee shall not require the Issuer under the Bonds or the Borrower under the Note to make payments at the Taxable Rate as a result of the interest on the Bonds not being excluded from the Gross Income of any Holder, unless such payment is required as a condition to the Borrower's contest to any such amendment or challenge to the tax exemption as provided in this Section 3 4 If the Borrower contests any such amendment to the Code or challenge to the tax exemption and fails, then the amounts due under subsections (a) and (b) above must be paid in full by the Borrower immediately upon the Borrower's receipt of Notice from such Holder (or such previous Holder) stating that, in the opinion of Bond Counsel (together with a copy of such opinion addressed to the Trustee, the Borrower and the Servicing Agent), it has been finally determined that the interest payable on the Bonds is not excludable from the Gross Income of such Holder

(f) Surviving Obligations The obligations of the Borrower under this Section 3 4 shall survive the termination of this Agreement and the payment and performance of all other of the Borrower's Obligations

SECTION 3 5 Security for the Loan The Borrower's Obligations are evidenced by the Note and by this Agreement, and are secured by this Agreement, by the Security Instrument, and by the other Documents executed and delivered for the purpose of securing the Loan

The Borrower agrees that with respect to the Collateral, the Issuer and its assigns (including the Trustee and its assigns) shall have all of the rights and remedies of a secured party under all applicable laws, including, without limitation, the Uniform Commercial Code

SECTION 3 6 Loss of Security Neither the Issuer nor the Trustee shall be liable for any loss of any security in its or their possession, nor shall such loss diminish the debt due by the Borrower under the Note and the other Documents

SECTION 3 7 Filings The Security Instrument shall be recorded among the Registrar of Deeds of Dorchester County, South Carolina, and the security interests created hereby and by the Security Instrument shall be perfected by the filing of financing statements which fully comply with the Uniform Commercial Code, in such offices as may be required by the Servicing Agent The parties agree that

(a) with respect to any such financing statement, a carbon, photographic or other reproduction of a security agreement or a financing statement is sufficient as a financing statement for purposes of the Uniform Commercial Code,

(b) the secured party (including any assignee) named therein shall have the right to file, without further authorization by the Borrower, the initial financing statements and all necessary continuation statements within the time prescribed by the Uniform Commercial Code in order to continue the security interests created by the Documents,

(c) to the extent deemed necessary by the Servicing Agent to confirm the perfection of the security interests herein granted, the Borrower hereby authorizes the Trustee to file any amendments to the financing statements filed with respect to the security interests created by the Documents in such form as the Servicing Agent may require, and

(d) as provided in Article XII hereof, the Borrower shall bear all costs of any and all of the filings described in this Section 3 7

SECTION 3 8 Nonrecourse

(a) General Rule Except as provided in Sections 3 8(b) and (c) hereof, except for amounts payable by the Borrower pursuant to Section 3 2(d) hereof in connection with a redemption of the Bonds pursuant to Section 3 3(c)(iii) of the Indenture, and except during the Full Recourse Period, during which time all principal and interest due under the Note shall be fully recourse to the Borrower, each general partner of the Borrower and the Key Principal, in any action or proceeding brought to enforce the provisions of this Agreement, the Note or any of the other Documents, no deficiency or other money judgment pertaining to amounts due under this Agreement, the Note or any of the other Documents shall be enforced against the Borrower, any partner of the Borrower or the Key Principal personally, or any successor or assign of the Borrower, any partner of the Borrower or the Key Principal, and any judgment obtained shall be enforced only against the Property, and the rents, issues and profits thereof, and any other security for the Borrower's Obligations, and not against the Borrower, any partner of the Borrower or the Key Principal, or any successor or assign of the Borrower, any partner of the Borrower or the Key Principal

(b) Exceptions Notwithstanding the provisions of Section 3 8(a), (i) upon (A) a default by the Borrower in the observance or performance of the provisions of either Section 5 2(aa) or Section 7 3(a) of this Agreement, which default remains unremedied for thirty (30) days, or (B) the filing by the Borrower of a voluntary bankruptcy or insolvency proceeding, then the provisions of Section 3 8(a) shall not apply to the Borrower, any general partner of the Borrower or the Key Principal, and the Borrower, each general partner of the Borrower and the Key Principal shall be jointly and severally liable for the repayment of all amounts (including principal and accrued interest) due under the Note and the other Documents, and (ii) the Borrower, each general partner of the Borrower and the Key Principal shall be jointly and severally liable for all losses, costs and damages resulting from (A) the fraud or intentional misrepresentation by the Borrower, any general

partner of the Borrower, the Key Principal or any of the Agents of the Borrower, (B) misapplication of insurance or condemnation proceeds (after the same were made available to the Borrower), security deposits from tenants and other sums or payments received by or on behalf of the Borrower in its capacity as owner of the Property, (C) the failure of the Borrower to maintain insurance required under the Documents, (D) the willful misconduct of the Borrower, any general partner of the Borrower, the Key Principal or any Agents or affiliates of the Borrower related to the Project, (E) any failure by the Borrower to apply Gross Revenues toward debt service on the Loan, Operating Expenses or other payments required to be made by the Borrower under the Documents prior to making any distribution to the Borrower's equity holders or prior to the use by the Borrower of such Gross Revenues for purposes other than the payment of debt service on the Bonds, Operating Expenses or making other payments required to be made under the terms of the Documents, (F) loss due to the Borrower's knowing violation of any Environmental Laws, and (G) failure to pay the Rebate Amount or other amounts payable to the Internal Revenue Service with respect to the Bonds

(c) No Application to Guaranty or Indemnification Obligations Nothing in this Section 3 8 shall be deemed to limit in any way whatsoever (i) the liability of the Borrower, the Key Principal or any other person under the Guaranty, or (ii) any obligation of the Borrower or the Key Principal to indemnify the Issuer, the Holders, the Servicing Agent or the Trustee under the terms of this Agreement or the other Documents, including indemnification for environmental liability, each of which shall be recourse obligations of the Borrower and the Key Principal

SECTION 3 9 Usury

(a) Notwithstanding any provision of this Agreement to the contrary, in no event shall the interest contracted for, charged or received in connection with the Loan (including any other costs or considerations that constitute interest under the laws of the State which are contracted for, charged or received pursuant to this Agreement) exceed the maximum rate of nonusurious interest allowed under the laws of the State as presently in effect and to the extent of any increase allowable by such laws, but in no event shall any amount ever be paid or payable by the Borrower greater than the amount contracted for herein In the event the maturity of the Loan is accelerated pursuant to Article X hereof, or prepaid in accordance with the provisions hereof requiring mandatory redemption, then such amounts that constitute payments of interest on the Loan, together with any costs or considerations which constitute interest under the laws of the State, may never exceed an amount equal to the maximum nonusurious interest allowed by the laws of the State or the United States to the extent applicable, as presently in effect and to the extent of any increase allowable by such laws Excess interest, if any, provided for in this Agreement, or otherwise, shall be canceled automatically as of the date of such acceleration or, if theretofore paid, shall be credited on the Loan

(b) To the extent permitted by law, interest contracted for, charged or received on the Loan shall be allocated over the entire term of the Loan, to the end that interest paid on the Loan does not exceed the maximum amount permitted to be paid thereon by law

ARTICLE IV

REPRESENTATIONS,
FINDINGS BY THE ISSUER

SECTION 4 1 Representations of the Issuer The Issuer makes the following representations

(a) Authorized Issuer The Issuer is a public body corporate and politic and an agency of the State of South Carolina Under the provisions of the Act, the Issuer has the power to enter into this Agreement and the other Documents entered into by it and the transactions contemplated hereunder and thereunder and to carry out its obligations hereunder and there-under

(b) Necessary Actions As required by the Act, the Issuer has approved the Loan and the issuance and sale of the Bonds By proper action, the Issuer has duly authorized the issuance, execution and delivery of the Bonds and the execution and delivery of this Agreement and each of the other Documents executed and delivered by it

(c) Compliance With Governmental Requirements The Issuer is not in violation of any Governmental Requirements of the State which would affect its existence or its ability to issue and sell the Bonds, to enter into any of the Documents, or to perform any of the Issuer's Obligations Notwithstanding the foregoing, the Issuer makes no representation certifying compliance or noncompliance with any blue sky laws, Environmental Laws or land use laws

(d) Interest of Issuer No employee, officer, commissioner or agent of the Issuer has been or is in any manner interested, directly or indirectly, in that Person's own name or in the name of any other Person, in the Loan, the Bonds, the Documents, the Borrower or the Project, in any contract for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Documents

SECTION 4 2 Findings by the Issuer The Issuer hereby confirms its findings contained in the Resolution

SECTION 4 3 Representations and Warranties of the Borrower and the Key Principal The Borrower and, as applicable, the Key Principal (as of the date of its execution of this Agreement), make the following representations and warranties, each of which shall be true and correct as of the Closing Date, except that such representations and warranties of the Borrower in subsections (h), (o), (s), (t) and (u) of this Section 4 3 shall be true and correct as of the Bond Proceeds Fund Release Date

(a) Sole Business The ownership of the Property and the operation of the Project are and have always been the Borrower's sole business The Borrower has not at any time had any employees

(b) [Reserved]

(c) Good Standing The Borrower (i) is a South Carolina limited partnership duly organized and validly existing, in good standing, under the laws of the jurisdiction of its organization, (ii) has the power to own its property and to carry on its business as now being conducted, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary, including the State The Borrower has no subsidiaries The Key Principal (i) is a corporation duly organized and validly existing in good standing under the laws of the jurisdiction of its organization, (ii) has the power to own its property and to carry on its business as now being conducted, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualification necessary, including the State

(d) Organizational Authority The Borrower and the Key Principal have full power and authority to enter into and execute and deliver this Agreement and each of the other Documents to which they are a party and to incur and perform the obligations provided for herein and therein (including the borrowing of the Loan), all of which have been duly authorized by all proper and necessary action on the part of the Borrower and the Key Principal No consent or approval of partners of the Borrower or shareholders of the Key Principal or of any other person or public authority or regulatory body is required as a condition to the validity or enforceability of this Agreement or any of the other Documents, or if required the same has been duly obtained

(e) Binding Obligations This Agreement and each of the other Documents executed and delivered by the Borrower and the Key Principal have been properly executed by the Borrower and the Key Principal, constitute valid and legally binding obligations of the Borrower and the Key Principal, and are fully enforceable against the Borrower and the Key Principal in accordance with their respective terms

(f) Litigation There is no litigation or proceeding pending or, so far as the Borrower or the Key Principal knows, threatened, before any court or administrative agency which will materially adversely affect the financial condition or operations of the Borrower or the Key Principal, or the authority of the Borrower or the Key Principal to enter into, or the validity or enforceability of, this Agreement or any of the other Documents executed and delivered by the Borrower and the Key Principal

(g) No Conflicting Agreements There is (i) no provision of the Organizational Documents of the Borrower or the Key Principal and no provision of any existing Encumbrance, contract or agreement binding on the Borrower or the Key Principal or affecting their property, and (ii) no law binding upon the Borrower or the Key Principal or affecting any of their property, which would conflict with or in any way prevent the execution, delivery or performance of the terms of this Agreement or of any of the other Documents executed and delivered by the Borrower or the Key Principal, or which would be in default or violated as a result of such execution, delivery or performance The Borrower and the Key Principal have provided a complete and accurate copy of

its Organizational Documents, including all Supplements thereto, to the Issuer, the Trustee, the Servicing Agent and the Sole Holder

(h) No Events of Default No event has occurred and no condition exists with respect to the Borrower or the Project that would constitute an Event of Default or which, with the lapse of time, if not cured, or with the giving of notice, or both, would become an Event of Default

(i) Exclusion from Gross Income of Interest on Bonds The Borrower has not taken or knowingly permitted to be taken any action that would impair the exclusion from Gross Income of the interest payable on the Bonds As of the Closing Date, the Borrower is in compliance with all requirements contained in the Tax Agreement, and the representations set forth in the Tax Agreement pertaining to the Borrower and the Project are true and accurate

(j) No Material Misstatements No information, statement or report furnished in writing to the Holders, the Trustee, the Servicing Agent or the Issuer by the Borrower or the Key Principal or its or their Agents in connection with this Agreement, the other Documents or the consummation of the transactions contemplated hereby and thereby (including, without limitation, any information furnished by the Borrower in connection with the preparation of any materials related to the issuance, delivery or offering of the Bonds on the Closing Date) contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading The representations and warranties of the Borrower and the Key Principal and the statements, information and descriptions contained in the Borrower's closing certificates, as of the Closing Date, are true, correct and complete, do not contain any untrue statement or misleading statement of material fact, and do not omit to state a material fact required to be stated therein or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in light of the circumstances under which they were made, not misleading The estimates and assumptions contained in this Agreement and in any certificate of the Borrower delivered as of the Closing Date are reasonable and based on the best information available to the Borrower

(k) Interest of Member or Agent of Issuer No employee, officer, commissioner or agent of the Issuer has been or is in any manner interested, directly or indirectly, in that person's own name or in the name of any other person, in the Loan, the Bonds, the Documents, the Borrower or the Project, in any contract for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Documents

(l) [Reserved]

(m) Financial Statements The financial statements of the Borrower and the Key Principal delivered to the Servicing Agent, are each complete and correct and fairly present the financial position of the Borrower and the Key Principal and the results of operations as of the dates and for the periods referred to and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved There are no liabilities (of the type required to be reflected on balance sheets prepared in accordance with

generally accepted accounting principles), direct or indirect, fixed or contingent, of the Borrower or the Key Principal as of the date of such financial statements which are not reflected therein or in the notes thereto There has been no material adverse change in the financial condition or operations of the Borrower or the Key Principal since the date of such balance sheet (and to the Borrower's knowledge no such material adverse change is pending or threatened), and neither the Borrower nor the Key Principal has guaranteed the obligations of, or made any investment in or loans to, any Person except as disclosed in such balance sheet or as provided for in the Documents The Borrower has good and marketable title to all of its properties and assets, including the Property, and all of such properties and assets, including the Property, are free and clear of Encumbrances (other than Permitted Encumbrances), except as reflected on such financial statements or in the notes thereto

(n) Tax Returns The Borrower and the Key Principal have filed or caused to be filed all required federal, state and local tax returns and have paid all Taxes as shown on such returns as such Taxes have become due No claims have been assessed and are unpaid with respect to such Taxes except as shown in the financial statements referred to in (m) above

(o) Liens on Property and Collateral There exist no Encumbrances (except Permitted Encumbrances) on or with respect to the Property or any of the Collateral

(p) Place of Business of Borrower and the Key Principal The Borrower has only one place of business, which is located in 1415 Richland Street, Columbia, South Carolina 29201 The Key Principal has only one place of business

(q) Name of Borrower The Borrower was formed on December 30, 2004, and has done business only under the name of "Appian Way Apartments, L P "

(r) Brokers, etc No person, corporation or other entity other than East Coast Commercial Real Estate and Investments and Coldwell Banker Commercial Atlantic International, Inc has, or as a result of any action of or by the Borrower in connection with the transactions contemplated hereby and by the other Documents will have, any right, interest or valid claim for any commission, fee or other compensation as a broker or finder, or in any similar capacity The Borrower shall pay any and all such fees to East Coast Commercial Real Estate and Investments and Coldwell Banker Commercial Atlantic International, Inc and shall defend, indemnify and hold harmless the Holders, the Trustee, the Servicing Agent and the Issuer against any fee, commission or other compensation arising from or in connection with the transactions contemplated hereby or by the Documents

(s) Governmental Requirements To the Borrower's knowledge, no violation of any Governmental Requirement exists with respect to the Property, the Borrower, or any other asset of the Borrower, the Project conforms in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of Governmental Authorities having jurisdiction over the Project, all necessary utilities are available to the Project, and the Borrower has obtained or will obtain all requisite zoning approvals necessary with respect to the Project

(t) Hazardous Materials The Borrower has not used, stored, handled or disposed of Hazardous Materials on or about the Property or the Project, except for minor amounts of such substances customarily used in the operation of a multifamily residential rental project, which substances have not been used in any manner which violates any Governmental Requirements governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials and, to the Borrower's knowledge, no prior owner of the Property or the Project or any tenant, subtenant, prior tenant or prior subtenant have used, stored, handled or disposed of Hazardous Materials on or about the Property or the Project, except for minor amounts of such substances customarily used in the operation of a multifamily residential rental project, which substances have likewise not been used in any such manner which violates any such Governmental Requirements

(u) Condemnation No condemnation, eminent domain or similar proceeding is pending, or to the best knowledge of the Borrower, threatened, with respect to the Property or any portion thereof

(v) Governmental Approvals The Borrower has obtained (or, with respect to clause (ii) below, will obtain prior to any disbursement of the proceeds of the Loan from the Construction Fund established under the Indenture other than the initial disbursement on the Closing Date), and there are currently in full force and effect, all consents, permits, Licenses, accreditations, certifications and other approvals (governmental or otherwise) that

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

(ii) are necessary for the acquisition, construction, financing and operation of the Project

ARTICLE V

COVENANTS

SECTION 5 1 Covenants of the Issuer The Issuer hereby covenants and agrees to comply with the covenants set forth in this Section 5 1

(a) Maintenance of Existence, Compliance with Governmental Requirements The Issuer will not voluntarily take any action towards dissolution unless it has assured the assumption of its obligations under this Agreement and the other Documents by any other person succeeding to its powers, and it will comply with all Governmental Requirements applicable to this Agreement or any of the other Documents

(b) Further Instruments and Actions The Issuer will from time to time execute and deliver such further instruments and take such further actions as may be reasonable and as may be required to carry out the purposes of this Agreement, provided, however, that (i) no such instruments or actions shall pledge the credit or any taxing power of the Issuer, the State of South Carolina or any other public body or require the Issuer to incur any pecuniary liability or obligations, and (ii) any costs or expenses incurred by the Issuer in complying with the provisions of this subsection (b) shall be borne by the Borrower

(c) Priority of Pledge Except for the assignments to the Trustee under or pursuant to the Indenture and the Assignment of Note, the Issuer will not sell, lease or otherwise dispose of or encumber its interest in any part of the security for the Bonds, and will cooperate in causing to be discharged any Encumbrances created by it with respect to any of the security for the Bonds

(d) Books and Documents Open to Inspection The Issuer shall, to the extent required and permitted by law, within a reasonable time after request, open any and all of its books and documents in its possession relating to the Project, if any, during the normal business hours of the Issuer, to such Accountants or other persons as the Servicing Agent, the Trustee, the Borrower or the Investor may from time to time designate

(e) Governmental Functions of Issuer Nothing contained in this Agreement shall preclude the Issuer from performing, exercising or otherwise taking action with respect to the performance of, the governmental functions of the Issuer

SECTION 5 2 Covenants of the Borrower and the Key Principal Until the Termination Date (except for the Surviving Rights, each of which shall survive the Termination Date), the Borrower and, as applicable, the Key Principal (as of the date of its execution of this Agreement) will, unless the prior written consent to do otherwise has been obtained from the Servicing Agent, comply with each of the covenants set forth in this Section 5 2, provided, however, that such covenants of the Borrower in subsections (h), (t), (u), (v) and (w) of this Section 5 2 shall be deemed to have been made as of the Bond Proceeds Fund Release Date

(a) Financial Statements and Other Reports The Borrower shall furnish to the Servicing Agent

(i) as soon as available but in no event more than thirty (30) days after the end of each quarter, a certificate of the Borrower stating whether any event has occurred which constitutes an Event of Default under any of the Documents, or which would constitute such an Event of Default with the giving of notice or the lapse of time or both, and, if so, stating the facts with respect thereto, and

(ii) as soon as available but in no event more than one hundred twenty (120) days after the close of each of the Borrower's fiscal years, a copy of the annual financial statements of the Borrower, in detail reasonably satisfactory to the Servicing Agent, audited by an Accountant acceptable to the Servicing Agent in

accordance with generally accepted accounting principles and accompanied by a certificate of such Accountant stating that he is not aware of any material modifications that should be made in order for the financial statements to be in accordance with generally accepted accounting principles, and

(iii) as soon as available but in no event more than one hundred twenty (120) days after the close of each calendar year, a copy of the annual financial statements for the Key Principal in reasonable detail satisfactory to the Servicing Agent, prepared by an Accountant acceptable to the Servicing Agent in accordance with generally accepted accounting principles and audited (or if audited financial statements are not prepared, certified under oath by the Key Principle) which financial statements shall be certified as true and correct by such Key Principal and shall include but not be limited to a balance sheet for such Key Principal as of the end of each calendar year and a statement of revenues and expenses of such Key Principal for such calendar year and accompanied by a certificate of such Accountant stating that he is not aware of any material modifications that should be made in order for the financial statements to be in accordance with generally accepted accounting principles, and

(iv) promptly upon receipt, notice of sanctions threatened or imposed, or scheduled administrative hearings by any Governmental Authority, and

(v) within thirty (30) days of their filing, copies of any federal tax returns filed by the Borrower and a copy of the Borrower's K-1 forms, if any, to be sent to each partner or member of the Borrower, and

(vi) by the twentieth (20th) day of each month for the preceding month (or such other dates as may be specified therein), those books and reports set forth in Exhibit A attached hereto, and

(vii) such additional customary information, reports or statements as the Servicing Agent may from time to time reasonably request

Each of the statements, reports, books and records required to be furnished by the Borrower under this Section 5 2(a) shall be in a form prepared by the Borrower and acceptable to the Servicing Agent The Borrower shall, upon the written request of the Trustee, furnish to the Trustee each of the items referred to in clauses (i), (ii) and (iii) of this Section 5 2(a) and such other information, reports or statements as the Trustee shall reasonably request

(b) Taxes and Claims The Borrower shall pay and discharge all Taxes imposed upon the Borrower's income or properties (including the Project) prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become an Encumbrance upon any of the Borrower's properties, subject to the right of the Borrower to contest the same in accordance with the provisions of Article VIII hereof If the Borrower fails to pay any of such Taxes at the time or in the manner provided in this Section 5 2(b), the Trustee may, and at the direction of the

Servicing Agent shall, pay such Taxes from moneys available in the accounts (other than the Rebate Fund) held by the Trustee and the Borrower shall pay to the Trustee the amount of any sum so paid, with interest thereon as provided in Article XII hereof If required by the Servicing Agent, the Borrower shall, on the date of the execution of this Agreement, fund the tax and insurance escrow, if any, established hereunder or under the Indenture in an amount proportionate to the portions of the tax year and the insurance year that have elapsed as of such date

The Borrower shall have the right, without creating an Event of Default hereunder, to contest the validity or amount of any lawful claims against the Borrower or the Property in good faith by timely and appropriate proceedings at its sole cost and expense, provided that (i) the Borrower shall give the Servicing Agent and the Trustee written notice of its intention to contest such claims, (ii) the Borrower shall diligently prosecute such claims, (iii) the Borrower shall at all times effectively stay or prevent the imposition of any lien against the Property as a result of such lawful claims and the enforcement of such claim until resolution of the contest, or, to the extent any lien is imposed as a result of any such lawful claim, shall immediately bond off such lien, (iv) the Borrower's ability to pay and perform the Borrower's Obligations or the security for the Borrower's Obligations is not, in the sole reasonable discretion of the Servicing Agent, materially impaired during the period of contest, and (v) the Borrower shall establish reasonable reserves or obtain bonding for such liabilities being contested if the Servicing Agent reasonably determines such reserves or bonding to be necessary If clauses (i) through (v) are not satisfied, Borrower shall promptly pay and discharge such claims, and the failure to so pay such claims shall constitute an Event of Default under this Agreement

The fact that the Issuer is assisting in the financing of the Project shall not imply that the Borrower is or shall be eligible for any decrease in or immunity from any applicable Taxes ordinarily imposed by the State, the Issuer or any other public body

(c) Insurance The Borrower shall maintain the insurance required by Article VIII hereof and such other insurance with insurance companies on such of its properties, in such amounts and against such risks, as is customarily maintained by similar businesses operating in the same vicinity, and shall provide evidence of such insurance to the Trustee and the Servicing Agent as provided in Article VIII hereof

(d) Existence The Borrower shall maintain in good standing its existence as a South Carolina limited partnership

(e) Single-Purpose Entity The ownership of the Property and the operation of the Project are, and shall be, the only business undertaken by the Borrower The Borrower has and will hereafter have no employees

(f) Rental Units The Borrower shall not at any time convert any of the rental units in the Project into non-residential space

(g) Compliance with Applicable Governmental Requirements Subject to the Borrower's right to contest the validity or applicability thereof as set forth below, the Borrower shall

comply with all applicable Governmental Requirements, the noncompliance with which could adversely affect the financial condition of the Borrower, the Borrower's ability to pay and perform the Borrower's Obligations, the occupancy, operation or use of the Property, the Collateral or any other security for the Borrower's Obligations The Borrower shall have the right to contest the validity or applicability of any of the foregoing, at its sole cost and expense, in good faith and by appropriate and diligent proceedings so long as (i) the Borrower's ability to pay and perform the Borrower's Obligations or the security for the Borrower's Obligations is not, in the sole and absolute discretion of the Servicing Agent, impaired during the period of contest, (ii) the Borrower gives the Holders, the Servicing Agent and the Trustee and the Investor written notice of its intention to contest, (iii) the Borrower diligently prosecutes such contest, and (iv) the Borrower at all times effectively stays or prevents enforcement of any such law, statute, ordinance, rule, regulation, decree or order until resolution of the contest

(h) Hazardous Materials The Borrower shall not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except for minor amounts of substances which are customarily used in the operation of a multifamily residential rental project, and then only in compliance with applicable Governmental Requirements, nor shall the Borrower cause or permit as a result of any intentional or unintentional act or omission on the part of the Borrower or any tenant or occupant, a release of Hazardous Materials onto the Property or the Project or in the case of the Borrower onto any other property The Borrower shall comply with and require compliance by all tenants and occupants with all applicable Governmental Requirements concerning Hazardous Materials, whenever and by whomever triggered, and shall obtain and comply with, and shall require that all tenants and subtenants obtain and comply with any and all approvals, registrations or permits required thereunder The Borrower shall conduct all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials on, from or affecting the Land or the Project in accordance with, and as may be necessary to comply with all applicable Governmental Requirements

(i) Restrictive Covenants The Borrower shall comply with all restrictive covenants affecting the Land and the Project, including, without limitation, the Regulatory Agreement

(j) Books and Records, Inspection The Borrower shall keep adequate records and books of account with respect to the Property and the Borrower's business in accordance with generally accepted accounting principles The Borrower shall permit the Servicing Agent, the Issuer and the Trustee, by their Agents, accountants and attorneys, to visit and inspect the Property, to examine such records and books of account and to discuss the affairs, finances and accounts pertaining thereto with Agents of the Borrower at its offices during normal business hours and at such other reasonable times and places as may be requested in advance by the Servicing Agent, the Issuer or the Trustee The Servicing Agent, the Issuer and the Trustee shall have the right to audit all books and records in order to verify reports and statements required to be delivered by Borrower under this Agreement The Servicing Agent and the Holders shall have the right, in connection with any sale, securitization or other secondary market transaction involving the Bonds, to distribute, disclose and release to the entities involved in such transactions all records and information relating

to the Borrower, the Key Principal or the Project which are provided to the Servicing Agent or the Holders (including but not limited to the reports provided under Section 5 2(a) hereof), and the Borrower agrees to cooperate with the Servicing Agent and the Holders in the provision of such materials at no cost to the Borrower

(k) Litigation, Proceedings of Governmental Authority The Borrower and the Key Principal shall promptly notify the Trustee, the Issuer, the Servicing Agent and the Sole Holder in writing, with a full description, of all threatened or pending litigation of which the Borrower or the Key Principal receives written notice, and of all proceedings before any court or any Governmental Authority in which the Borrower or the Key Principal is a party or of which the Borrower or the Key Principal receives written notice, which if adversely determined, would materially adversely affect the conduct of the business of the Borrower or the Key Principal, the condition (financial or otherwise) of the Borrower or in any manner materially adversely affecting the Property, including, but not limited to, tax deficiencies and any prospective condemnation, change of zoning or other action affecting the Property or the Project The Borrower shall not, without the prior written consent of the Servicing Agent, settle any litigation or proceedings involving (i) a recovery, or an uninsured payment, by the Borrower in excess of $25,000, (ii) a change in the Permitted Use of the Property, (iii) the inclusion in Gross Income of interest on the Bonds, or (iv) the creation of a lien on the Property

(l) [Reserved]

(m) Use of Proceeds of Bonds The Borrower intends that the proceeds of the Bonds will be used solely for the acquisition and construction of the Project, or the reimbursement of costs incurred by the Borrower in connection therewith, and that the proceeds of the Bonds will be used for a qualified residential rental project (within the meaning of Section 142(d) of the Code) The Tax Agreement and the Regulatory Agreement each contain covenants, agreements and other provisions designed to ensure that the Bonds are and will continue to be bonds for a "qualified residential rental project" within the meaning of Section 142(d) of the Code, the interest on which is and will be excludable from Gross Income Failure of the Borrower to comply with its covenants and agreements contained in the Tax Agreement and in the Regulatory Agreement shall constitute an "Event of Default" under this Agreement and the other Documents

(n) Securities Disclosures The Borrower shall be solely responsible for, and shall promptly make all disclosures and file all reports required by all applicable federal securities laws in connection with the Bonds, the Loan and the Project, including SEC Rule 15c2-12 The Issuer shall be responsible for compliance with the provisions of Section 11-1-85 of the Code of Laws of South Carolina, 1976, as amended and any similar or successor rules hereinafter made applicable to the Bonds The Borrower will provide the Issuer with all information necessary for the Issuer, as applicable, to make any such required disclosures or file such reports The Servicing Agent shall be provided with a copy of each disclosure or report filed by the Borrower or the Issuer pursuant to the provisions of this paragraph (n)

(o) [Reserved]

(p) Permits, Licenses, etc. The Borrower shall procure or cause to be procured, any and all necessary permits, certificates, Licenses or other authorizations required for the acquisition and construction of the Project and use of the Project for the Permitted Use, and observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, Licenses, permits, privileges, franchises and concessions which are now applicable to the Property or the Borrower or which may be applicable in the future

(q) Maintenance and Repair The Borrower shall keep and maintain the Property and each part thereof in good condition, working order and repair, and make all necessary or appropriate repairs, replacements and renewals thereto so that each part thereof shall at all times be in good condition, fit and proper for the respective purposes for which it was originally intended, erected or installed and to ensure that the security for the Bonds and the Loan shall not be impaired The Borrower shall not use or occupy the Property or knowingly permit the same to be used or occupied in any manner which would cause structural injury to the Project or which would cause the value or the usefulness of the Property or any part thereof to diminish (ordinary wear and tear for its business excepted), or which would constitute a public or private nuisance or waste Upon the written demand of the Servicing Agent, the Borrower shall commence and proceed promptly and diligently to maintain and repair the Project in good condition, working order and repair and to correct any structural injuries or defects in the Project In the event the Borrower fails to maintain and repair the Property or to correct structural injuries or defects in accordance with the terms of this subsection, the Servicing Agent shall have the right to enter onto the Property in order to take any and all actions deemed necessary by the Servicing Agent to so maintain and repair the Property, and all sums expended by the Servicing Agent in connection therewith shall be payable by the Borrower with interest, on demand, as provided in Section 12 2 hereof

The Borrower may request reimbursement for, or payment of, repairs and replacements to the Project from the Replacement Reserve established under the Replacement Reserve Agreement in accordance with the terms and conditions thereof

(r) Management Agreement, Property Manager Subject to the provisions of the Regulatory Agreement, the Management Agreement and all Supplements thereto shall be subject to the prior written approval of the Servicing Agent and terminable within thirty (30) days prior written notice subject to the consent of the Servicing Agent The Management Agreement shall provide that the Property Manager shall conduct the leasing and operation of the Project so as to comply with all applicable leasing and operating restrictions necessary to preserve (i) the exclusion from Gross Income of interest on the Bonds, and (ii) the qualification of 100% of the Project for the low-income housing tax credit under Section 42 of the Code The Management Agreement shall be terminable for the misconduct or negligence of the Property Manager and for good cause, including the occurrence of a Trigger Event or an Event of Default The Management Agreement with any Property Manager which is affiliated with the Borrower or the Key Principal shall provide that payment of the management fee shall be subordinate to the payment of all principal and interest on the Loan and Bonds and the payment of the Servicing Fee, as and when due The Borrower shall not voluntarily terminate or engage any Property Manager or any replacement therefor under any

Management Agreement without the prior written consent of the Servicing Agent, which consent shall not be unreasonably withheld

(s) [Reserved]

(t) Operational Expenses The Borrower shall, at all times, provide any and all funds necessary to maintain and operate the Project at no cost to the Issuer, the Trustee, the Servicing Agent or the Holders

(u) Entry onto Property The Borrower shall permit the Servicing Agent, the Issuer, the Trustee, their Agents and the other parties to this transaction to enter upon the Property at all reasonable times and as often as may be reasonably necessary, to inspect the Project

(v) Work on Project The Borrower shall, at the Borrower's sole cost and expense, use its best efforts to cause and require all persons performing work on, or supplying materials to, the Project, to complete their respective contracts diligently in accordance with their terms The Borrower shall not permit any materials, equipment, fixtures or items or personal property to be incorporated into the Project that are nonfunctional or obsolete, or not installed in a workmanlike manner

(w) Delivery of Agreements Relating to the Project The Borrower shall deliver to the Servicing Agent and the Trustee, on demand by either or both, as applicable, any contracts, bills of sale, statements, receipted vouchers or agreements, under which the Borrower claims title to any materials, fixtures or articles incorporated in the Project or subject to the lien of this Agreement or the Security Instrument

(x) Compliance with Terms of Documents The Borrower shall fulfill the conditions and perform all of the terms and provisions of the other Documents

(y) Mortgages and Pledges The Borrower shall not create, incur, assume or suffer to exist any Encumbrance of any kind upon the Collateral or any of its other property or assets, whether now owned or hereafter acquired, except

(i) Permitted Encumbrances,

(ii) liens for Taxes being diligently contested in good faith and by appropriate proceedings in accordance with the provisions of this Agreement, and

(iii) mechanics', workmen's, material-men's, landlords', carriers', or other like liens arising in the ordinary course of business with respect to obligations which are not due, which are being diligently contested in good faith, or which have been bonded or insured so as not to become a lien

(z) Merger, Acquisition or Dissolution or Sale of Assets The Borrower shall not, without the prior written consent of the Servicing Agent in its sole and absolute discretion, enter

into any merger, consolidation, other business combination or dissolution or sell, lease, or otherwise dispose of any of the Collateral or its other assets (except assets customarily consumed, leased, or customarily disposed of and replaced in the ordinary course of operating an apartment project)

(aa) Change in Ownership Except for Permitted Transfers the Borrower shall not, without the Servicing Agent's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned, change its general partner, or permit any change in the ownership of the Borrower or the general partner of the Borrower whether by sale, merger, consolidation operation of law or any other arrangement or series of arrangements

(bb) Other Indebtedness The Borrower shall not, without the prior written consent of the Servicing Agent, create, assume or suffer to exist any other indebtedness or liability for the debts or obligations of any other Person except the Loan, any portion of the Syndication Proceeds which is characterized as an interim loan, any bridge loan which is intended to be repaid from subsequent capital contributions from the Investor, is expressly subordinate to the Bonds and which expressly prohibits the maker of such bridge loan from exercising any remedies while any portion of the Bonds remains outstanding, current and future accounts payable arising in the ordinary course of business of Borrower, indebtedness to partners of the Borrower pursuant to the Partnership Documents, and subordinated debt from related parties of the Borrower on terms acceptable to the Servicing Agent

(cc) Conflicting Agreements The Borrower shall not enter into any agreement, contract or undertaking containing any provision which would be violated or breached by the performance by the Borrower of any obligations hereunder or under any other Document

(dd) Annual Operating and Capital Budgets By the date of initial occupancy of the Project by any tenant (with respect to the balance of the calendar year in which such initial occupancy occurs) and by December 1st of each ensuing year, the Borrower shall submit proposed annual operating and capital budgets (with assumptions and supporting documentation on a line-by-line basis) for the ensuing year for the review and approval of the Servicing Agent If the Servicing Agent fails to approve or disapprove the operating or capital budget within thirty (30) days after the Servicing Agent's receipt of the same, such operating and capital budget, as applicable, submitted for approval shall be deemed approved Until any such required annual operating budget is approved by the Servicing Agent, the prior year's operating budget shall govern if it was provided to and approved by the Servicing Agent, and if no such operating budget was provided to and approved by the Servicing Agent, the Servicing Agent shall have no obligation to process or approve requests for disbursements from the Replacement Fund Until any such annual capital budget is approved by the Servicing Agent, the Borrower shall not make any capital improvements or expenditures except as provided in subsection (hh) The operating budget shall be in a form provided to and approved by the Servicing Agent, and the annual capital budget shall include a list of the improvements and replacements, and the cost and expected completion date of each, by month, and shall be in a form provided to and approved by the Servicing Agent

(ee) [Reserved]

(ff) [Reserved]

(gg) Developer Fee and Other Deferrals The Developer's fee owed to the Developer shall be paid in accordance with the terms of the Partnership Documents

(hh) Required Improvements The Borrower shall make such capital improvements as may be required by the approved capital budget or as may otherwise be required to satisfy the Borrower's obligation to maintain the Property as set forth in Section 5 2(q) To the extent permitted under the Replacement Reserve Agreement, the Borrower shall have the right to use funds in the reserves under the Replacement Reserve Agreement to pay for any such improvements, but the lack of sufficient funds in the reserves under the Replacement Reserve Agreement shall not relieve the Borrower of its obligation to make such improvements promptly

(ii) Contracts Binding Property Except for Permitted Encumbrances, the Borrower shall not, without the Servicing Agent's prior written consent, enter into any contracts or agreements relating to the Property or the operation thereof which (A) would bind a successor owner of the Property, or (B) would bind and run with the Property

(jj) Compliance Information The Borrower agrees to provide to the Issuer or the Trustee, as applicable, all information necessary to enable the Issuer or the Trustee, as applicable, to complete and file all forms and reports required by the laws of the State and the Code in connection with the Project and the Bonds

(kk) Lien-Free Completion The Borrower shall complete the construction of the Project free and clear of all liens and Encumbrances other than Permitted Encumbrances in accordance with the terms and conditions of this Agreement and the Replacement Reserve Agreement

(ll) Distributions to Partners The Borrower shall not make any distributions of cash flow from the Project to its partners if it is not current on the payment of debt service and other amounts due under this Agreement and the other Documents, or if any Operating Expenses are more than thirty (30) days past due, or if as a result of such distribution the Borrower would be unable to pay such debt service and other amounts due under this Agreement and the other Documents as and when such amounts become payable or to pay any such Operating Expenses within thirty (30) days of the date due

(mm) Organizational Documents of Borrower The Borrower's Partnership Documents shall provide, in the conduct of its business activities, that the Borrower shall

(i) maintain books and records separate from those of any other person or entity, including its general partner and the Key Principal,

(ii) except as specifically permitted by the Documents, not commingle assets with those of any other entity, including its general partner and the Key Principal,

(iii) conduct its own business in its own name or the name of the Project so as not to mislead others as to the identity of such entity,

(iv) maintain separate financial statements from any other person or entity, including its general partner and the Key Principal,

(v) except as specifically permitted by the Documents, pay its own liabilities out of its own funds,

(vi) observe all partnership formalities including without limitation holding all meetings and obtaining all consents required by this Agreement,

(vii) maintain an arm's-length relationship with its Affiliates,

(viii) except as specifically permitted by the Documents, not guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others, including its general partner and the Key Principal,

(ix) allocate fairly and reasonably any overhead for shared office space or other similar expenses,

(x) use invoices and checks separate from any other person or entity, including its general partner and the Key Principal, and

(xi) hold itself out as and operate as an entity separate and apart from any other entity, including its general partner and the Key Principal

(nn) Operating Expenses The Borrower shall pay the Operating Expenses of the Project as and when such amounts become due and payable

(oo) Purchase of Bonds, Program Covenant Neither the Borrower nor any "related person" (as defined in Section 147(a)(2) of the Code) is, or will be, a party to any agreement, formal or informal, pursuant to which it has or will purchase any of the Bonds in an amount related to the amount of the purpose investment acquired from the Borrower, as such terms are used and defined in Treasury Regulation 1 148-1(b)

(pp) Remedial Action Under Treasury Regulations The Borrower shall take all remedial actions as may be necessary or required under Treasury Regulation Section 1 142

(qq) Information for Computation of Permanent Loan Amount In connection with the determination of the Permanent Loan Amount pursuant to Section 3 4 of the Indenture, the Borrower shall, prior to submission of the Request for Conversion, provide to the Servicing Agent each of the items required under the terms of Section 3 4(b)(iii) of the Indenture, which

items the Borrower shall be deemed to have certified as being true and correct as of the date of submission to the Servicing Agent

(rr) Compliance with Requirements of Section 42 of the Code At all times during the term of the Loan, the Borrower shall comply, and take all necessary steps to ensure compliance, with all requirements of Section 42 of the Code and all rules and regulations promulgated pursuant thereto by the Federal government or the applicable tax credit housing agency relating to the Section 42 low-income housing tax credits, including, but not limited to, all restrictive covenants and agreements with the applicable tax credit housing agency

(ss) Compliance with Leasing Requirements of Code, Revenue Procedure 2004-39 The Borrower shall satisfy the requirement that at least forty percent (40%) of the units in the Project are occupied by tenants with incomes of sixty percent (60%) or less of the area median income, each as adjusted for family size and as determined in accordance with the provisions of Section 142(d) of the Code and applicable regulations issued thereunder

(tt) Compliance with Bond Proceeds Fund Release Date Requirements The Borrower shall satisfy all requirements necessary to cause the Bond Proceeds Fund Release Date to occur on or before December 31, 2005, or by such later date in accordance with Indenture Section 3 3(c)(iv)

SECTION 5 3 Manager, Management Agreement Subject to the provisions of the Regulatory Agreement, the Borrower shall enter into a Management Agreement with the Property Manager in a form approved by the Servicing Agent In the event that (a) the Debt Service Coverage Ratio is less than 1 05, as computed by the Servicing Agent on the basis of a rolling six (6) month period commencing no earlier than the Scheduled Conversion Date, or (b) an Event of Default shall have occurred hereunder (each, a "Trigger Event"), then, upon receipt of a written request from the Servicing Agent, the Borrower shall terminate the Management Agreement with the existing Property Manager and engage a replacement Property Manager (who shall be unrelated to the Borrower, the Property Manager or any affiliate of either and who shall be experienced in the management of multifamily rental properties with low and moderate income set aside requirements) approved by the Servicing Agent, which approval shall not be unreasonably withheld In the event that the approved replacement Property Manager is not in place managing the Project within sixty (60) days after the Borrower's receipt of the written request from the Servicing Agent, then the Servicing Agent shall have the right to exercise any of the remedies set forth in Section 10 2(d) of this Agreement The Borrower shall not enter into any Management Agreement which in inconsistent with the provisions of the Regulatory Agreement and which does not (i) contain covenants consistent with and enabling the enforcement of this Section 5 3, and (ii) require that any obligation of the Borrower to pay fees under such Management Agreement shall be subordinate at all times to the Borrower's obligation to pay the principal and interest due on the Bonds provided the Property Manager is an affiliate of or otherwise related to the Borrower, the Key Principal or the Developer

SECTION 5 4 Deposit to Reserves The Borrower shall make deposits into the reserves and funds established under the Replacement Reserve Agreement and the Indenture in accordance with the terms thereof

SECTION 5 5 Replacement Reserve Agreement Notwithstanding the provisions contained in Section 7 2 hereof, the Replacement Reserve Agreement shall govern the making of all mandatory repairs by the Borrower

SECTION 5 6 Rebate Compliance

(a) The Borrower shall determine, or shall at its expense engage a Rebate Analyst to determine, on behalf of the Issuer, as and when required by the Code and Section 4 11 of the Indenture and subject to review and modification by the Issuer, the Trustee and the Servicing Agent, the Rebate Amount with respect to the Bonds on behalf of the Issuer and shall notify the Issuer, the Trustee and the Servicing Agent of each such determination In the event that the Rebate Amount is not determined in accordance with the preceding sentence, then the Issuer or the Trustee shall be entitled to engage, at the Borrower's expense, a Rebate Analyst to determine the Rebate Amount Nothing herein shall be interpreted to obligate the Trustee to calculate or determine the Rebate Amount or to give notice to the Borrower of the need for any calculation with respect thereto

(b) Records of the determination required to be made pursuant to subsection (a) shall be retained by the Borrower until a date which is six (6) years after the retirement of the Bonds The Rebate Amount shall be paid to the Trustee by the Borrower for deposit into the Rebate Fund established under the Indenture The Trustee shall then pay the Rebate Amount to the United States on behalf of the Issuer from amounts on deposit in the Rebate Fund If the Borrower fails to pay to the Trustee amounts sufficient to pay the Rebate Amount as and when due, or if amounts on deposit in the Rebate Fund established under the Indenture are at any time insufficient to pay the applicable Rebate Amount when due, then the Trustee shall immediately notify the Borrower of such failure and the Borrower shall immediately remedy such deficiency

(c) The Trustee and the Issuer shall be fully protected in acting on any Rebate Amount determination made by the Borrower or the Rebate Analyst at any time and shall not be liable or responsible in any manner to any person for so acting, notwithstanding any error in any such determination

(d) Notwithstanding anything to the contrary in this Agreement, no payment shall be required to be made by the Borrower or the Trustee to the United States if the Borrower shall furnish an opinion of Bond Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the exclusion from Gross Income of interest on the Bonds

(e) The Borrower covenants and agrees for the benefit of the Issuer, the Trustee and the Holders that it will not take or permit to be taken any action which would cause the Bonds

to become "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations issued thereunder

ARTICLE VI

APPLICATION OF LOAN PROCEEDS, ADVANCE OF LOAN PROCEEDS, CONSTRUCTION OF PROJECT

SECTION 6 1 Application of Loan Proceeds, Advance by Issuer Subject to the further terms of this Article VI, the Loan will be advanced by the Trustee (acting at the direction of the Servicing Agent) to or for the benefit of the Borrower on the Closing Date for the purpose of financing the acquisition and construction of the Project, and reimbursing the Borrower for prior expenses incurred in connection with the acquisition and construction of the Project

Advances of the Loan proceeds shall be made by the Issuer and the Trustee to or for the benefit of the Borrower strictly in accordance with the conditions of this Article VI

SECTION 6 2 No Partnership, Joint Venture, Agency The Borrower and the Issuer acknowledge that the relationship between them created by this Article VI and by the Documents is that of debtor and creditor and is not intended to be and shall not in any way be construed to be that of a partnership, joint venture or principal and agent The activities of the Issuer and the Holders in connection with the financing of the Project and disbursement of the Loan proceeds shall not be deemed to make the Issuer or the Holders a partner, joint venturer or principal or agent of the Borrower, but rather shall be deemed solely for the purpose of protecting the security for the Loan and the Bonds

SECTION 6 3 Conditions Precedent to Loan Advances The Servicing Agent shall not be obligated to instruct the Trustee to advance the Loan proceeds unless each of the Borrower's representations and warranties set forth in Section 4 3 hereof is true and correct as of the Closing Date and the date of each advance under the Loan, the Borrower has satisfied each of the conditions to closing set forth in the commitment letter from MuniMae Portfolio Services, LLC, an affiliate of the initial Holder, the Servicing Agent has received and approved in its sole discretion each of the items listed on the closing checklist provided to the Borrower, and the Bond Proceeds Fund Release Date has occurred on or before December 31, 2005 (unless extended in accordance with Indenture Section 3 3(c)(iv))

SECTION 6 4 Requirements and Conditions for All Advances for Construction of the Project

(a) Disbursements The Trustee shall disburse funds from the Construction Fund for the construction of the Project upon the written direction of the Servicing Agent Notwithstanding any provision in this Agreement or the other Documents to the contrary, without the prior written consent of the Servicing Agent, none of the proceeds of the Bonds deposited on the Closing Date into the Bond Proceeds Account of the Construction Fund

established pursuant to Article IV of the Indenture shall be disbursed for the payment of any Project costs until the Bond Proceeds Fund Release Date has occurred Disbursements of funds from the Construction Fund shall be subject to the following conditions

(i) The initial capital contribution payable by the Investor under the Partnership Documents has been deposited with the Trustee and applied in accordance with the terms of the Closing Memorandum

(ii) The Borrower or its general partner, as applicable, is not in default in the performance of its obligations under this Agreement, any of the other Documents, or any of the Partnership Documents, and the Servicing Agent has not reasonably determined that the Borrower will not be able to satisfy any of the terms and conditions of any of such agreements

(iii) The Servicing Agent has received and approved the application for disbursement in accordance with the terms of Section 6 4(b) below

(iv) Disbursements from the Construction Fund shall be made not more frequently than once each month and shall be reduced by the amount of the holdback described in Section 6 4(c) below

(v) [Reserved]

(vi) At no time shall the Servicing Agent be required to authorize the Trustee to make any advances for construction costs or otherwise if the remaining amount to be advanced from the Construction Fund is insufficient to pay all remaining construction costs

(vii) There shall be in place performance and labor and material payment bonds in amounts, from a company or companies, and in forms approved by the Servicing Agent

(viii) With respect to funding for stored materials, the Servicing Agent will authorize the Trustee to advance funds from the Construction Fund for materials stored on the Project site, provided that all of the following requirements are satisfied

(1) the Servicing Agent has received a written representation of the Borrower that, upon the purchase of such stored materials by the Borrower, the Borrower will be the owner of such materials free of all liens, security interests or the claims of others,

(2) the request for the disbursement is accompanied by an invoice for such materials,

(3) the Trustee and the Servicing Agent are named as insured parties on a policy of insurance which provides insurance against the theft

of or damage to the materials and is acceptable in all respects to the Servicing Agent and its legal counsel, and

(4) the inspecting engineer or architect has made an inventory of all materials stored on site and has confirmed in writing that the amount and type of materials as represented in the request for the disbursement are present on the site

(ix) [Reserved]

(x) Upon the occurrence of a default by the Borrower in the performance of its obligations under this Agreement or any of the other Documents

(1) The Borrower shall provide to the Servicing Agent, upon request, copies of all cancelled checks for all of the disbursements made by the Borrower and/or the Contractor with respect to the immediately preceding advance from the Construction Fund, subject to the Borrower being able to obtain the cancelled checks from the Contractor,

(2) The Servicing Agent shall have the right to require that the Trustee make advances pursuant to loan requests or otherwise with notice to the Borrower through an approved title company or other disbursing agent and/or make disbursements directly to contractors, subcontractors or suppliers,

(3) The Servicing Agent shall have the right to disapprove any contractors, subcontractors or suppliers who, in the Servicing Agent's good faith determination, are deemed to be unqualified Such approval or disapproval shall be made promptly by the Servicing Agent, but in no event shall such approval or disapproval take longer than five (5) Business Days In the event the Servicing Agent does not respond within such five (5) Business Day period, the Servicing Agent shall be deemed to approve such contractor, subcontractor or supplier,

(4) At the request of the Servicing Agent, the Borrower shall supply to the Servicing Agent copies of any and all contracts and statements of account from any and all contractors, and to the extent available to the Borrower, subcontractors, suppliers and laborers, and when so requested by the Servicing Agent, the Borrower shall request the same from all contractors, subcontractors, suppliers and laborers, and immediately supply the same to the Servicing Agent, the Borrower being liable for the payment of all costs related thereto, and

(5) When so requested by the Servicing Agent, the Borrower shall demand in writing of any lienor, a written statement under oath of such lienor's account showing such lienor's business address, the nature of the labor or services performed and to be performed, the materials furnished and to be furnished, the amount paid on account to date, the amount due, and the amount to become due

(6) The Borrower agrees to furnish such sworn statements and affidavits as may be required of it by the Servicing Agent evidencing the payment of all bills in satisfaction of all claims and liens

(b) Applications for Disbursements All applications by the Borrower for disbursement of proceeds from the Construction Fund shall be made and completed according to the Servicing Agent's instructions therefor on forms acceptable to the Servicing Agent, shall be received by the Servicing Agent at least ten (10) Business Days prior to the date the advance is sought The Servicing Agent shall approve or disapprove of each disbursement request within five (5) Business Days of receipt from the Borrower of a complete disbursement request satisfying all of the requirements of this Section, and the Trustee shall fund such approved amounts from the Construction Fund within five (5) Business Days of receipt of written direction from the Servicing Agent The Servicing Agent shall have no obligation to approve any disbursement request unless each of the Borrower's representations in Section 4 3 hereof continue to be true and correct in all material respects and such disbursement request is accompanied by the following

(i) a certificate from an engineer or architect approved by the Servicing Agent, certifying that the work described on the disbursement request has been completed in a good and workmanlike manner substantially in accordance with the Plans and Specifications and Budget approved by the Servicing Agent to the degree of completion as represented in the application for disbursement,

(ii) a certificate of the Borrower and/or the Contractor, describing in detail the amount of costs incurred for construction to the date of the request, the names of all persons or entities that have provided work or materials for the construction and the contract amount for each, the amounts previously paid to the date of the request, the amounts then due and unpaid and an estimate of the amount necessary to complete the work,

(iii) partial and final waivers of lien (whichever is applicable) duly executed by each contractor, subcontractor, materialmen, supplier or laborer who has performed the work or supplied the material or any laborer who has performed substantial work for which reimbursement is sought, which waivers shall certify the amounts paid to each such contractor, subcontractor, materialman, supplier or laborer to the date of the waiver and shall be in form and substance acceptable to the Servicing Agent and the title company issuing the lender's title insurance policy,

(iv) an endorsement to the existing lender's title insurance policy relating to the Bonds which shall

(1) update such policy to the date of disbursement,

(2) insure the priority of the Security Instrument over filed and unfiled mechanics' and materialmen's liens through the date of endorsement, and

(3) if applicable, increase the amount of the title insurance in force to include the total amount of the Loan proceeds then sought to be disbursed

(v) if requested by the Servicing Agent upon completion of the foundation for each improvement, structure or utilities installed on the Land, a foundation survey by a registered land surveyor which shows all improvements, structures and utilities (if any) installed on the Land since the last survey and surveyor's certificate,

(vi) all applicable test and engineering reports,

(vii) all of the other documents and evidence required by this Agreement, including, but not limited to, certificates, licenses and permits, and the Servicing Agent shall have received all other documents and evidence as reasonably required by the Servicing Agent, and

(viii) a certificate from the Borrower representing and certifying that (A) not less than ninety-five percent (95%) of the Bond proceeds previously disbursed by the Trustee have been applied to costs chargeable to capital account, and (B) after giving effect to the advance of Bond proceeds requested to be advanced pursuant to the requisition in question, not less than ninety-five percent (95%) of the Bond proceeds disbursed by the Trustee shall have been applied to costs chargeable to capital account

(c) Holdback

(i) All disbursements from the Construction Fund shall be subject to a ten (10%) percent holdback of funds by the Servicing Agent

(ii) Except as provided below, and provided the Borrower is not otherwise in default in the performance of its obligations under this Agreement or any of the other Documents, the monies withheld pursuant to paragraph (i) above shall not be released to the Borrower until (1) completion of the construction of the Project and approval thereof by the Servicing Agent and receipt by the Servicing Agent of a certification from the Borrower's Architect of substantial completion certifying that the work performed by the Contractor under the Construction Contract is fully complete together with Contractor's certification thereof, including all punchlist items except those punchlist items specified by the Construction Inspector as incomplete and as to which 150% of the funds reasonably necessary to pay the costs of completion, as determined by the Construction Inspector, have been escrowed with the Servicing Agent or with the Trustee subject to direction from the Servicing Agent, (2) receipt by the Servicing Agent of an as-built survey of the Project in a form reasonably acceptable to the Servicing Agent, (3) the issuance of certificates of occupancy or a temporary certificate of occupancy with conditions acceptable to the Servicing Agent in its sole discretion, and (4) receipt by the Servicing Agent of complete releases, discharges and full and final waivers of lien from all persons and all business entities furnishing labor, material or services

(d) Contractor, Contractor's Fee The Borrower shall not remove or replace the Contractor without the prior written consent of the Servicing Agent The Contractor's profit and overhead may be funded by the Borrower from the Construction Fund on a percentage of completion basis

(e) Liens and Lien Waivers, Materials Relating to Same

(i) The Borrower shall deliver to the Servicing Agent within three (3) Business Days after its receipt of same, any and all notices or other instruments which may be served upon it or upon any agent of the Borrower by any lienors, suppliers, contractors or subcontractors, pursuant to the provisions of the applicable lien law

(ii) [Reserved]

(iii) The Borrower does further covenant and agree that it will timely defend any complaint to foreclose a lien as provided under the applicable law

(iv) Notwithstanding the fact that the Servicing Agent is not and shall not be the agent of the Borrower or the Contractor for any purpose whatsoever, should a dispute arise between the Borrower, lienors, or any other parties involved in construction of the Project, the Servicing Agent does hereby reserve the right to interplead such parties pursuant to the provisions of the applicable law

(f) Additional Deposits If at any time preceding or during the course of the construction of the Project it appears to the Servicing Agent in the exercise of its reasonable discretion and/or the Construction Inspector that the proceeds remaining in the Construction Fund will be insufficient to complete the work described in the Plans and Specifications and to pay for all labor, materials and costs (including soft costs), the Borrower shall deposit in the Construction Fund additional monies which shall, when added to the balance then on deposit in the Construction Fund, be sufficient to complete and pay for the work described in the Plans and Specifications, together with the costs and expenses in connection therewith, and until the additional monies are deposited and expended for Project construction costs approved by the Servicing Agent, the Servicing Agent shall not be required to authorize any further disbursements from the Construction Fund The failure of the Borrower to comply with this Section 6 4(f) shall be considered a default in its performance under this Agreement Notwithstanding the foregoing, prior to making any demand for additional deposits, the Servicing Agent will allow supportable adjustments for cost savings on construction line items to be used and/or applied to avoid cost overruns, as determined by the Servicing Agent or the Construction Inspector pursuant to AIA standards, and the Servicing Agent will accept payment of deferred fees from the Investor (if the Investor advances the same) to pay cost overruns before making demand or declaring a cost overrun so long as the Budget is otherwise in balance and sufficient and Syndication Proceeds are available to pay down the overfunding of the Loan and complete the Project as determined by the Servicing Agent and the Investor

SECTION 6 5 Additional Covenants Relating to Construction of the Project

(a) Commencement and Completion Construction of the Project shall be lawfully commenced within thirty (30) days of the Bond Proceeds Fund Release Date and shall be completed (i) as evidenced by the issuance of final, unconditional certificates of occupancy or their equivalents for the entire project no later than June 1, 2007, provided that if the Bond Proceeds Fund Release Date is extended beyond December 31, 2005, such completion date shall be extended beyond June 1, 2007 by the same number of days as the extension of the Bond Proceeds Fund Release Date beyond December 31, 2005 or (ii) such earlier date as required to ensure compliance with Section 42 of the Code relating to the "in service" requirements for the Section 42 low-income housing tax credits relating to the tax credit units The Borrower shall cause the Project to be constructed or erected in a true, thorough, workmanlike and substantial manner substantially in accordance with the Plans and Specifications and in accordance with the Budget and applicable Governmental Requirements The Plans and Specifications shall be construed or erected in such a manner that any work, structures or parts thereof exhibited in the Plans and not mentioned in the Specifications, or vice versa, shall be constructed the same as if they were exhibited in the Plans and mentioned in the Specifications The Borrower shall install and pay for all work provided in the Plans and Specifications The Borrower shall obtain at its expense all permits and licenses which may be required by any governmental agency, including municipal, county and state authorities The Borrower further agrees that the Servicing Agent or its designated representative may audit the books of account pertaining to the Project covered by this Agreement

(b) Continuous Construction The Borrower shall take all necessary steps to assure that the construction of the Project shall proceed continuously and diligently and in the event construction shall at any time be stopped or suspended for a continuous period of twenty (20) days, and such stoppage shall not be due to acts of God, weather that prohibits construction, construction strikes, war or other cause beyond the control of the Borrower, then the Servicing Agent shall have the right to declare the Borrower in default in its performance under this Agreement If the construction of the Project be at any time discontinued or not carried on with reasonable dispatch in the judgment of the Servicing Agent (regardless of whether or not Borrower is in default pursuant to the provisions of the foregoing sentence), the Servicing Agent may, but shall not be required to, purchase materials and employ workmen to protect the Project so that the same will not suffer from depredation or the weather If the construction of the Project be at any time discontinued, stopped or suspended for a continuous period of twenty (20) days as described above, the Servicing Agent may, but shall not be required to complete the construction of the Project, so that the same may be used for the purposes for which they were designed under the Plans and Specifications The Servicing Agent may at any time, without regard to stoppage of work, at the expense of the Borrower, employ a watchman or security service to protect the Project from depredation or injury

Except as otherwise stated herein or in the Indenture, all monies disbursed from the Construction Fund shall be used solely on account of the Project and as set forth in the Budget and none of such monies shall be diverted or used for any other use or purpose, provided,

however, any item of expense incurred by the Servicing Agent or the Trustee or liability of the Borrower to the Servicing Agent or the Trustee as contemplated in this Agreement, the Note, the Security Instrument or any other Document may be charged against the Construction Fund after default by the Borrower

(c) Change Orders The Borrower shall not enter into any form of agreement, written or oral, which modifies or amends the approved Plans and Specifications or the Construction Contract ("Change Orders") except as follows

(i) All Change Orders must be approved in writing by the Borrower, the Borrower's Architect and the Construction Inspector and copies of all Change Orders together with all required approvals must be provided to the Servicing Agent

(ii) All Change Orders which (1) deduct or eliminate any item shown in the approved Plans and Specifications, or (2) result in a cost increase of more than $5,000 per Change Order or $50,000 in the aggregate with all prior Change Orders, shall be subject to approval by the Servicing Agent, which approval shall not be unreasonably withheld, delayed or conditioned

(iii) All Change Orders which, in the aggregate with all prior Change Orders, result in the total construction costs for the Project exceeding the original approved construction costs by an amount greater than the hard cost contingency as reflected on the approved source and use for the Project, shall require the Servicing Agent's prior written approval, which approval shall not be unreasonably withheld, delayed or conditioned

(iv) Notwithstanding anything to the contrary herein, the Borrower shall not enter into any Change Order that would require the consent or approval of any governmental authority having jurisdiction over the Project, the Investor or any lender who has issued a commitment for a permanent loan for the Project without the prior written approval of the applicable governmental authority, the Investor and/or any such lender

(d) Architect and Contractor The Borrower's Architect shall inspect, and provide written approval, with respect to each draw request from the Construction Fund Such inspections shall be in addition to any inspections made by the Construction Inspector It is expressly understood that the Contractor is acting as the general contractor with respect to the Project Any contract entered into with Contractor shall be subject to written approval of the Servicing Agent The Borrower shall unconditionally and irrevocably guarantee to the Trustee and the Servicing Agent to remedy or cause to be remedied any defects in the construction in accordance with applicable state and Federal statutes, rules and regulations with oversight of the Project

(e) Permits The Borrower covenants and agrees that all necessary permits and licenses will be obtained to permit the construction and completion of the Project and occupancy of the proposed dwelling units in accordance with the provisions of this Agreement

The Borrower agrees to furnish evidence satisfactory to the Servicing Agent showing that such permits and licenses have been obtained with respect to each advance

(f) Other Liens

(i) The Borrower shall not enter into or execute any mortgage, deed of trust or deed to secure debt, security agreement or financing statement encumbering any materials or articles used in the construction or operation of the Project or appurtenances thereto or encumbering any articles of personal property placed therein, nor shall any such materials, fixtures or articles be purchased on conditional bill of sale or under any other kind of security agreement, so that the ownership thereof will not vest unconditionally in the Borrower, free from encumbrance, on delivery at the Land The Borrower shall furnish to Servicing Agent, if requested, the contracts, bills of sale, statements, receipted vouchers and agreements under which the Borrower claims title to such materials, fixtures and articles

(ii) The Borrower does hereby guarantee to the Trustee and the Servicing Agent that should any lien be filed against the Land, the Borrower shall cause the same to be released outright or released pursuant to bond so that the same will not constitute a lien against the Land and the Improvements constructed thereon and should the Borrower fail to do so, then in that event, the Servicing Agent may, at its option and without regard to the priority of such mechanic's lien or other lien or encumbrance and without regard to any defense that Borrower may have with respect thereto, cause the same to be released outright or released pursuant to bond and the Borrower agrees to promptly reimburse the Servicing Agent for all sums so advanced, including attorneys' fees and such sums so advanced shall be considered a part of the Indebtedness owed by the Borrower

(g) Inspection All work performed and materials used in the construction of the Project shall be subject to inspection by the Servicing Agent or the Servicing Agent's agents, and, except as specifically provided in this Article VI, no money shall be disbursed from the Construction Fund for work completed or materials furnished or supplied for the construction of the Project until the said materials shall be delivered to and incorporated in the Project and until the Servicing Agent shall have approved the same as being substantially in accordance with the approved Plans and Specifications It is hereby acknowledged that Property Solutions, Inc has been initially retained as the Construction Inspector, at the Borrower's expense, pursuant to an agreement for consulting services

(h) Improper Payments At all times during the construction of the Project, the total amount of the proceeds of the Loan which may have been disbursed pursuant to the terms and provisions of this Agreement shall always be secured by the lien of the Security Instrument, notwithstanding the fact that the Borrower or any agent of the Borrower may have actually made improper payments as defined by applicable law Under no circumstances shall the Servicing Agent or the Trustee be liable for any improper payments which may have been actually made by the Borrower or its agents

SECTION 6 6 Action by Issuer, Servicing Agent and Trustee Through and In Reliance Upon Others Each of the Issuer, the Servicing Agent and the Trustee may each execute and perform any of the duties or powers required of it hereunder by or through attorneys, accountants, experts, receivers or Agents, shall be entitled to advice of counsel concerning all matters with respect to its duties hereunder, and shall not be answerable for the default or misconduct of any such attorney, accountant, expert, receiver or Agent selected by it with reasonable care, or for the exercise of any discretion or power under this Agreement except only for its own respective Gross Negligence The Borrower shall pay the reasonable fees and expenses of the Issuer's, the Servicing Agent's and the Trustee's attorneys, accountants, experts, receivers and agents in connection with the exercise by the Issuer, the Servicing Agent or the Trustee of their rights hereunder

SECTION 6 7 Issuer, Servicing Agent and Trustee May Rely Upon Instruments The Issuer, the Servicing Agent and the Trustee shall each be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper person or to have been prepared and furnished pursuant to any of the provisions of this Agreement, and neither the Issuer, the Servicing Agent nor the Trustee shall be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements

SECTION 6 8 Retention of Records The parties acknowledge and agree that the Trustee shall retain all books and records relating to the funds established and maintained by the Trustee under the Indenture for the period required in Section 4 11(c)(iii) of the Indenture

ARTICLE VII

COVENANTS, AGREEMENTS AND REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE PROPERTY AND THE PROJECT

SECTION 7 1 Possession, Ownership and Use of the Project The Project shall be the property of the Borrower, and the Borrower shall enjoy the ownership and possession thereof only for the Permitted Use, subject to rights of the Holders, the Issuer, the Trustee, the Servicing Agent, and the other parties to this transaction to enter the Property for inspection and other purposes pursuant to this Agreement and the other Documents The covenants, agreements, representations and warranties made by the Borrower in this Article VII shall be effective as of the Bond Proceeds Fund Release Date

SECTION 7 2 Alterations, Additions and Improvements Except for the initial construction of the Project substantially in accordance with the Plans and Specifications and as may otherwise be provided in the Documents, the Borrower will not construct any additional improvements on the Land without the prior written consent of the Servicing Agent, and no portion

of the Project or any other improvements or equipment now or hereafter covered by the lien and security interest of this Agreement or the Security Instrument, shall be removed, demolished or materially altered, without the prior written consent of the Servicing Agent

Subject to the provisions of Article VI with respect to the initial construction of the Project, the Borrower will complete and pay for, within a reasonable time, any structure or improvement permitted or required under this Agreement, and will

(a) Compliance With Restrictions Construct, erect and complete any permitted improvements (including but not limited to the Project) on any part of the Land (i) in good and workmanlike manner and strictly in accordance with all applicable Governmental Requirements and in accordance with the orders, rules and regulations of the National Board of Fire Underwriters, or any other body hereafter constituted exercising similar functions, (ii) entirely on lots or parcels of Land, (iii) so as not to encroach upon any easement or right of way or upon the land of others, (iv) wholly within the building restriction lines however established, and (v) so as not to violate use and other restrictions contained in prior conveyances, zoning ordinances or restrictions,

(b) Insurance Furnish, in connection with any such work, general public liability insurance for the benefit of the Issuer, the Trustee and the Holders, as their interest may appear, in the limits set forth under Article VIII hereof,

(c) Payment Promptly pay for all such improvements, and

(d) Liens, Surety Bond Discharge any and all Encumbrances (other than the Permitted Encumbrances) filed against the Property (unless the Borrower in good faith contests any such liens by appropriate and diligent proceedings), and upon the request of the Servicing Agent, deposit with the Trustee for the benefit of the Holders a 100% surety bond, 25% letter of credit or other security satisfactory to the Servicing Agent to assure the payment for and completion of any such changes, additions, alterations, substitutions, replacements, removals or improvements

All such changes, additions, alterations, substitutions, replacements, removals and improvements shall become a part of the Property and subject to the lien and security interest of this Agreement and the Security Instrument Except in connection with the initial construction of the Project, as to which this Agreement shall control, in the event the provisions of this Section 7 2 conflict with any provisions of the Replacement Reserve Agreement, then the terms and conditions of the Replacement Reserve Agreement shall control

SECTION 7 3 Transfer of Property, Other Liens, Assignment and Leasing

(a) Except for the Leases and the Permitted Encumbrances, and except as set forth in the following paragraph, the Borrower will not, without the prior written consent of the Servicing Agent, encumber, transfer, sell, assign, lease, dispose of, or contract to transfer all or any part of the Property or suffer to exist any Encumbrance on the Property, whether superior to or junior to the Security Instrument and this Agreement The Borrower shall give the Servicing Agent, the Trustee and the Investor Notice of any default in any permitted senior, junior or subordinate Encumbrance on the Property and Notice of any foreclosure or threat of foreclosure of such permitted senior, junior or subordinate Encumbrance No transfer of all or any part of the Property shall relieve the Borrower of its obligations under this Agreement and the other Documents, unless the Borrower has obtained the prior written consent of the Servicing Agent Any sale, transfer, or other disposition of the Project in violation of the terms of this Agreement or the Regulatory Agreement shall be null, void, and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Agreement or Regulatory Agreement

(b) Notwithstanding the preceding paragraph, if the Borrower determines that any property, structure, machinery, equipment or other improvement constituting a part of the Property has become inadequate, obsolete, or otherwise unnecessary and if its removal will not materially and adversely affect the value or the structural soundness or the operating efficiency and integrity of the Property, the Borrower shall notify the Servicing Agent and may then remove such property from the Property and may sell or otherwise dispose of such property in whole or in part, provided that such removal must be in accordance with the terms of this Agreement, or part of the ordinary and customary replacement of personal property with substitute property of like kind and quality and with a fair market value at least equal to the fair market value, determined immediately prior to such replacement or removal, of the property replaced or removed, and provided further that all such property, structures, machinery, equipment or other improvements constructed or installed in replacement or substitution thereof shall be at the sole cost and expense of the Borrower and shall be free of all liens and encumbrances except Permitted Encumbrances and shall become a part of the Property

(c) Upon and as a condition precedent to any sale or transfer of the Project by the Borrower, any change in the general partner of the Borrower or in the ownership of the general partner of the Borrower, the Borrower shall pay to the Servicing Agent an assumption fee equal to the greater of (i) $50,000, and (ii) one percent (1%) of the Outstanding principal amount of the Bonds, provided, however, that the foregoing assumption fee shall not be payable in connection with any Permitted Transfer

ARTICLE VIII

PROPERTY TAXES, INSURANCE

SECTION 8 1 Property Taxes, Tax and Insurance Escrow

(a) Property Taxes Subject to its right to contest as set forth in subsection (d) below, the Borrower will promptly pay in full and discharge all Property Taxes before delinquency and before any penalty for non-payment attaches thereto Unless paid in accordance with Section 8 1(b) hereof, the Borrower, within twenty (20) days following the due date of such Property Taxes, will forward to the Servicing Agent and the Trustee a copy of the paid receipted bill or such other evidence of payment as is reasonably satisfactory to the Servicing Agent, indicating payment of the required amount If the Borrower fails to pay or cause to be paid the Property Taxes (or any deficiency as hereinafter set forth) at the time or in the manner provided in this Section 8 1, the Trustee may, and at the direction of the Servicing Agent shall (but only from amounts available in the funds and accounts established under the Indenture), pay such Property Taxes, and the Borrower shall pay to the Trustee the amount of any Property Taxes so paid, with interest thereon, as provided in Section 12 2 hereof

(b) Tax and Insurance Escrow Following the completion of the construction of the Project, the Borrower shall pay or cause to be paid to the Trustee (or to the Servicing Agent or such other entity as may be designated by the Servicing Agent to hold such tax and insurance account) on each Loan Payment Date one twelfth (1/12) of the amount which shall be estimated by the Servicing Agent, from time to time, to be sufficient to enable the Trustee (or, as applicable, the Servicing Agent or such other entity as may be designated by the Servicing Agent to hold such tax and insurance account) to pay (out of the moneys so paid by the Borrower) the annual Property Taxes and the annual premiums on all insurance required by this Article VIII, which sums shall be held in a non-interest bearing account to pay the Property Taxes and such premiums If funds accumulated under the terms of this subsection (b) are not sufficient to pay the Property Taxes and insurance premiums when and as the same are due and payable, the Borrower shall pay on demand the amount of any such deficiency If from time to time there are funds accumulated under the terms of this subsection (b) in excess of the amount needed to pay Property Taxes and such insurance premiums, the Borrower shall be entitled to request that the Servicing Agent take such excess into consideration in setting the amount to be paid monthly into the foregoing tax and insurance account, provided, however, that at the option of the Servicing Agent such excess shall be deposited into the Project's operating account Upon foreclosure or release of the Security Instrument or, to the extent permitted by law, upon the occurrence of an Event of Default under any of the Documents, the Trustee may apply any sums so deposited to the Borrower's Obligations in such order and in such manner as the Servicing Agent may determine

(c) New Taxes In the event of the passage of any law subsequent to the date hereof in any manner changing or modifying the Governmental Requirements now in force governing the taxation of mortgages or debts secured by mortgages or the manner of collecting any such taxes so as to adversely affect the Holders or the Trustee (including a requirement that revenue stamps be affixed to this Agreement or the Security Instrument or any of the other Documents), the

Borrower will promptly pay any such tax upon request by the appropriate governmental body If the Borrower fails to make such prompt payment, or if any such law prohibits the Borrower from making such payment or would penalize the Holders or the Trustee if the Borrower makes such payment, then the entire outstanding and unpaid balance of the Loan and all unpaid interest accrued thereon shall, without notice, immediately become due and payable at the option of the Servicing Agent In no event, however, shall any income taxes, excise taxes or franchise taxes of the Holders, measured by income, or taxes in lieu of such income taxes, excise taxes or franchise taxes, be required to be paid by the Borrower

(d) Right of Borrower to Contest Notwithstanding any of the foregoing provisions, the Borrower shall have the right, without creating an Event of Default hereunder, to contest the validity or amount of any Property Taxes by timely and appropriate proceedings, provided that the Borrower shall (i) give the Servicing Agent and the Trustee written notice of its intention to contest, (ii) diligently prosecute such contest, (iii) at all times effectively stay or prevent any official or judicial sale of the Property or any part thereof by reason of nonpayment of any such Property Taxes, and (iv) establish reasonable reserves for such liabilities being contested if the Servicing Agent reasonably determines such reserves to be necessary, and provided further, that the security for the Bonds and the Borrower's Obligations is not, in the opinion of the Servicing Agent, materially impaired during the period of contest If clauses (i) through (iv) are not satisfied, Borrower shall promptly pay the contested Property Taxes and Borrower's sole remedy shall be to seek a refund from the applicable Governmental Authority

SECTION 8 2 Insurance Required The Borrower shall, at all times during the Loan Term and at the Borrower's sole cost and expense, maintain or cause to be maintained insurance coverage in accordance with the customary insurance practices of businesses similar to the business which will be carried on in the Project, but in all events at least in accordance with the requirements of this Section 8 2 The agreements, covenants, warranties and representations of the Borrower in this Section 8 2 shall be effective as of the Bond Proceeds Fund Release Date

(a) Insurance of Property The Borrower will keep the Property insured against loss or damage from

(i) the perils of fire and hazards ordinarily included under standard extended coverage endorsements in the form of "all risk", with vandalism and malicious mischief coverage, in an amount equal to one hundred percent (100%) of the Full Insurable Value thereof within the terms of applicable policies, subject only to usual and customary deductibles for a property of the same type as the Property, and

(ii) civil disturbances, and

(iii) boiler or pressure vessel explosion (if there are boilers or pressure vessels located on the Property) in an amount customarily carried in the case of similar industrial or commercial operations, and

(iv) twelve (12) months' rental interruption insurance, adjusted annually to reflect current rent levels

(b) General Public Liability and Worker's Compensation The Borrower shall maintain or cause to be maintained general commercial liability insurance in amounts usually carried by similar operations against claims for bodily injury or death occurring upon, in or about the Property, with such insurance to afford protection to a combined single limit of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate (including umbrella coverages) per location during the construction of the Project and a combined single limit of not less than $2,000,000 per occurrence and $3,000,000 in the aggregate (including umbrella coverages) per location following completion of the construction of the Project The Borrower shall also maintain, with respect to any employees of the Borrower, and shall cause the Property Manager and the Contractor (during the construction of the Project) to maintain with respect to their employees, worker's compensation insurance in the amounts required under applicable law The Borrower shall further cause the Contractor to maintain, during the construction of the Project general commercial liability insurance in a combined single limit of not less than $2,000,000 per occurrence and $3,000,000 in the aggregate (including umbrella coverages) per location

(c) Builder's Risk Insurance, Architect's Errors and Omissions Insurance During any period of construction upon the Property (including, without limitation, during the construction of the Project), the Borrower shall maintain, or cause the general contractor or others performing such work to maintain, builder's risk insurance of the type customarily carried in the case of similar construction, with a soft cost endorsement and "all risk" extended coverage, including vandalism and malicious mischief, and including, if necessary, a stored materials endorsement, for the full replacement cost of work in place and materials stored at or upon the Property The Borrower shall also cause the Borrower's Architect to maintain errors and omissions insurance naming the Trustee and the Servicing Agent as certificate holders in an amount not less than the greater of (i) $250,000, or (ii) ten percent (10%) of the amount of the Construction Contract for the Project

(d) Flood Insurance If at any time any Improvements proposed to be constructed or in existence on the Land are in an area that has been identified by the Federal Insurance Administration as having special flood and mudslide hazards, and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, the Borrower shall purchase and maintain a flood insurance policy satisfactory to the Servicing Agent In the event that none of the Improvements are in, or proposed to be located in an area having special flood and mudslide hazards, the Borrower shall deliver to the Holders and the Trustee on or prior to the Closing Date and thereafter upon request, a certificate or letter issued by its insurance company (or other evidence satisfactory to the Servicing Agent) stating that such improvements are not in such a flood or mudslide hazard area

(e) Additional Insurance The Borrower will obtain and keep in force such other and further insurance as may be reasonably required from time to time by the Servicing Agent as being customary for owners and operators of multifamily properties comparable to the Property

SECTION 8 3 Specific Requirements With Respect to Insurance The following provisions shall apply with respect to the insurance coverage required by Section 8 2 hereof

(a) Insurance Companies All insurance required by Section 8 2 hereof shall be carried with responsible insurance companies selected by the Borrower and approved by the Servicing Agent, and may be effected by endorsement of blanket insurance policies, provided, however, that all policies of insurance shall be written by companies of recognized standing which are authorized to do business in the State and are rated at least A- by A M Best Company, Inc and if carried on a blanket basis, the limit of liability must be written for each location and hazard and the insured value of the Property and Improvements must be identified

(b) Evidence of Insurance The Borrower shall deliver to the Servicing Agent and the Trustee, promptly upon the execution and delivery of this Agreement, original policies or duplicates or conformed copies thereof and the Borrower shall deliver to the Servicing Agent and the Trustee, at least twenty (20) Business Days prior to the expiration of any such insurance, a binder or endorsement to the original policy evidencing the renewal of such insurance and the payment of the premiums therefor

(c) Mortgagee Clauses The insurance policies required by Section 8 2(a), (c) and (d) hereof and all renewals thereof shall have attached thereto standard non-contributing, non-reporting mortgagee clauses in favor of and naming the Trustee as mortgagee and loss payee and entitling the Trustee without contribution, to collect any and all proceeds payable under such insurance as its interest may appear, all to be in form and substance acceptable to the Servicing Agent The insurance policies required by Section 8 2(b) hereof and all renewals thereof shall name, as additional insureds, the Trustee, the Issuer, the Servicing Agent and their respective successors and assigns

(d) Cancellation The Borrower will immediately notify the Trustee and the Servicing Agent of any cancellation of or change in any insurance policy, and each such insurance policy to be provided under Section 8 2 hereof shall contain an agreement by the insurer that it will not modify or cancel such policy except upon at least thirty (30) calendar days' prior written notice to the Trustee and the Servicing Agent, and that any loss otherwise payable thereunder shall be payable notwithstanding any act or negligence of the Holders, the Issuer, the Trustee or the Borrower which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment

(e) Collection and Adjustment of Insurance The Borrower hereby authorizes the Trustee, at the direction of the Servicing Agent to collect, adjust and compromise any losses or claims under any such insurance policies (other than such insurance policies required by Section 8 2(b) hereof) The Net Proceeds of such insurance, whether collected by the Trustee or the Borrower, shall be held in trust to be applied only as set forth in Article IX hereof

(f) Payment of Premiums, Failure of the Borrower to Effect Insurance The Borrower will promptly pay or cause to be paid when due any and all premiums on all such

insurance On each anniversary of the Closing Date, the Borrower shall deliver to the Servicing Agent and the Trustee, a certificate, dated as of such date, to the effect that there is then in force all such insurance which is then required to be maintained by the Borrower Should the Borrower fail to effect, maintain or renew any of the insurance required by Section 8 2 hereof in the required amounts, or to pay the premiums therefor, or to deliver to the Servicing Agent and the Trustee any evidence of such insurance or payment therefor as required by this Article VIII, then in any of such events the Trustee may, and at the direction of the Servicing Agent shall (but only from amounts in the funds and accounts held by the Trustee under the Indenture), procure such insurance from amounts in the funds and accounts held by the Trustee under the Indenture, and any sums expended by it to procure any such insurance shall be payable by the Borrower with interest, on demand, as provided in Section 12 2 hereof, provided, however, that it is expressly understood that procurement by the Trustee of any of such insurance shall not be deemed to waive or release the default of the Borrower, or the right of the Trustee, whether acting at the direction of the Servicing Agent or acting on its own, to exercise the remedies hereinafter set forth upon the occurrence of an Event of Default

(g) Sale Under the Security Instrument In the event of a sale of all or any part of the Property pursuant to the provisions of the Security Instrument, the Trustee shall succeed to all the rights and interest of the Borrower, including any right of the Borrower to unearned premiums, in and to all such policies of insurance

(h) Separate Insurance The Borrower shall not take out separate insurance concurrent in form or contributing in the event of loss with that required in Section 8 2 hereof, unless the Trustee is included therein as an additional insured or named mortgagee, as appropriate, with loss payable as required in this Agreement The Borrower shall immediately notify the Trustee and the Servicing Agent whenever any such separate insurance is applied for and shall promptly deliver to the Trustee the policy or policies evidencing the same

(i) Contravention of Insurance The Borrower will not do or permit anything to be done on or about the Property that will affect, impair or contravene any policies of insurance that may be carried on the Property, or any part thereof, or the coverage thereunder against loss or Damage by fire, casualty, public liability, or otherwise

ARTICLE IX

DAMAGE TO THE PROPERTY, APPLICATION OF NET PROCEEDS

SECTION 9 1 Damage to the Property If at any time prior to the Termination Date, the Property or any part thereof is Damaged, either temporarily or permanently, the Borrower shall be obligated to continue to pay the amounts specified herein and in the Note, and the Net Proceeds resulting from any Damage will be applied as set forth in Section 9 2 hereof

SECTION 9 2 Application of Net Proceeds

(a) General The Net Proceeds resulting from any Damage shall be applied, as determined by the Servicing Agent in accordance with the provisions of Section 9 3(a) below, to one of the following purposes

(i) Redemption of Bonds To the redemption of the Bonds in accordance with the provisions of Article III of the Indenture, or

(ii) Replacement of Property To the repair, rebuilding, restoration or alteration of that portion of the Property which was Damaged

(b) Conditions Under Which Net Proceeds May be Applied to Restoration of Property and/or Acquisition of Property In the event that, and to the extent that, the Net Proceeds are to be applied to repair of the Property in accordance with Section 9 2(a)(ii) above, then, subject to the last sentence of Section 9 3(a) hereof, the Borrower must meet and comply with the following conditions

(i) The Net Proceeds and, if deemed necessary by the Servicing Agent, additional deposits made by the Borrower which may be necessary in the judgment of the Servicing Agent to restore the Property to its condition immediately prior to the Damage, shall be deposited into an escrow account to be held by the Trustee or by such other person as may be approved by the Servicing Agent

(ii) The Borrower will commence within thirty (30) days after the earlier of receipt of Net Proceeds or the insurance company's agreement to make the Net Proceeds available, to repair, rebuild, alter or restore (as applicable) that part of the Property so Damaged, or that portion of the Property remaining after any such Condemnation, to substantially the same condition as it existed prior to such Damage, with such changes, alterations and modifications approved by the Servicing Agent or required by any Governmental Authority and as will enable the continued use of the Property for the Permitted Use

(iii) The Borrower will observe and comply with all of the requirements set forth in Section 7 2 of this Agreement with respect to permitted improvements or restoration

(iv) The Borrower will request withdrawals from such escrow account to pay the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses

(v) Of such Net Proceeds in such escrow account, 90% shall be disbursed upon the Borrower's request in installments and amounts and in accordance with the following

(A) at the time of each disbursement no Event of Default shall have occurred and be continuing, and,

(B) with respect to each disbursement and accompanying each request therefor, there shall be delivered to the Servicing Agent and the Trustee (1) a certificate signed by the Authorized Borrower Representative specifying in reasonable detail the items of cost to be reimbursed from the Net Proceeds and certifying that, to the best of his knowledge and belief, no Event of Default has occurred and is continuing, (2) a certificate addressed to the Servicing Agent and the Trustee by an Independent Architect or an Independent Engineer supervising the restoration that such disbursement is to pay the cost of restoration not paid previously by any other prior disbursement, that all restoration completed to the date of such certificate has been completed in accordance with the then applicable Governmental Requirements, ordinances and codes, and that the amount of such disbursement, together with all other disbursements, does not exceed 90% of the aggregate of all such costs incurred or paid on account of work, labor or services performed and materials installed in or stored upon the Property at the date of such certificate, and (3) evidence satisfactory to the Servicing Agent that all claims then existing for labor, services and materials enforceable by the creation of a lien against the Property have been paid in full or provision acceptable to the Servicing Agent has been made therefor, and

(C) disbursements for materials shall be made only if the materials have been delivered to the site and either incorporated in the work or insured to the Full Insurable Value thereof against all risks

(vi) The final 10% shall be disbursed only upon delivery to the Servicing Agent and the Trustee, in addition to the items required by (v) above, of the following

(A) evidence satisfactory to the Servicing Agent that all claims then existing for labor, services and materials enforceable by the creation of a lien against the Property have been paid in full or provision acceptable to the Servicing Agent has been made therefor, and

(B) a certificate of an Independent Architect or an Independent Engineer that the restoration or acquisition of additional property has been completed in a good and workmanlike manner, substantially in accordance with plans and specifications approved by the Servicing Agent and in accordance with all Governmental Requirements then applicable to the Property

(vii) Any balance of the Net Proceeds remaining after the payment of all of the costs of any restoration or acquisition of additional property permitted by Section 9 2 (a)(ii) above shall be applied, unless otherwise directed by the Servicing Agent, to the redemption of the Bonds in accordance with the provisions of Section 3 3 of the Indenture

(viii) The Trustee (at the direction of the Servicing Agent) and the Servicing Agent shall be entitled, at the expense of the Borrower, to consult such professionals as the Trustee and the Servicing Agent, in their sole discretion, may deem necessary in connection with the cost and/or feasibility of, and inspection of the work performed in, restoring the Property to its condition immediately prior to such damage

(ix) Any Leases affected in any way by the Damage shall to the extent possible continue in full force and effect (subject to rent abatement during restoration as may be provided in such Leases) or, if terminated, the same must be covered by rental interruption insurance or replaced with Leases which meet the requirements of the Documents,

(x) All proceeds from rent or business interruption insurance, or both, shall be available to the Borrower, in such amounts as the Servicing Agent, in its reasonable judgment, considers sufficient to pay operating expenses, debt service on the Note (if any) and all assessments, insurance premiums and other sums due and payable by the Borrower pursuant to the Documents

(xi) All restoration shall be conducted under the supervision of an Independent Architect or Independent Engineer, or both, selected and paid by the Borrower and approved in advance by the Servicing Agent, and by a general contractor who shall be approved by the Servicing Agent and shall have executed a fixed price contract

(xii) All restoration shall be performed pursuant to plans and specifications approved by the Servicing Agent and by a contractor or contractors approved in advance by the Servicing Agent

(xiii) If required by the Servicing Agent, the contractor or contractors performing the restoration work shall have obtained payment and performance bonds naming the Trustee as dual obligee

(xiv) All moneys held in the escrow account shall constitute a part of the Collateral, and the Borrower hereby grants to the Trustee a security interest therein

SECTION 9 3 General Provisions

(a) Determination of Application of Net Proceeds If any Damage to the Property occurs, the Trustee shall upon the written request of the Borrower make the Net Proceeds received by the Trustee available for the restoration of the Improvements affected by such loss or damage in accordance with the provisions of Section 9 2 hereof, provided that

(i) no Event of Default has occurred and is continuing under any of the Documents, and

(ii) in the sole opinion of the Servicing Agent, (A) there has been no impairment to the creditworthiness of the Borrower, and (B) such restoration will not result in (1) any decrease in value or other impairment to the Property or any other security for the Loan, or (2) any impairment to the creditworthiness of the Borrower, and (C) the funds available for any restoration or replacement are sufficient to pay the costs of such restoration or replacement

In all other cases, the Servicing Agent shall determine in its sole and absolute discretion the application of any Net Proceeds of damage or destruction to the Property, including redemption of the Bonds Notwithstanding the foregoing, in the event (i) no Event of Default has occurred and is continuing under any of the Documents, and (ii) the Net Proceeds are less than $25,000, then at the written election of the Borrower, the Trustee shall distribute such Net Proceeds to the Borrower to be used in the restoration of the Project, and the Borrower shall not be required to comply with any of the provisions or requirements set forth in Section 9 2(b) with respect to the restoration of the Project

(b) Provisions of this Article to Govern The Borrower expressly waives any right or privilege now granted or created under the provisions of any of the real property laws of the State or any similar law now or hereafter in effect relating to the Condemnation of or Damage to the Property and agrees that the provisions of this Article shall govern in lieu thereof

(c) Condemnation Nothing contained in this Article shall be construed as limiting the Issuer or any other governmental entity in exercising any right of Condemnation in relation to the Property, nor shall the exercise of any right of Condemnation by the Issuer or any other governmental entity be deemed a breach of the terms, conditions and covenants of this Agreement or any of the other Documents, or the exercise of bad faith Any Condemnation by the Issuer shall be deemed covered and shall be governed by the applicable provisions of this Article

(d) Net Proceeds to be Held in Trust All Net Proceeds received by any person shall be held in trust by the recipient thereof to be applied in accordance with the terms of this Article As soon as the Borrower becomes aware that Net Proceeds will be received, the Borrower shall consult with Bond Counsel as to the appropriate manner of investing such Net Proceeds so as to comply with Section 148 of the Code and the Borrower will cause such Net Proceeds to be invested in such manner, including yield restrictions, as to assure such compliance and to maintain the exclusion from Gross Income of interest on the Bonds

(e) Insufficient Funds In the event the Net Proceeds are not sufficient to pay in full the costs of repairing, rebuilding, altering and restoring the Property or acquiring additional property, as provided in this Article, the Borrower will nonetheless complete the work or the acquisition thereof and pay that portion of the costs thereof in excess of the amount of such Net Proceeds The Borrower shall not, by reason of the payment of such excess costs (whether by direct payment thereof or payment to the Trustee therefor), be entitled to any reimbursement from the Trustee, or the Issuer, or to any abatement or diminution of the payments payable hereunder or under the Note

ARTICLE X

EVENTS OF DEFAULT, REMEDIES

SECTION 10 1 Events of Default Defined The following events shall be "Events of Default" under this Agreement

(a) Any representation or warranty made herein or any statement or representation made by the Borrower, the Key Principal or any of their Agents in any certificate, report or opinion (including legal opinions), financial statement or other instrument furnished in connection with this Agreement, or any of the other Documents, proves to have been incorrect, incomplete or misleading in any material respect when made, or

(b) The Borrower fails to pay, on the date on which the same is due and payable (i) the principal of, premium (if any) or interest or any other charges or sums on or under the Note (whether upon maturity, on any installment date, after acceleration, after notice of redemption, or otherwise, including, without limitation, any Loan Equalization Payment required to be made by the Borrower pursuant to the terms of Section 3 4(a)(ii) of the Indenture), or (ii) any payment required by this Agreement or any of the other Documents to be paid by the Borrower, including but not limited to the deposits required to be made to the funds and accounts established and maintained under Article IV of the Indenture and under the Replacement Reserve Agreement, or

(c) An Event of Taxability occurs, or

(d) The Borrower fails to redeem the Bonds in accordance with the terms of the Indenture and this Agreement, provided, however, that the Servicing Agent may, in its sole and absolute discretion, determine that such failure does not constitute an Event of Default, or

(e) The Borrower fails to pay, on the date on which the same is due and payable, any amounts due in connection with any other debt which is secured by all or a portion of the Property, or

(f) The Borrower fails to pay, on the date on which the same is due and payable the, Issuer's Annual Administrative Fee,

(g) The Borrower fails to duly and promptly perform, comply with or observe any of the terms, covenants, conditions or agreements contained in (i) Article VIII hereof, or (ii) subsections (b), (c), (g), (h), (k), (dd), or (gg) of Section 5 2 hereof, or

(h) The Borrower defaults in the due and punctual observance or performance of any other term, covenant or agreement herein contained (i e , other than as specified in subsections (a) through (g) of this Section 10 1) or with respect to any other of the Borrower's Obligations not otherwise specified in the other subsections of this Section 10 1, which default shall remain unremedied for thirty (30) days (or such other cure period as may be specified herein) after Notice to the Borrower and the Investor thereof, or

(i) An Act of Bankruptcy occurs with respect to the Borrower, the general partner of the Borrower, or, during the Full Recourse Period, the Key Principal or the Borrower, the general partner of the Borrower, or, during the full Recourse Period, the Key Principal, becomes generally unable to pay its debts as they become due, provided, however, if a proceeding with respect to an Act of Bankruptcy is filed or commenced against the Borrower, the general partner of the Borrower or the Key Principal, the same shall not constitute an Event of Default if such proceeding is dismissed within sixty (60) days from the date of such Act of Bankruptcy, or

(j) An order or decree appointing a receiver of any of the payments to be made by the Borrower pursuant to this Agreement or the Note is entered with the consent or acquiescence of the Issuer, or such order or decree is entered without the acquiescence or consent of the Issuer and it is not vacated, discharged or stayed within sixty (60) days after entry, or

(k) Any judgment against the Borrower or any attachment or any levy against the property of the Borrower (including, without limitation, the Property or any portion thereof) with respect to a claim for an amount in excess of $25,000, remains unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of sixty (60) days (unless such judgment, attachment or levy is being contested or litigated in good faith and the enforcement thereof has been stayed), or

(l) [Reserved]

(m) Notice is given to the Borrower and the Investor that there has been a failure to comply with any of the terms of the Regulatory Agreement unless (i) the Issuer, the Servicing Agent and the Trustee receive an opinion of Bond Counsel approved by the Issuer and the Servicing Agent and in form satisfactory to the Issuer and the Servicing Agent to the effect that (A)(1) such failure will not adversely affect the exclusion from Gross Income of the interest on the Bonds or (2) such failure can be remedied with the effect of permitting the interest on the Bonds to continue to be excludable from Gross Income, and (B) such failure does not cause a violation by the Issuer or the Borrower which affects the validity of the Bonds, and (ii) such failure is remedied within the period of time determined by such opinion of Bond Counsel to be necessary to permit interest on the Bonds to continue to be excluded from Gross Income, or

(n) An Event of Default on the part of the Borrower, the Key Principal or the Issuer occurs under any of the other Documents, or a default occurs under the Partnership Documents which would have a material adverse effect on the Borrower's ability to perform its obligations under the Documents, or

(o) Except for Permitted Transfer, any portion of the Property or any interest in the Borrower or any partner of the Borrower, is sold, transferred or encumbered without the prior written consent of the Servicing Agent, unless specifically permitted by this Agreement or the other Documents, or

(p) The Borrower fails to pay any new taxes applicable to the Security Instrument, as provided in Section 8 1(c) hereof, or

(q) Any provision of this Agreement or any of the other Documents pertaining to the repayment of the principal of or interest on the Loan or the Bonds becomes unenforceable, or operates or would prospectively operate to invalidate this Agreement or any provision relating to repayment in any of the other Documents, in whole or in part and the Borrower fails to cooperate with the Trustee and fails to execute any additional documents that may be required to cure the problem, or

(r) The Borrower fails to comply with any requirement of any Governmental Authority having jurisdiction within thirty (30) days after notice in writing of such requirement shall have been given to the Borrower, or if any proceeding is commenced or action taken to enforce any remedy for a violation of any Governmental Requirement or any restrictive covenant affecting the Property or any part thereof unless the Borrower is contesting or has bonded over the same in accordance with any provisions of this Agreement expressly permitting such contest or bonding, or

(s) Fraud or defalcation on the part of the Borrower, the Key Principal or any of its or their Agents, or the Property Manager (if related to the Borrower), or

(t) The Borrower fails to commence or complete the construction of the Project by the dates specified in Section 6 5(a) of this Agreement, or

(u) Construction of the Project ceases in violation of the provisions of Section 6 5(b) hereof, or

(v) The Borrower fails to deposit funds in the Construction Fund as required in accordance with the terms of Section 6 4(f) of this Agreement, or

(w) The Borrower fails to lease the Project so as to qualify 100% of the apartment units in the Project for the low income housing tax credit under Section 42 of the Code no later than the first anniversary of the Completion Date, or

(x) The Borrower fails to obtain and maintain the construction of the Project, the performance and labor and materials payment bonds required pursuant to Section 6 4(a)(vii) hereof

(y) The Bond Proceeds Fund Release Date shall not have occurred by December 31, 2005, or by such later date in accordance with Indenture Section 3 3(c)(iv)

Notwithstanding any provision herein or in the other Documents to the contrary, the Issuer, the Trustee and the Servicing Agent agree that any cure of any default made or tendered by the Investor shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower

SECTION 10 2 Remedies on Default Upon the occurrence of an Event of Default, the Trustee, as the assignee of the Issuer's rights hereunder, in its sole discretion, may take (but only with the approval of the Servicing Agent), and, upon the written direction of the Issuer as to default in payment of the Issuer's Annual Administrative Fee, and as to all other defaults, upon the written direction of the Servicing Agent, shall take, any one or more of the following remedial steps set forth in subsections (a) through (i) below, in addition to the rights, powers and remedies available to the Trustee under the Security Instrument and the other Documents

(a) Acceleration Accelerate the maturity of the Note and declare the unpaid principal of the Note and all interest accrued thereon, together with all other of the Borrower's Obligations, to be immediately due and payable, by Notice in writing to that effect sent to the Borrower and the Investor and to the other parties to this Agreement and the other Documents, and upon such declaration, the Note and all accrued and unpaid interest thereon and all other of the Borrower's Obligations shall become immediately due and payable, without protest, presentment, further notice or demand, all of which are expressly waived by the Borrower, at the place of payment provided in such Notice, anything in this Agreement or in the Bonds or the Note to the contrary notwithstanding In the event of a default in the payment when due of any installment of the Issuer s Annual Administrative Fee, the Trustee shall, upon the written direction of the Issuer, subject to the notice and cure provisions in Section 8 1(d) of the Indenture, accelerate the maturity of the Note and declare the unpaid principal of the Note and all interest accrued thereon, together with all other of the Borrower's Obligations, to be immediately due and payable Such acceleration shall not be subject to rescission by any party other than the Issuer

(b) Legal Action

(i) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Issuer, the Holders and the Trustee, and require the Borrower to carry out any agreement with or for the benefit of the Issuer, the Holders or the Trustee, and to perform its duties under the Act, this Agreement, and the Security Instrument,

(ii) bring suit upon the Note and/or the Guaranty,

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

(iv) take whatever action at law or in equity as may appear necessary or desirable to collect the payments 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 or any other party under this Agreement or under any of the other Documents

(c) Protection of Property Without resort to judicial process, take such steps as the Issuer or the Servicing Agent deems appropriate to protect the Property from depredation or injury, including (without limitation) employment of watchmen or other protective services, and any expenses incurred by the Issuer, the Trustee or the Servicing Agent in taking such steps shall be paid by the Borrower as provided in Section 12 2 hereof

(d) Management of Property Subject to the provisions of the Regulatory Agreement, the Servicing Agent may and the Trustee, if requested in writing by the Servicing Agent, shall require the Borrower to (i) terminate the Management Agreement and to self-manage the Property or (ii) to enter into a new Management Agreement with another entity designated by the Servicing Agent in its sole and absolute discretion The Borrower shall cooperate to the fullest extent possible in arranging for the transfer to the new Property Manager of all necessary Licenses, permits, approvals and authorizations relating to the Project In the event that the entity designated by the Servicing Agent is not permitted to take over management of the Project within five (5) days of the appointment of a new Property Manager, then the Servicing Agent shall have the right to have a receiver appointed for the Project and the Borrower agrees not to oppose the appointment of such receiver for the Project

(e) Attorney-in-Fact The Servicing Agent may and the Trustee, upon the written direction of the Servicing Agent, shall, and the Borrower hereby irrevocably appoints the Servicing Agent and the Trustee as its attorney-in-fact (which appointment is coupled with an interest) with power of substitution to, in the name of the Servicing Agent and the Trustee or in the name of the Borrower or otherwise, for the use and benefit of the Trustee, but at the cost and expense of the Borrower and without Notice to the Borrower (i) notify tenants and any other Account Debtors to make payments on the Collateral directly to the Servicing Agent or the Trustee for deposit into a special banking account maintained by the Trustee over which the Trustee has exclusive dominion, control and power of access and withdrawal (the "Blocked Account"), and to take control of the cash and non-cash proceeds of any such Collateral, (ii) compromise, extend, or renew any of the Collateral or deal with the same as it may deem advisable, (iii) release, make exchanges or substitutions for, or surrender all or any part of the Collateral, (iv) remove from the places of business of the Borrower all Records relating to the Property or, at the cost and expense to the Borrower, make such use of the places of business of the Borrower as may be reasonably necessary to administer, control, and collect the Collateral, (v) demand, collect, receipt for and give renewals, extensions, discharges, and releases of any of the Collateral, (vi) institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, any of the Collateral, (vii)

settle, renew, extend, compromise, compound, exchange or adjust claims with respect to any of the Collateral or any legal proceeding brought with respect thereto, (viii) endorse the name of the Borrower upon any Items of Payment relating to the Collateral or upon any proof of claim in bankruptcy against an Account Debtor, and (ix) receive and open all mail addressed to the Borrower and notify the post office authorities to change the address for the delivery of mail to the Borrower to such address as the Trustee may designate

(f) Foreclosure Exercise its rights of foreclosure or appointment of a receiver and any of the other remedies available under the Security Instrument

(g) Trustee to Enforce Rights of Issuer The Trustee, its successors and assigns, as the assignee of all of the right, title and interest of the Issuer in and to each of the Documents constituting a part of the security for the Bonds and the Note (except for the Reserved Rights of the Issuer), may, and, upon the written direction of the Servicing Agent, shall, enforce in its own name (and in the Issuer's name if required by applicable law) each and every right granted to the Issuer pursuant to this Agreement and the other Documents In any case where action by the Trustee requires simultaneous or subsequent action by the Issuer, the Issuer will cooperate with the Trustee and take any and all action necessary to effectuate the purposes and intent of this Agreement, and the Borrower shall reimburse the Issuer for any and all costs and expenses of the Issuer which may be incurred in connection therewith

(h) Application of Moneys in Funds and Accounts of Indenture Apply the moneys on deposit in any of the funds or accounts established and maintained by the Trustee under Article IV of the Indenture (other than the Rebate Fund) to the payment of the Borrower's Obligations

(i) Completion of the Project To the extent construction of the Project has not been completed as and when required under the terms of this Agreement, the Servicing Agent may, in addition to any other remedies available to the Trustee or the Servicing Agent under this Agreement and the other Documents, enter onto the Land and complete the construction of the Project substantially in accordance with the Plans and Specifications with such changes therein as the Servicing Agent may deem appropriate, all at the Borrower's sole cost and expense

SECTION 10 3 No Remedy Exclusive, Delays or Omissions, Waiver of Breach No action taken pursuant to this Article X shall relieve the Borrower or any other person from its obligations hereunder or under any of the other Documents, all of which shall survive any such action, and the Issuer, the Servicing Agent and the Trustee (to the extent provided above) may take whatever action at law or in equity that may appear necessary and desirable to collect the payments and other amounts then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower hereunder or of any other person under any of the Documents

No remedy herein conferred upon or reserved to the Issuer, the Servicing Agent or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and

every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or under the other Documents or now or hereafter existing at law or in equity or by statute Should any right or remedy granted herein be held to be unlawful, the Issuer, the Servicing Agent or the Trustee shall be entitled to every other right and remedy provided in this Agreement and by law or in equity No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder or under the Documents shall impair any such right or power or 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 the event any agreement contained in this Agreement should be breached by the Borrower and the breach is thereafter waived by the Issuer, the Servicing Agent or the Trustee, as applicable, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach No waiver, amendment, release or modification of this Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the Issuer, the Servicing Agent or the Trustee, as applicable In order to entitle the Issuer, the Servicing Agent or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such Notice as may be herein expressly required

SECTION 10 4 Termination of Proceedings In case any proceedings taken by the Trustee, the Servicing Agent or the Issuer on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Servicing Agent or the Issuer, then and in every such case, the Issuer, the Servicing Agent, the Trustee, the Borrower and all other parties to this transaction shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee, the Servicing Agent and the Issuer shall continue as though no such proceeding had been taken

SECTION 10 5 Application of Moneys

(a) All moneys collected pursuant to this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Issuer and the Trustee including interest thereon as provided in Section 12 3 hereof, be applied as follows

First - To the payment to the Trustee of all fees, expenses (including the reasonable fees and expenses of its counsel) and other amounts (other than principal and interests) due to it under this Agreement and the other Documents,

Second – To the payment to the Servicing Agent and the Issuer of all fees, expenses (including the reasonable fees and expenses of their counsel) and other amounts (other than principal and interest) due to them under this Agreement and the other Documents,

Third - To the payment of all payments of interest then due on the Note,

Fourth - To the payment of the unpaid principal balance of the Note,

Fifth - To the payment of any sums due and owing under the Indenture, including but not limited to the sums required to be paid pursuant to Section 8 6 thereof,

Sixth - To the payment of all other of the Borrower's Obligations (including, without limitation, any obligations in connection with any Surviving Rights in such order and in such amounts as the Servicing Agent, in its sole discretion, may determine), and

Seventh - Any remaining amounts may be returned to the Borrower

Notwithstanding the foregoing, the proceeds received from any foreclosure sale under Section 10 2(f) of this Agreement shall, after application pursuant to the first paragraph and clauses "first", "second" and "third" of this Section 10 5(a), be loaned to the purchaser at such foreclosure sale on the same terms and conditions as the Loan, in which event the Bonds shall remain Outstanding in accordance with their terms, the Documents shall continue in full force and effect in accordance with their terms, and the purchaser at such foreclosure sale shall be deemed to be substituted as the new Borrower under the Documents

(b) Whenever moneys are to be applied pursuant to the provisions of this Section 10 5, such moneys shall be applied at such time, and from time to time, as the Trustee, acting at the direction of the Servicing Agent, shall have determined, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future

ARTICLE XI

DURATION OF AGREEMENT, DEFEASANCE

SECTION 11 1 Duration of this Agreement This Agreement shall become effective on the Closing Date, and shall continue in full force and effect until the Termination Date, provided that the expiration of this Agreement shall not affect any Surviving Rights of the Trustee, the Holders or the Issuer

SECTION 11 2 Defeasance and Discharge of Lien of the Trustee

(a) If and when the Loan secured hereby shall become due and payable or shall be repaid in accordance with its terms and the whole amount of the principal, premium (if any) and interest so due and payable thereon shall be paid, together with all other amounts payable to the Trustee (as assignee of the Issuer) hereunder and under the other Documents, then in that case, all covenants, agreements and other obligations in favor of the Trustee (as assignee of the Issuer) and the Servicing Agent under this Agreement and under the other Documents (except with respect to any Surviving Rights of the Trustee) shall thereupon cease, terminate and become void and be discharged and satisfied

(b) If and when the Borrower shall make the Issuer deposits described in Section 12 1 of the Indenture, the Trustee's interest in the Trust Estate shall thereupon terminate except for the Trustee's interest in the funds so deposited

(c) In either of the events set forth in Sections 11 2(a) and (b), upon written request of the Issuer and the Borrower, the Trustee shall release all Collateral then held by the Trustee under this Agreement, except for its interest in the funds deposited under Section 12 1 of the Indenture and shall execute such releases and other documents as may be reasonably required by the Issuer Any release by the Trustee under this Section 11 2 shall be without prejudice to the right of the Trustee to any Surviving Rights of the Trustee

ARTICLE XII

ADDITIONAL PAYMENTS

SECTION 12 1 Costs to be Paid by the Borrower The Borrower agrees to pay, from the proceeds of the Loan to the extent possible consistent with the exclusion of interest on the Bonds from Gross Income under the Code, but if necessary from sources other than the Loan, all fees, costs and expenses of the Borrower, the Issuer, the Trustee, the Servicing Agent and the Sole Holder in connection with the issuance of the Bonds and the other transactions contemplated by this Agreement and the other Documents (whether such amounts are due on the Closing Date or not), including but not limited to all recording and filing fees and taxes, tax, title and lien search charges, legal fees (including but not limited to the fees and expenses of Bond Counsel, the Sole Holder's legal counsel, Issuer's legal counsel, Trustee's legal counsel and the Servicing Agent's legal counsel), Property Taxes, registration taxes, title insurance and insurance premiums, architects' and engineers' fees, appraisal fees, all costs and expenses incurred by the Issuer, the Trustee, the Servicing Agent or the Holders in enforcing its or their rights under this Agreement (including the exercise of any remedies set forth in Section 10 2 of this Agreement), all reasonable costs and expenses incurred by the Trustee in its administration of the trusts created by the Indenture and in the performance of its duties under the Documents, and all reasonable third-party expenses incurred by the Trustee, the Servicing Agent, the Issuer or the Holders in servicing the Loan and the Bonds

SECTION 12 2 Reimbursement of Advances Made or Other Costs Incurred If the Borrower fails to make any payment or to perform any other of the Borrower's Obligations, the Trustee or the Issuer, without notice to or demand upon the Borrower, without waiving any default or releasing the Borrower from any of the Borrower's Obligations, and without being under any obligation to do so, may, and at the direction of the Servicing Agent (but only from amounts on deposit in the funds and accounts established and maintained under the Indenture) shall, make such payment or perform any of the Borrower's Obligations All amounts so paid by the Trustee or the Issuer, and all costs, fees and expenses (including reasonable attorneys' fees and expenses) incurred by the Trustee or the Issuer, whether in connection with such payment or such performance or otherwise in connection with their respective duties and responsibilities under this Agreement and the other Documents, shall be immediately due and payable by the Borrower upon demand therefor, as additional payments hereunder, together with interest thereon as provided in Section 12 3 below

All such amounts so paid by the Trustee or the Issuer shall be added to and become a part of the Indebtedness (as defined in the Security Instrument) and shall be secured by the Security Instrument In addition, notwithstanding anything in this Agreement to the contrary, in the event that the Borrower should default under any of the provisions of this Agreement, and the Trustee or the Issuer should employ attorneys or incur other expenses for the collection of amounts due hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees that it will on demand therefor pay to the Trustee or the Issuer the fees and expenses of such attorneys and such other expenses so incurred

SECTION 12 3 Interest on Additional Payments and Reimbursements Without limiting any other provisions for the payment of interest, additional interest, late charges, premiums or like charges under any of the Documents, in any instance in which any sum other than principal, premium (if any), and interest is due from the Borrower to the Trustee, the Issuer or any other party to this transaction as a direct payment, reimbursement or otherwise, and no specific provision is made with respect to the payment of interest thereon or the rate of interest thereon is not otherwise specified, such sum shall bear interest from the date on which it becomes due until paid in full at the Reimbursement Rate

SECTION 12 4 Indemnification

(a) Claims in Connection with the Property The Borrower and each Key Principal shall defend, protect, indemnify, and save harmless the Holders, the Trustee, the Issuer, the Servicing Agent and their respective Agents against and from any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including all attorneys' fees and expenses) imposed upon, incurred by or asserted against any such indemnified party, and any and all Claims asserted against any of them (except, with respect to the Trustee, any claims arising from its Gross Negligence) on account of or in connection with (i) any accident, injury (including death) or Damage to any person or property, however caused, resulting from, connected with or growing out of any act of commission or omission of the Borrower, or any Agents, assignees, contractors or subcontractors of the Borrower or any use, nonuse, possession, occupation, condition, operation, service, design, construction, acquisition, maintenance or management of, or on, or in connection with, the Property, or any part thereof, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under any of the Documents (including the failure to comply with any applicable Governmental Requirements related to environmental matters and the failure to comply with the covenant set forth in Section 5 2(h) hereof), (iii) any act or negligence of the Borrower or of any of its Agents or licensees, (iv) any act or negligence of any assignee or lessee of the Borrower, (v) the financing of the Project and the issuance and sale of the Bonds, (vi) a violation or alleged violation of any Environmental Law in connection with the Property by any person or entity or other source whether related or unrelated to the Borrower or the Key Principal, (vii) the actual, threatened or alleged presence, release, transportation, migration, generation, treatment, processing, storage, use or disposal of Hazardous Materials (herein collectively referred to as a "Disposal") (whether intentional or unintentional, direct or indirect, foreseeable or unforeseeable) at, on, or from the Property by any person or entity or other source, whether related or unrelated to the Borrower or the Key

Principal (including, without limitation, the costs of assessment, containment and removal of Hazardous Materials), except to the extent that the indemnitee has become an owner or operator of the Project and the Claims are attributable to the actions of the indemnitee after becoming owner or operator of the Project, (viii) the financing of the Project and the advance of the proceeds of the Loan by the Issuer or the Trustee, or (ix) any other litigation or other dispute relating to or arising out of the ownership, operation or financing of the Project The covenants of the Borrower and the Key Principal set forth in clauses (i) through (ix) of this Section 12 4(a) shall each (unless otherwise noted) survive the Termination Date, and shall apply regardless of whether such Claims are against or are suffered or sustained by the Holders, the Trustee, the Issuer, the Servicing Agent or any of their respective Agents or are against any Person to whom the Holders, the Trustee, the Issuer, the Servicing Agent or any of their respective Agents may become liable therefor Neither the Holders, the Trustee nor the Issuer, the Servicing Agent nor any other party to this transaction (other than the Borrower) shall be liable for any injury or Damage occurring during the Loan Term to any person, or to any property of the Borrower or any of its Agents or any other person, who or which may be upon the Property, and the Borrower and the Key Principal hereby release the Holders, the Trustee, the Issuer and the Servicing Agent from, and agrees that they shall not be liable for, and the Borrower and the Key Principal shall hold them harmless from, any such liability The Borrower and the Key Principal may, and if so requested by the Servicing Agent, the Trustee or the Issuer, shall, undertake to defend, at its sole cost and expense, any and all Claims brought against the Holders, the Trustee, the Issuer, the Servicing Agent or any of their respective Agents in connection with any of the matters mentioned in this Section 12 4, provided that the Servicing Agent, the Trustee and the Issuer shall give the Borrower and the Key Principal timely Notice of and forward to the Borrower every demand, notice, summons or other process received with respect to any Claim within the purview hereof In the event the indemnified party determines that there exists a conflict of interest between counsel's representation of the Borrower and its own representation in any such action or proceedings, the indemnified party shall have the right to employ separate counsel in any such action or proceedings and to participate in the investigation and defense thereof, and the Borrower and the Key Principal shall pay the fees and expenses of such separate counsel, provided, however, that unless such separate counsel is employed with the approval of the Borrower (which approval shall not be unreasonably withheld or delayed), neither the Borrower nor the Key Principal shall be required to pay the fees and expenses of such separate counsel Notwithstanding anything to the contrary contained in Section 3 8(c) hereof, nothing in this Section 12 4(a) is intended to cause the Borrower or the Key Principal to be personally liable for the payment of principal and interest on the Loan and the Bonds except to the extent provided in Sections 3 8(a) and 3 8(b) hereof The obligations of the Borrower and the Key Principal under this Section 12 4(a) shall be joint and several

(b) Liability of Issuer, etc The parties intend that neither the Issuer nor any of its officials, commissioners, officers or employees shall incur pecuniary liability by reason of the terms of any of the Documents, or the undertakings required of the Issuer or them under any of the Documents by reason of the issuance of the Bonds or the execution and delivery of any of the Documents, or the performance of any act required of the Issuer or its past, present or future officials, commissioners, officers or employees by any of the Documents, or the performance of any act requested of the Issuer by the Borrower, including all claims, liabilities or losses arising in

connection with the violation of any statutes or regulations pertaining to the foregoing Notwithstanding the foregoing, if the Issuer or any of its past, present or future officials, commissioners, officers or employees should incur any such pecuniary liability, the Borrower shall indemnify and hold the Issuer and its past, present or future officials, directors, officers and employees harmless against all claims by or on behalf of any person, firm or corporation or other legal entity arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and, upon notice from the Issuer, the Borrower shall defend the Issuer and its past, present or future officials, commissioners, officers and employees in any action or proceeding alleging any pecuniary liability

(c) Consequential Liability In addition to any other amounts payable under any of the Documents by way of indemnification or otherwise, the Borrower hereby agrees to pay and to indemnify and save the Issuer harmless from and against any damage, loss, cost or expense (including reasonable attorneys' fees) which the Issuer may incur or be subject to as a consequence, direct or indirect, of (A) any breach by the Borrower of any warranty, covenant, term or condition in, or the occurrence of any default under, any of the Documents, together with all expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default and (B) any defense against any legal action commenced to challenge the validity of any of the Documents

(d) Approvals of Project No inspections or approvals of the Project by the Issuer, the Sole Holder or the Servicing Agent shall constitute a warranty or representation by the Issuer, the Sole Holder or the Servicing Agent or any of their Agents as to the technical sufficiency, adequacy or safety of any structure or any of its component parts, including without limitation, any fixtures, equipment or furnishings, nor shall such approvals or inspections constitute such a warranty or representation as to the subsoil conditions or any other physical condition or feature pertaining to the Property All acts, including any failure to act, relating to the Property by any Agent, representative or designee of the Issuer, the Servicing Agent or any Holder are performed solely for the benefit of the Holders and the Issuer to assure repayment of the Loan and are not for the benefit of the Borrower or the benefit of any other Person

SECTION 12 5 Surviving Rights All of the respective Reimbursement Rights and/or Surviving Rights of the Holders, the Trustee, the Issuer and the Servicing Agent set forth in the foregoing Sections of this Article XII shall survive the termination of this Agreement

ARTICLE XIII

MISCELLANEOUS

SECTION 13 1 Exercise of Rights and Remedies of Servicing Agent and Sole Holder

(a) Notwithstanding anything to the contrary contained herein or in the other Documents, in the event there is no Servicing Agent at any time, whether through resignation,

termination or otherwise, then the rights of the Servicing Agent hereunder, including all consent and approval rights, shall vest in the Sole Holder If there is no Sole Holder, then the rights and remedies of the Sole Holder hereunder and under the other Documents (including but not limited to all consent and approval rights and those rights which have vested in the Sole Holder because of the absence of a Servicing Agent) shall vest in the Servicing Agent, if there is one, and if not then in the Trustee, to exercise in its sole discretion, provided that the Trustee shall have no affirmative duty under this Section 13 1(a) to take any action or to exercise any right or remedy granted directly to the Servicing Agent or the Sole Holder In the event there is no Servicing Agent, the Trustee, at the direction of the Holders of a majority of the Outstanding principal amount of the Bonds, shall appoint a successor Servicing Agent under the Servicing Agreement Unless otherwise required by the Documents, the Trustee may, but shall have no obligation to, obtain the consent of the Holders in order to exercise any of the foregoing rights originally granted to the Servicing Agent or the Sole Holder, provided, however, that the Trustee shall provide the Holders with Notice of the occurrence of an Event of Default hereunder and provided further that if directed to take a particular action by the Holders of not less than a majority of the Outstanding aggregate principal amount of the Bonds, the Trustee shall take such action, subject to Section 9 4 of the Indenture

(b) In directing the Trustee in the exercise of available remedies under this Agreement upon the occurrence of an Event of Default, the Servicing Agent shall take such actions and make such recommendations as it deems in its sole and absolute discretion to be in the best interests of the Holders, provided, however, that the Servicing Agent shall take any action with respect to the exercise of available remedies under this Agreement as may be directed by the Holders of not less than a majority of the Outstanding principal amount of the Bonds

SECTION 13 2 Unconditional Obligations of Borrower The payment and performance by the Borrower of the Borrower's Obligations shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Holders, the Trustee, or the Issuer, or any other parties to this transaction and the Borrower shall pay absolutely during the Loan Term all payments to be made as prescribed in the Note, in this Agreement, and in each of the other Documents, free of any deductions and without abatement, diminution or set-off, notwithstanding any term of this Agreement or the nonperformance by the Holders, the Trustee or the Issuer of any obligation hereunder or under any of the other Documents or any other matter or event whatsoever (including the bankruptcy, insolvency, liquidation or non-existence of the Issuer), which might otherwise relieve the Borrower from the obligation to pay such amount, until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid

SECTION 13 3 Authorized Representatives Whenever under the provisions of this Agreement or any of the other Documents the approval of the Issuer or the Trustee is required, or the Issuer or the Trustee is required to take some action at the request of any party to this Agreement, unless specifically provided otherwise, such approval or request shall be given on behalf of the Issuer by the Authorized Officer and on behalf of the Trustee by the Authorized Trustee Representative, and the other parties hereto are authorized to rely upon any such approval or request and the Issuer and the Trustee shall not have any complaint against such other parties as a result of such reliance

Whenever under the provisions of this Agreement or any of the other Documents the approval of the Borrower is required, or the Borrower is required to take some action at the request of any party to this Agreement, such approval or request shall be given on behalf of the Borrower by an Authorized Borrower Representative, and the other parties hereto are authorized to rely upon any such approval or request, and the Borrower shall not have any complaint against such parties as a result of any such reliance A specimen signature of each initial Authorized Borrower Representative has been provided to the other parties to this Agreement In the event that an Authorized Borrower Representative designated in Section 1 1 hereof should become unavailable or unable to take any action or make any certification provided for or required under this Agreement, a successor or successors shall be appointed by written certificate of the Borrower furnished to the other parties to this transaction, executed on behalf of the Borrower by an authorized Agent of the Borrower and containing a specimen signature of such successor or successors

SECTION 13 4 Consent to Jurisdiction, Service of Process, Waiver of Trial by Jury

The Borrower and the Key Principal hereby agree and consent that any action or proceeding arising out of or brought to enforce the provisions of this Agreement may be brought in any appropriate court in the State and/or in any other court having jurisdiction over the subject matter, all at the sole election of the Servicing Agent, and by the execution of this Agreement the Borrower and the Key Principal irrevocably consent to the jurisdiction of each such court

THE BORROWER, THE KEY PRINCIPAL AND THE ISSUER HEREBY VOLUNTARILY AND INTENTIONALLY WAIVE, TO THE EXTENT PERMITTED BY LAW, ANY RIGHTS THEY MAY HAVE TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE BORROWER, THE KEY PRINCIPAL OR THE ISSUER MAY BE PARTIES, ARISING OUT OF, UNDER OR IN ANY WAY PERTAINING TO (A) THIS AGREEMENT, (B) ANY OF THE DOCUMENTS, OR (C) ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE ISSUER, THE BORROWER OR ANY KEY PRINCIPAL THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT

SECTION 13 5 Further Assurances and Corrective Instruments The parties hereto agree that they will, from time to time, execute, deliver and file, or cause to be executed, delivered and filed, such Supplements hereto and such further instruments as may reasonably be required for carrying out the intention of the parties to, or facilitating the performance of, this Agreement, including, but not limited to, such financing statements (including continuation statements or other amendments required by Section 3 7(c) hereof necessary to keep any filed financing statement in effect), agreements, documents and instruments as the Servicing Agent deems necessary or desirable, exercising reasonable judgment, all subject to the requirement and limitation contained in Section 5 1(b) of this Agreement

SECTION 13 6 Estoppel Certificate The Borrower will, upon not less than ten (10) days' request by the Trustee, the Sole Holder, the Servicing Agent or the Issuer, or any other party to this transaction, execute, acknowledge and deliver to such person a statement in writing, certifying (a) that this Agreement is unmodified and in full force and effect and the payments required by this Agreement to be paid by the Borrower have been paid, and (b) the then unpaid principal balance of the Note and the Loan, and stating whether or not to the knowledge of the signer of such certificate any party to any of the Documents is in default in the performance of any covenant, agreement or condition contained therein and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered pursuant to this Section 13 6 may be relied upon by the Trustee, the Sole Holder, the Issuer, the Servicing Agent and the other parties to this transaction

SECTION 13 7 Binding Effect This Agreement shall inure to the benefit of and shall be binding upon the Issuer and the Borrower and their respective successors and permitted assigns

SECTION 13 8 Dissolution of Issuer In the event of the dissolution of the Issuer, all of the covenants, stipulations, promises and agreements in this Agreement contained by or on behalf of, or for the benefit of, the Issuer, shall bind or inure to the benefit of the successors of the Issuer from time to time and any person to whom or to which any power or duty of the Issuer shall be transferred

SECTION 13 9 Illegality If fulfillment of any provision hereof or any transaction related hereto or to the other Documents, at the time performance of such provisions shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if any clause or provisions herein contained, other than any provisions pertaining to the repayment of the principal of and interest on the Loan, operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only shall be void, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect, provided, however, that as provided in Section 10 1(q) hereof, if any such provision pertains to the repayment of the principal of or interest on the Loan, the occurrence of any such invalidity shall constitute an Event of Default

SECTION 13 10 Amendments, Changes and Modifications This Agreement may not be amended, changed, modified, altered or terminated unless such amendment, change, modification, alteration or termination is contained in a written instrument executed by all of the parties hereto, is consented to by the Servicing Agent and, if there is one, the Sole Holder, and is accompanied by an opinion of Bond Counsel that such change will not adversely affect the exclusion from Gross Income of interest on the Bonds

SECTION 13 11 Execution of Counterparts This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument

SECTION 13 12 Law Governing Construction of Agreement This Agreement, having been executed, sealed and delivered in the State, shall be interpreted and construed in accordance with and governed by the laws of the State

SECTION 13 13 Assignment This Agreement and the other Documents may not be assigned, in whole or in part, by the Borrower, without the prior written consent of the Servicing Agent

SECTION 13 14 Preservation of Tax-Exempt Status THE PARTIES HERETO AGREE THAT EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE INDENTURE, THE TAX AGREEMENT OR THE REGULATORY AGREEMENT, NEITHER THE ISSUER, THE TRUSTEE, THE SERVICING AGENT, THE SOLE HOLDER NOR ANY OTHER HOLDER ASSUMES ANY RESPONSIBILITY FOR THE TAX-EXEMPT STATUS OF INTEREST ON THE BONDS OR ANY REBATE REQUIREMENTS IN CONNECTION THEREWITH, AND NEITHER THE TRUSTEE, THE SERVICING AGENT, THE SOLE HOLDER OR ANY OTHER HOLDER SHALL HAVE ANY RESPONSIBILITY IN CONNECTION THEREWITH OR ANY RESPONSIBILITY FOR COMPLIANCE WITH SECTION 103 OF THE CODE OR WITH ANY COVENANTS AND AGREEMENTS PERTAINING TO THE TAX EXEMPTION EXCEPT AS EXPRESSLY SET FORTH IN THE TAX AGREEMENT, THIS AGREEMENT, OR ANY OF THE OTHER DOCUMENTS HOWEVER, THE TRUSTEE SHALL COMPLY WITH ANY REASONABLE WRITTEN INVESTMENT INSTRUCTIONS RECEIVED FROM BOND COUNSEL OR FROM THE BORROWER WITH RESPECT TO ANY INVESTMENT OF MONEY OR FUNDS PURSUANT TO THIS AGREEMENT, THE INDENTURE OR ANY OF THE OTHER DOCUMENTS TO WHICH IT IS A PARTY AND THE PROVISIONS OF THIS SECTION 13 14 ARE NOT INTENDED TO RELIEVE THE TRUSTEE OF ITS OBLIGATIONS AND AGREEMENTS AS SET FORTH IN THE INDENTURE UPON REQUEST, THE TRUSTEE SHALL PROVIDE TO THE BORROWER, THE SERVICING AGENT, THE SOLE HOLDER OR THE ISSUER AN ACCOUNTING OF ANY SUCH MONEYS OR FUNDS (INCLUDING ANY EARNINGS THEREON) ANY OPINIONS OF BOND COUNSEL WHICH MAY BE REQUIRED BY THE TERMS OF THIS AGREEMENT OR ANY OF THE OTHER DOCUMENTS SHALL BE OBTAINED BY THE BORROWER, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION WITH OBTAINING ANY SUCH OPINION(S) OR MAKING ANY INVESTMENTS DIRECTED BY BOND COUNSEL OR BY THE BORROWER SHALL BE BORNE BY THE BORROWER

It is the intention of the parties hereto that the interest on the Bonds be and remain excludable from Gross Income and, to that end, the Borrower covenants with the Issuer, the Trustee, and each of the Holders from time to time of the Bonds that (i) the Borrower shall take any and all action necessary to maintain the excludability from Gross Income of the interest on the Bonds, and (ii) the Borrower shall not perform any act or enter into any agreement, or use or permit the use of the Property or the Project or any portion thereof in a manner that shall have the effect of terminating the exclusion from Gross Income of interest on the Bonds The Borrower shall comply with all provisions of the Tax Agreement and the Regulatory Agreement and the representations and covenants contained therein and hereby incorporated into this Agreement by reference

The Borrower covenants that it will not make, or (to the extent it exercises control or direction) permit to be made, any use of the proceeds of the Bonds that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the arbitrage regulations

SECTION 13 15 Reports and Other Materials If requested in writing by the Sole Holder, the Borrower shall provide the Sole Holder with a copy of all financial statements, tax returns, reports or other materials required to be provided to the Servicing Agent or the Trustee under this Agreement, including but not limited to the reports and other materials required to be provided under Section 5 2(a) of this Agreement

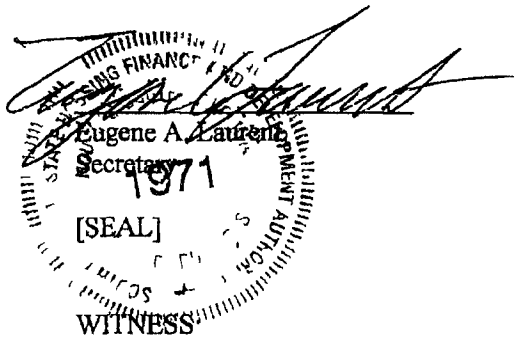
SECTION 13 16 Acknowledgement of Trustee's Right to Assign Rights and Remedies The Borrower acknowledges that it has read and understands the terms of the Indenture and that the Trustee may, pursuant to the terms of the Indenture, assign to the Servicing Agent any or all of the rights, remedies, duties and obligations granted to the Trustee under the Indenture and the other Documents

SECTION 13 17 Assignment and Delegation of Rights of Servicing Agent The Borrower and the Issuer expressly acknowledge that the Servicing Agent may, with the consent of the Holders of a majority of the outstanding principal amount of the Bonds, assign or delegate any or all of the rights or obligations delegated to the Servicing Agent under this Agreement and the other Documents, provided that the Servicing Agent shall provide written notice to the Issuer, the Borrower and the Trustee of any such assignment or delegation of its rights or obligations

[Signature Page Follows]

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be executed in its name and on its behalf by the Chairman of the Board of Commissioners of the Issuer, and its corporate seal to be impressed hereon and attested by its Secretary, and the Borrower has caused this Agreement to be executed under seal by its duly authorized officer, all being done as of the day and year above first written

ATTEST



By Eugene A Laurent,
Secretary

[SEAL]

WITNESS

ISSUER

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

By _____
Charles I Small,
Chairman

BORROWER

APPIAN WAY APARTMENTS, L P

By Appian Way Development Partners, LLC,
its General Partner

By New Alternatives Communities, LLC
its Manager

By SAGE Living Centers, Inc

By _____
John T Ottinger
Authorized Agent

[Signature Page to Loan and Financing Agreement - continued on next page]

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be executed in its name and on its behalf by the Chairman of the Board of Commissioners of the Issuer, and its corporate seal to be impressed hereon and attested by its Secretary, and the Borrower has caused this Agreement to be executed under seal by its duly authorized officer, all being done as of the day and year above first written

ATTEST

ISSUER

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

_____
Eugene A Laurent,
Secretary

By _____
Charles I Small,
Chairman

[SEAL]

WITNESS

BORROWER

APPIAN WAY APARTMENTS, L P

By Appian Way Development Partners, LLC,
its General Partner

By New Alternatives Communities, LLC
its Manager

By SAGE Living Centers, Inc

James R. Woodward
James R. Woodward, attorney

By _____
John T Ottinger
Authorized Agent

[Signature Page to Loan and Financing Agreement - continued on next page]

The Key Principal hereby executes this Agreement to acknowledge and agree to its liability (if any), subject to the terms of Section 3 8 hereof, for the repayment of all amounts due under the Note, this Agreement and the other Documents, and to its representations, warranties, covenants and agreements under Sections 4 3, 5 2, 12 4 and 13 4 hereof

KEY PRINCIPAL:

CORNERSTONE MINISTRIES INVESTMENTS, INC

By _____
Name _____
Title _____

APPENDIX I

DEFINITIONS

"Accountant" means an Independent Person engaged in the accounting profession as a certified public accountant under the laws of the State or an otherwise nationally-recognized accounting firm, in each case acceptable to the Servicing Agent and qualified to pass upon those matters required by the Financing Agreement and the other Documents to be passed upon by an Accountant

"Account Debtor" means any Person who is obligated on a Receivable

"Accounts" means all accounts of the Borrower, both now owned and hereafter acquired, together with all cash and non-cash proceeds thereof

"Act" means Title 31, Chapter 13 of the Code of Laws of South Carolina 1976, as amended, and all future acts supplemental thereto or amendatory thereof

"Act of Bankruptcy" means the filing of a petition in bankruptcy under the United States Bankruptcy Code, 11 U S C Section 101 et seq, or the commencement of a proceeding under any other applicable law concerning insolvency, reorganization, receivership or bankruptcy by or against the Borrower or the Issuer, as debtor

"Additions" means any and all alterations, additions, accessions and improvements to property, substitutions therefor, and renewals and replacements thereof

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

"Agent" means, with respect to any entity, any official, officer, employee or agent of such entity

"Agreement" or "Financing Agreement" means the Loan and Financing Agreement dated as of September 1, 2005 by and between the Borrower and the Issuer, together with all Supplements thereto

"Applicable Rate" means the applicable rate of interest payable by the Issuer under the Bonds and by the Borrower under the Note from time to time (i e , the Tax-Exempt Rate or the Taxable Rate, as in effect from time to time)

"Assignment of Architect Contract" means the Collateral Assignment of Architect's Contract dated as of September 1, 2005 and executed by the Borrower's Architect and the Borrower in favor of the Trustee in connection with the construction of the Project, together with all Supplements thereto

"Assignment of Construction Contract" means the Collateral Assignment of Construction Contract dated as of September 1, 2005 and executed by the Contractor and the Borrower in favor of the Trustee in connection with the construction of the Project, together with all Supplements thereto

"Assignment of Mortgage" means the Assignment of Mortgage, Security Agreement and Assignment of Rents and Leases dated as of September 1, 2005 from the Issuer to the Trustee, pursuant to which the Issuer has assigned to the Trustee its rights as beneficiary under the Security Instrument

"Assignment of Note" means the Assignment of Note dated the Closing Date from the Issuer to the Trustee, pursuant to which the Issuer has assigned to the Trustee, without recourse, the payments to be made by the Borrower under the Note (except for the Reserved Rights of the Issuer)

"Assignment of Project Documents" means the Assignment of Project Documents dated as of September 1, 2005 and executed by the Borrower and the Developer in favor of the Trustee in connection with the construction of the Project, together with all Supplements thereto

"Authorized Attesting Officer" means any Authorized Officer of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities

"Authorized Borrower Representative" means any person or persons at the time designated to act on behalf of the Borrower by a written certificate, signed on behalf of the Borrower by any one of its officers or authorized representatives and furnished to the Trustee and the Servicing Agent, containing the specimen signature of each such person Such designation shall remain in effect until the Borrower files an additional certificate with

the Trustee and the Servicing Agent reflecting a different or additional Authorized Borrower Representative

"Authorized Denomination" means $100,000 or any amount in excess of $100,000, provided, however, that any Bond which has been amortized (or otherwise redeemed in part) to less than $100,000 may be reissued in the Outstanding principal amount thereof, and provided further that in connection with any permitted transfer of a Bond pursuant to Section 2 7(f) or (g) of the Indenture, a Holder may retain (or transfer to an Affiliate of the Holder which is a permitted transferee under Section 2 7(f) or (g) of the Indenture) a Bond in any principal amount

"Authorized Officer" means the Chairman, Vice Chairman or Executive Director of the Issuer, or any other officer or employee of the Issuer designated to perform a specified act, to sign a specified document or to act generally, on behalf of the Issuer by a written certificate furnished to the Trustee, which certificate is signed by the Chairman, Vice Chairman or Executive Director and contains the specimen signature of such other officer or employee of the Issuer The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Officer is an Authorized Officer until such time as the Issuer files with it a written certificate identifying a different person or persons to act in such capacity

"Authorized Trustee Representative" means a vice president or any other officer or assistant officer of the Trustee authorized by the Trustee to perform its corporate trust duties under the Indenture and the other Documents to which it is a party

"Beneficial Owner" means the owner of a Bond as recorded by the respective systems of DTC and each of the DTC Participants

"Beneficiary" means the holder of the Note from time to time, including, as applicable, the Issuer, the Trustee and their successors and assigns

"Bonds" means the Issuer's $11,500,000 Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005, dated the Closing Date and issued and delivered on the Closing Date in accordance with the provisions of the Indenture, together with all replacements and Supplements thereto

"Bond Counsel" means Kilpatrick Stockton, LLP or other Independent Counsel selected by the Borrower and acceptable to the Issuer and the Servicing Agent, whose opinions are generally accepted in the field of municipal finance

"Bond Proceeds Clearance Fund" means the fund established pursuant to Section 4 9 of the Indenture

"Bond Proceeds Fund" means the fund established pursuant to Section 4 2 of the Indenture

"Bond Proceeds Fund Release Date" means the date on which the Servicing Agent has received (or waived, in its sole and absolute discretion) (a) approval by the unenhanced bond committee of MMA Financial, LLC, an affiliate of the initial Sole Holder, to proceed with this bond transaction, (b) each of the items listed on the due diligence checklist provided to the Borrower, each in form and substance satisfactory to the Servicing Agent in its sole and absolute discretion, (c) Borrower's purchase of the Land, (d) execution by the Guarantor of the Guaranty and execution by the Key Principal of the Financing Agreement, the Guaranty and the Promissory Note and (e) a tax credit investor satisfactory to the Servicing Agent has purchased tax credits related to the Project, and has entered into the Borrower's partnership agreement

"Borrower" means Appian Way Apartments, L P , a South Carolina limited partnership, and its successors and assigns

"Borrower's Architect" means Miller Player & Associates Architects and Planners, Ltd or any other Person engaged by the Borrower and approved by the Servicing Agent to serve as architect in connection with the construction of the Project

"Borrower Equity Fund" means the fund established pursuant to Section 4 3 of the Indenture

"Borrower's Obligations" means the obligations of the Borrower under the Financing Agreement, the Note and the other Documents to (a) pay the principal of, premium (if any) and interest (at the Applicable Rate) on the Note, when and as the same shall become due and payable (whether at the stated maturity thereof, on any payment date or by acceleration of maturity or after notice of redemption or otherwise), (b) pay all other amounts required by the Financing Agreement, the Note, and the other Documents to be paid by the Borrower to the Issuer, to the Trustee, to the Holders or to others, as and when the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations, and agreements, express or implied, which the Borrower is required by the Financing Agreement, the Note, the Regulatory Agreement, and any of the other Documents, to perform or observe

"Budget" means the budget and cost breakdown approved by the Servicing Agent in connection with the construction of the Project

"Business Day" or "business day" means any day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions are authorized or obligated by law or executive order to be closed in the State or in the state in which the Principal Corporate Trust Office of the Trustee is located (initially, the State of New York), or (c) a day on which the New York Stock Exchange is closed

"Capitalized Interest Fund" means the fund established pursuant to Section 4 6 of the Indenture

"Claim" means any liability, suit, action, claim, demand, loss, expense or cost of any kind or nature whatsoever

"Closing Date" means the date of issue (within the meaning of the Code) and delivery of the Bonds, which date is September 29, 2005

"Closing Memorandum" means the letter attached to the Indenture as Exhibit G and executed by the Trustee, the Servicing Agent and the Borrower on the Closing Date delineating the application of the proceeds of the Bonds and other moneys received by the Trustee on the Closing Date, together with the authorized disbursement schedule attached thereto

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor federal income tax statute, and the applicable regulations (including United States Treasury Regulations) thereunder

"Collateral" means all of the security for the Loan described in the Security Instrument, in the Replacement Reserve Agreement and in all of the other Documents, together with all Proceeds and products thereof and Additions thereto

"Completion Date" means the date on which (a) construction of the Project is fully completed and accepted by the Borrower substantially in accordance with the Plans and Specifications, (b) a certificate from the Borrower's Architect provided to the Servicing Agent to the effect that the construction of the Project has been completed substantially in accordance with the Plans and Specifications and all applicable zoning and building laws, ordinances and regulations, (c) a final "as-built" survey for the Project is furnished to the Servicing Agent sufficient to allow delivery of a date-down endorsement to the final Lender's title insurance policy deleting any survey exception, (d) final waivers of liens of the contractor and all subcontractors and suppliers are furnished to the Servicing Agent, (e) the Construction Inspector has inspected and accepted the construction of Project, and (f) final unconditional occupancy permits (or their equivalent) have been issued by the applicable authorities for the entire project

"Condemnation" means any taking of title, of use, or of any other property interest under the exercise of the power of eminent domain, by any governmental body or by any person acting under governmental authority

"Construction Contract" means the Standard Form of Agreement Between Owner and Contractor dated August, 30, 2005 by and between the Borrower and the Contractor, together with all Supplements thereto

"Construction Fund" means the fund established pursuant to Section 4 5 of the Indenture

"Construction Fund Release Date" has the meaning given such term in Section 4 5(b) of the Indenture

"Construction Inspector" means the construction consultant engaged by the Servicing Agent at the expense of the Borrower to monitor the construction of the Project

"Contractor" means Stredvey Construction Company, Inc , or any other Person approved by the Servicing Agent and engaged by the Borrower to construct the Project pursuant to the Plans and Specifications

"Conversion" means the determination that the Bonds and the Loan shall convert to the Permanent Loan Period in accordance with the terms of Section 3 4 of the Indenture

"Conversion Date" means the date of the commencement of the Permanent Loan Period and the amortization of the Bonds and the Loan, as determined in accordance with the provisions of Section 3 4 of the Indenture

"Conversion Notice" means the notice from the Servicing Agent to the Borrower in the form attached to the Indenture as Exhibit D pursuant to Section 3 4(b) of the Indenture

"Costs of Issuance Fund" means the fund established pursuant to Section 4 4 of the Indenture

"Damage" means (a) any damage, destruction or other injury (in whole or in part) by fire or other casualty, and (b) any Condemnation "Damaged" means (y) damaged, destroyed, or injured (in whole or in part) by fire or other casualty, or (z) taken by Condemnation

"Debt Service Coverage Ratio" means, for any period, the ratio of (a) Net Operating Income to (b) the total amount of principal and interest due under the Note and the aggregate amount of the Servicing Fee, the Issuer Annual Administrative Fee, the Trustee's Fee and the other fees of the Servicing Agent, the Issuer and the Trustee payable by the Borrower under the Documents

"Default Rate" means the Applicable Rate plus two percent (2%) per annum

"Developer" means Appian Way Real Estate Services, LLC, a Georgia limited liability company

"Disbursed Amount" means the portion of the Loan and the Bonds funded in accordance with Section 2 1(b) of the Indenture and Outstanding from time to time, as indicated in the records of the Trustee and on Schedule C attached to the Bonds

"Documents" means and includes (without limitation) the Bonds, the Financing Agreement, the Indenture, the Note, the Assignment of Note, the Security Instrument, the Assignment of Mortgage, the Tax Agreement, the Regulatory Agreement, the Replacement Reserve Agreement, the Guaranty, the Assignment of Construction Contract, the Assignment of Architect's Agreement, the Assignment of Project Documents, the Servicing

Agreement and any and all other documents which the Issuer, the Borrower, the Trustee or any other party or parties or their representatives, have executed and delivered, or may hereafter execute and deliver, to evidence or secure the Issuer's Obligations or the Borrower's Obligations, or any part thereof, or in connection therewith, together with all Supplements thereto

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns

"DTC Participants" means banks, brokers or dealers who are participants of DTC

"Eligible Investments" shall mean the investments set forth in Exhibit B attached to the Indenture

"Encumbrance" means any mortgage, pledge, lien, security interest, charge or other encumbrance, including but not limited to any covenant or agreement restricting, regulating or otherwise affecting the use of, and binding on and running with, the Land or the Property

"Environmental Laws" means all federal, state, local and regional laws, statutes, ordinances, orders, rules and regulations relating to the protection of human health or the environment including, without limitation, the Resource Conservation and Recovery Act of 1976, 42 U S C Section 6901 et seq , the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42, U S C Section 9601 et seq , the Hazardous Materials Transportation Act, 49 U S C Section 1804, et seq , the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act, the Toxic Substances Control Act, and any other applicable federal, state or local law now in force or hereafter enacted relating to waste disposal or environmental protection with respect to hazardous, toxic, or other substances generated, produced, leaked, released, spilled or disposed of at or from the Land, as any of the same may be amended or supplemented from time to time, and any regulation promulgated pursuant thereto

"Equipment" means all building materials, fixtures, equipment and tangible personal property of every kind and nature whatsoever of the Borrower, now owned or hereafter acquired by the Borrower and wherever located, including all Equipment now or hereafter located or contained in or upon or attached to the Land or the Improvements or any part thereof, together with all Additions thereto and all Proceeds and products thereof

"Escheat Period" means the period of time after which the laws of the State concerning abandoned property provide that the owner of such property shall have forfeited any right to such property, provided, however, that if no such period is specified by the laws of the State, the Escheat Period shall be seven years

"Event of Default" means (a) with respect to the Financing Agreement, those events of default specified in Section 10 1 thereof, (b) when used with respect to the Security Instrument, those events of default specified in Section 6 1 thereof, (c) when used with respect to the Indenture, those events of default specified in Section 8 1 thereof, and (d)

when used with respect to any of the other Documents, any "event of default" specified therein, or if none is specified, any failure of the Borrower or the Issuer, as applicable, to comply with any of the terms thereof, subject to any applicable cure period set forth therein

"Event of Taxability" means the later of (a) sixty (60) days after a final, nonappealable action of the Internal Revenue Service, or (b) the entry of a final, nonappealable decree, order or judgment of a court of competent jurisdiction, holding that interest on the Bonds is includable in Gross Income, other than by reason of a Holder being a "substantial user" or "related person" of such substantial user within the meaning of Section 147(a) of the Code

"Extension Fee" has the meaning given such term in Section 3 4(b)(ii) of the Indenture

"Financing Agreement" or "Agreement" means the Loan and Financing Agreement dated as of September 1, 2005 by and between the Borrower and the Issuer, together with all Supplements thereto

"Full Insurable Value" means such value as shall be determined from time to time by the Servicing Agent as constituting the full cost of replacing the Improvements and the Equipment in the event of Damage by fire or other casualty

"Full Recourse Period" means the period commencing on the Closing Date and ending on the Loan Equalization Payment Date

"Funding Notice" has the meaning given such term in Section 2 1(b) of the Indenture

"General Intangibles" means all general intangibles, documents, contractual rights, goodwill, literary rights, copyrights, licenses, trademarks and patents of the Borrower, both now owned and hereafter acquired, together with all cash and non-cash proceeds and products of all of the foregoing

"Government Securities" means noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by, the United States of America

"Governmental Authority" means any federal, state or local governmental or quasi-governmental entity, including, without limitation, any agency, department, commission, board, bureau, administration, service, or other instrumentality of any governmental entity

"Governmental Requirements" means all laws, ordinances, orders, rules or regulations of all Governmental Authorities applicable to the Project, the Issuer, the Borrower or any of the Borrower's assets or other properties, including without limitation, laws, ordinances, orders, rules and regulations relating to securities or other public

disclosures, zoning, licenses, permits, subdivision, building, safety, health, and fire protection and all Environmental Laws

"Grantor" means the Borrower, as grantor under the Security Instrument

"Gross Income" means "gross income" as that term is used and defined in Section 61 of the Code

"Gross Negligence" means gross negligence or willful misconduct

"Gross Revenues" means, on a cash basis, all Rents, revenues, receipts, income, property tax refunds and other money received by the Borrower or the Property Manager on behalf of the Borrower in connection with the Project, together with all income derived from the investment of moneys credited to the funds and accounts created under the Indenture (other than moneys deposited in the Rebate Fund established under the Indenture and earnings thereon) which are released by the Trustee to the Borrower under the terms of the Indenture, excluding, however, all tenant security deposits, all Net Proceeds (other than proceeds of rental interruption insurance, which shall be included in Gross Revenues), and all other non-operating sources of funds received by the Borrower

"Guarantor" means, individually or collectively as the case may require, any and all parties that execute the Guaranty

"Guaranty" means the Guaranty Agreement dated the Closing Date and executed by the Guarantor in favor of the Issuer, the Trustee and the Servicing Agent, together with all Supplements thereto

"Hazardous Materials" means, without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous substances, toxic substances, pollutants, contaminants, radon, asbestos, lead or lead based paint, oil and petroleum products and their by-products, polychlorinated biphenyls or related materials, and mold, dangerous fungi, bacterial or microbial matter contamination or pathogenic organisms that reproduce through the release of spores or the splitting of cells, as those terms may be used or defined in any Environmental Law

"Hazardous Materials Contamination" means the contamination (whether presently existing or occurring after the Closing Date) of the Improvements, facilities, soil, ground water, air or other elements on, or of, the Land by Hazardous Materials, or the contamination of the buildings, facilities, soil, ground water, air or other elements on, or of, any other property as a result of Hazardous Materials at any time (whether before or after the Closing Date) emanating from the Land

"Holder" or "Holders", as applicable, means the registered owner or owners from time to time of any of the Bonds, their successors and assigns and the transferees of any beneficial ownership interests therein

"Improvements" means all structures or buildings now or hereafter erected or placed on the Land, including, without limitation, the Project, and all Additions thereto

"Indebtedness" means all sums of money secured by the Security Instrument, including

(a) all moneys (including all principal, interest, and premiums (if any)) due or to become due under the Financing Agreement and the Note,

(b) all other moneys now or hereafter advanced or expended by the Trustee or by the Beneficiary as provided for in any other of the Documents, which the Borrower is required to repay or reimburse under any of the Documents or by applicable law, and

(c) all costs, expenses, charges, liabilities, commissions, half-commissions and attorneys' fees now or hereafter chargeable to the Borrower, or incurred by, or disbursed by, the Trustee or the Beneficiary on behalf of the Borrower as provided for in the Security Instrument or in any of the other Documents, which the Borrower is required to repay or reimburse under the Security Instrument or any of the other Documents, or by applicable law

"Indenture" means the Trust Indenture dated as of September 1, 2005 by and between the Issuer and the Trustee, together with all Supplements thereto

"Independent Architect" means an Independent Person registered and qualified to practice the profession of architecture under the laws of the State

"Independent Counsel" means an Independent Person duly admitted to practice law, and, where necessary or appropriate, duly admitted before the highest court of the State

"Independent Engineer" means an Independent Person registered and qualified to practice the profession of engineering under the laws of the State

"Independent Person" means a person who, prior to his or her or its engagement, is (a) designated by the Borrower, (b) approved by the Servicing Agent, and (c) not an Agent of the Issuer or an Agent or equity holder of the Borrower

"Instrument" or "Instruments" mean all instruments of the Borrower, together with (a) all monies due and to become due thereunder and (b) all cash and non-cash proceeds of all of the foregoing

"Interest Payment Date" means (a) the first day of each and every calendar month commencing on November 1, 2005 and continuing until the Bonds have been paid in full, (b) any other date on which a payment of principal (including any redemption) is made on the Bonds, and (c) the Maturity Date, or, to the extent that any of the foregoing dates does not fall on a Business Day, the first Business Day thereafter

"Investor" means such limited partners under the Amended and Restated Partnership Agreement of the Borrower that advances equity contributions pursuant to the terms of the Partnership Documents, together with its successors and any substitute limited partners of the Borrower The limited partners under the Amended and Restated Partnership Agreement of the Borrower shall be Alliant Tax Credit Fund IV, Ltd , a Florida limited partnership, and its successors and assigns, and Alliant Tax Credit IV, Inc , a Florida corporation and its successors and assigns

"Issuer" means the South Carolina State Housing Finance and Development Authority, a public body corporate and politic and an agency of the State (together with its permitted successors and assigns) or any successor to its rights and obligations under the Financing Agreement and the Indenture

"Issuer's Annual Administrative Fee" means an annual program administration fee equal to the greater of 0 25% of the principal amount of the Bonds Outstanding on the Closing Date and each anniversary of the Closing Date (with respect to payments due by the Borrower during the ensuing twelve (12) month period) or $35 00 for each residential unit situated in the Project, payable proportionately on a monthly basis by the Borrower and disbursed by the Trustee upon receipt, all as provided in Section 3 1 of the Financing Agreement, provided that such Issuer's Annual Administrative Fee does not include amounts due, if any, for extraordinary fees, costs and expenses of the Issuer, the Trustee, Bond Counsel, Issuer's counsel or Trustee's counsel to be paid by the Borrower pursuant to the terms of the Financing Agreement and the other Documents

' Issuer Fee" or "Issuer's Fee" means the Issuer's Annual Administrative Fee

"Issuer's Fee Fund" means the fund established pursuant to Section 4 13 of the Indenture

"Issuer's Obligations" means the obligations of the Issuer under the Bonds, the Financing Agreement, the Indenture and the other Documents, to (a) pay the principal of, premium (if any) and interest (at the Applicable Rate) on the Bonds, when and as the same shall become due and payable (whether at the stated maturity thereof, on any installment payment date, or by acceleration of maturity, or after notice of redemption or otherwise), (b) pay all other payments (if any) required by the Bonds, the Indenture, the Financing Agreement and the other Documents to which it is a party to be paid by the Issuer to the Trustee, the Holders, or to others, when and as the same shall become due and payable, and (c) timely perform, observe and comply with all of the terms, covenants, conditions, stipulations and agreements, express or implied, which the Issuer is required by the Bonds, the Financing Agreement, the Indenture or any of the other Documents to which it is a party, to perform and observe, provided, however, that the Issuer's Obligations do not include any obligation to incur any pecuniary liability or any obligation to make any payment from any other funds other than from moneys paid to it by the Borrower or as proceeds of any Collateral

"Item of Payment" means all Proceeds of and payments on Receivables in the form of cash, checks, drafts, notes, and other remittances

"Key Principal" means, individually or collectively as the case may require, any and all parties (other than the Borrower and the Issuer) that serve as "Key Principal" from time to time and that execute the Financing Agreement

"Land" means the approximately 12 659 acre tract of land located at the corner of Appian Way and Patriot Boulevard, Dorchester County, North Charleston, South Carolina, as more particularly described in Exhibit A attached to the Security Instrument and made a part thereof, and by this reference a part hereof, together with any and all Improvements thereon

"Lease" or "Leases" means, individually or collectively, as the context may require, any and all leases of residential units in the Project and, as applicable, all laundry leases and other commercial leases pursuant to which the Borrower is entitled to payment or other compensation

"Lease-Up Fund" means the fund established pursuant to Section 4 7 of the Indenture

"Letter of Representations" means the Letter of Representations from the Issuer to the Securities Depository and any amendments thereto or successor agreements between the Issuer and any successor Securities Depository, relating to a book-entry system to be maintained by the Securities Depository with respect to the Bonds

"Licenses" means all licenses, operating permits, franchises, and other approvals which the Borrower has obtained or is required by any Governmental Authority to obtain in connection with the acquisition, construction, renovation, expansion, leasing, ownership and/or operation of the Property

"Loan" means the loan in an amount equal to the principal amount of the Bonds, made by the Issuer to the Borrower from the proceeds of the Bonds, as evidenced by the Note and described in the Financing Agreement and secured, inter alia, by the Financing Agreement, the Security Instrument and the other Documents

"Loan Equalization Payment" means the payment required to be made by the Borrower under the terms of Section 3 4 of the Indenture and Section 3 2(d) of the Financing Agreement

"Loan Equalization Payment Date" means the date on which the Borrower pays to the Trustee all amounts required to redeem the portion of the Bonds which is subject to redemption pursuant to Section 3 3(c)(iii) of the Indenture, or the date of the written determination by the Servicing Agent that no such redemption is required

"Loan Payment Date" means the Business Day immediately preceding each Interest Payment Date

"Loan Term" means the period beginning on the Closing Date and continuing until the Termination Date

"Management Agreement" means the property management agreement relating to the Project by and between the Borrower and the Property Manager, together with all Supplements thereto

"Maturity Date" means March 1, 2049

"Mortgage" means the Mortgage, Security Agreement and Assignment of Rents and Leases dated as of September 1, 2005 covering the Property from the Borrower to the Issuer, as assigned by the Issuer to the Trustee pursuant to the Assignment of Mortgage, together with all Supplements thereto

"Net Operating Income" means, for any period, the amount, if any, by which (a) Gross Revenues during such period exceeds (b) Operating Expenses for such period

"Net Proceeds", when used with respect to any Condemnation awards or insurance proceeds allocable to the Property, means the gross proceeds from Condemnation or insurance remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such gross proceeds

"Note" means the Promissory Note dated the Closing Date made by the Borrower, as maker, to the Issuer, as payee, in the face amount of Eleven Million Five Hundred Thousand Dollars ($11,500,000), together with all Supplements thereto

"Notice" means a written communication given by telecopy, by delivery to a nationally recognized overnight express courier service which provides a receipt for delivery, or by certified mail, postage prepaid, return receipt requested, addressed to the person to whom such communication is to be given, at the following addresses

Borrower	Appian Way Apartments, L P Suite 904 2450 Atlanta Highway Cumming, Georgia 30040 Attention John T Ottinger Facsimile (678) 455-1114
With a copy to	Miller & Martin, PLLC Suite 800 1170 Peachtree Street, N E

	Atlanta, Georgia 30309 Attention James R Woodward Facsimile (404) 962-6378
Trustee	The Bank of New York 385 Rifle Camp Road West Paterson, New Jersey 07424 Attention Mark DiGiacomo Facsimile (973) 357-7840
With a copy to	Jennifer Stearman, Esquire McGuire Woods, LLP 7 Saint Paul Street, Suite 1000 Baltimore, Maryland 21202 Facsimile (410-659-4479
Issuer	South Carolina State Housing Finance and Development Authority 300-C Outlet Point Boulevard Columbia, South Carolina 29210 Attention Executive Director Facsimile (803) 256-8583
With a copy to	South Carolina State Housing Finance and Development Authority 300-C Outlet Point Boulevard Columbia, South Carolina 29210 Attention Legal Division Facsimile (803) 256-8583
Sole Holder/Holders	MuniMae TEI Holdings, LLC 621 East Pratt Street, Suite 300 Baltimore, Maryland 21202 Attention Asset Management Department Facsimile (410) 727-5387
Investor	Alliant Tax Credit Fund IV, Ltd c/o Alliant Inc 340 Royal Poinciana Way Suite 305 Palm Beach, Florida 33480 Attention Shawn Horwitz Telephone (561) 833-5795 Facsimile (561) 833-3694

With a copy to	Alliant Tax Credit IV, Inc c/o Alliant Asset Management Company, LLC 21600 Oxnard Street, Suite 1200 Woodland Hills, California 91367 Attention Tony Palaigos Telephone (818) 668-6800 Facsimile (818) 668-2828

(and to such other Holders whose names appear on the registration books of the Trustee, at the addresses designated therein)

With a Copy to	Stephen A Goldberg, Esquire Gallagher Evelius & Jones LLP 218 North Charles Street, Suite 400 Baltimore, Maryland 21201 Facsimile (410) 837-3085
Servicing Agent	MuniMae Portfolio Services, LLC 621 East Pratt Street, Suite 300 Baltimore, Maryland 21202 Attention Asset Management Department Facsimile (410) 727-5387
With a Copy to	Stephen A Goldberg, Esquire Gallagher Evelius & Jones LLP 218 North Charles Street, Suite 400 Baltimore, Maryland 21201 Facsimile (410) 837-3085

A duplicate copy of each Notice given hereunder by any person listed above to another shall also be given to the Servicing Agent and the Sole Holder (if any), provided, however, that any failure to give a duplicate copy of any such communication shall not invalidate any Notice given hereunder Notices shall be deemed received or given, as applicable, on the date sent, if by confirmed telecopy, on the next Business Day, if by recognized overnight express courier or on the third Business Day after deposit with the United States postal service, if by certified mail, postage prepaid, return receipt requested Any of the persons listed above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, such further or different address to be effective at the later of ten (10) days after notice of such further or different address is sent or the date designated in such notice

"Operating Expenses" means, in the aggregate, for any period, all current expenses of the ownership, operation and maintenance of the Project for such period, as determined on an accrual basis, including but not limited to all deposits to the reserves established under the Indenture or the Replacement Reserve Agreement, but excluding, however (a) all

principal and interest due under the Documents, (b) any expenses for repairs or improvements which have been approved by the Servicing Agent and which have been or will be paid from amounts on deposit in the reserves established under the Documents, (c) the Servicing Fee, the Issuer Fee, the Trustee's Fee and the other fees of the Servicing Agent, the Issuer and the Trustee payable by the Borrower under the terms of the Documents, and (d) depreciation, amortization and other non-cash expenses with respect to such period

"Opinion of Counsel" means a written opinion in form and substance acceptable to, and rendered by counsel acceptable to, the party or parties described in the text describing the requirement of such opinion Opinions of Counsel shall be addressed and delivered to the Trustee, the Issuer, the Borrower, the Servicing Agent and the Sole Holder, as appropriate The counsel may not be an employee of but may be counsel to the Issuer, the Borrower or the Trustee, whenever an Opinion of Counsel is required to address the exclusion from Gross Income of interest on the Bonds, such opinion shall be provided by Bond Counsel

"Organizational Documents" means the Borrower's and the Key Principals' and their managing member's, or general partner's articles of incorporation and bylaws, articles of organization and operating agreement, or partnership agreement and certificate of limited partnership, as applicable, together with all Supplements thereto

"Outside Conversion Date" means the Scheduled Conversion Date, subject to any extension of such date elected by the Borrower in accordance with the terms of Section 3 4(b) of the Indenture

"Outstanding" or "outstanding" means, with respect to the Bonds, the unpaid principal amount thereof at any given time during the period beginning on the Closing Date and continuing until all principal of, premium (if any) and interest on the Bonds, together with all other charges and fees due and payable thereunder, have been paid in full

"Partnership Documents" means, collectively, the Amended and Restated Agreement of Limited Partnership of the Borrower, together with all documents executed or delivered by the Borrower or the Investor in connection therewith

"Period of Taxability" means, (a) with respect to the Bonds, the period of time beginning on any Taxable Date and ending on the date on which interest on the Bonds is no longer subject to inclusion in Gross Income, and (b) with respect to any Holder, the portion of the period described in clause (a) during which such Person was a Holder

"Permanent Loan Amount" means the principal amount of the Bonds and the Loan to be amortized during the Permanent Loan Period, as determined in accordance with the provisions of Section 3 4 of the Indenture

"Permanent Loan Period" means the period commencing on the Conversion Date and ending on the repayment in full of the Bonds and the Loan

"Permitted Encumbrances" means as of any particular time, (a) the Encumbrances approved by the Servicing Agent and set forth in the Commitment for Title, File No 1729109011 issued by Chicago Title Insurance Company as updated to the Bond Proceeds Fund Release Date, with respect to the Land and the Improvements, (b) the Security Instrument, (c) any Encumbrance placed upon any furniture, equipment or other tangible personal property or any fixture being acquired by the Borrower at the time of acquisition or within ten (10) days thereafter to secure all or a portion of the purchase price thereof if such Encumbrance is approved in advance in writing by the Servicing Agent, (d) any other Encumbrance approved in writing by the Servicing Agent, (e) the Regulatory Agreement, and (f) liens for Property Taxes not delinquent or being contested in good faith and by appropriate proceedings, (g) the Subordination Agreement and (h) the Subordinate Security Instrument

"Permitted Transfer" means a transfer of the general partner interest in the Borrower to the Investor or an affiliate of the Investor in accordance with the terms of the Partnership Documents

"Permitted Use" means the lease of residential units in the Project to qualifying tenants pursuant to the terms of the Act, the Regulatory Agreement and Section 142(d) of the Code, or such other use or uses as may be approved in writing by the Servicing Agent and the Issuer which are permitted by the Act, the Regulatory Agreement and the Code

"Person" or "person" means any natural person, firm, association, partnership, corporation, limited liability company, trust, public body or other entity

"Plans and Specifications" means the scope of work and other plans and specifications prepared by the Borrower's Architect and approved by the Servicing Agent in connection with the construction of the Project

"Pledged Receipts" means (a) scheduled payments of principal of and interest on the Note, (b) Net Proceeds, (c) Receipts Requiring Mandatory Redemption, and (d) any other payments called for by the Documents and paid or to be paid to the Issuer or the Trustee, as applicable, from any source, including both timely and delinquent payments with late charges, excluding, however, all payments on account of Reimbursement Rights or payment of the Issuer's Annual Administrative Fee

"Principal Corporate Trust Office of the Trustee" means the principal corporate trust office of the Trustee for registration and payment functions, as indicated from time to time in writing or other notice from the Trustee to the Holders

"Proceeds" or "proceeds" means, when used with respect to any of the Collateral, all proceeds within the meaning of the Uniform Commercial Code and shall include the proceeds of any and all insurance policies relating to the Collateral

"Project" means the approximately 204-unit multifamily residential rental apartment project to be constructed in accordance with the Plans and Specifications and to be known as Appian Way Apartments

"Property" means the Land, the Improvements, the Equipment, the Collateral, and all other items of property described in Article III of the Security Instrument and all Additions to all of the foregoing

"Property Manager" means Lane Management, LLC, or such other entity (a) designated by the Borrower and approved by the Servicing Agent pursuant to the terms of the Financing Agreement to act as property manager under the Management Agreement, or (b) appointed to act as property manager by the Servicing Agent pursuant to the terms of Section 5 3 or Section 10 2(d) of the Financing Agreement

"Property Taxes" means all taxes, payments in lieu of taxes, water rents, sewer rents, ground rents, assessments and other governmental or municipal or public or private dues, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Property or any part thereof or any of the other Collateral, or upon any Leases, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes, as income taxes, or otherwise

"Qualified Project Costs" means Good Costs as defined in Section 3 2 of the Tax Agreement

"Rating Agency" shall mean Moody's Investors Service, Inc or Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc , and their successors and assigns (sometimes referred to collectively as the "Rating Agencies") If either such corporation ceases to act as a securities rating agency, the Borrower may select any nationally recognized securities rating agency as a replacement with the written consent of the Servicing Agent

"Rebate Amount" means, with respect to the Bonds, the amount of rebatable arbitrage as computed in accordance with the Code

"Rebate Analyst" means any person, chosen by the Borrower and at the expense of the Borrower and satisfactory to the Issuer, qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, which is engaged for the purpose of determining the amount of required deposits to the Rebate Fund if any

"Rebate Fund" means the fund established pursuant to Section 4 11(c) of the Indenture

"Receipts Requiring Mandatory Redemption" means amounts received by the Borrower, by the Issuer, by the Trustee, by any Holder or by any other Person from any of the following sources

(a) all amounts received from the acceleration of the Note or the exercise of other remedies under the Documents upon the occurrence of any Event of Default, including but not limited to all amounts received from any sale or other disposition of the Project, other than sales or dispositions permitted under the terms of the Documents after which the Bonds remain outstanding,

(b) any Net Proceeds received as a result of any Damage to the Property and required by the Servicing Agent to be applied to the redemption of the Bonds, as provided in Article IX of the Financing Agreement,

(c) any Net Proceeds received as a result of any Damage to the Property which are not applied by the Borrower to restore or rebuild the Project, and

(d) any other amount or amounts received from any source and required by the Documents or by the Servicing Agent or the Trustee in accordance with the Documents to be applied to the redemption of the Bonds

"Receivables" means (a) all Accounts, accounts receivable, and General Intangibles of the Borrower, both now owned and hereafter acquired, together with all cash and non-cash proceeds thereof and (b) all Instruments (including, without limitation, all notes, notes receivable, drafts, acceptances, and similar Instruments and documents) of the Borrower, both now owned and hereafter acquired, together with (i) all monies due and to become due thereunder and all rights incident thereto, and (ii) all cash and non-cash proceeds thereof

"Record Date" means the fifteenth (15^{th}) day of the month prior to the month of each Interest Payment Date

"Records" means all records, correspondence, memoranda, tapes, disks, papers, books, and other documents, or transcribed information of any type, whether expressed in ordinary language or machine language, relating to, or in connection with, any and all of the Collateral

"Regulatory Agreement" means the Agreement as to Restrictive Covenants dated as of September 29, 2005 by and between the Borrower and the Issuer, together with all Supplements thereto

"Reimbursement Rate" means Applicable Rate plus two percent (2%)

"Reimbursement Rights" means (a) the rights of the Holders, the Trustee, the Servicing Agent and the Issuer to receive reimbursement and indemnification pursuant to the Documents, including the indemnification provided for in Section 12 4 of the Financing Agreement, and (b) all enforcement remedies with respect to the foregoing, all of which shall survive any transfer or payment of the Bonds in full or in part and, if so indicated in the Financing Agreement or the Indenture, which shall also survive the termination of the Financing Agreement or the Indenture, as applicable

"Rents" means all of the rents, royalties, issues, profits, revenues, earnings, income and other benefits of the Property, or arising from the use or enjoyment of all or any portion thereof, or from any lease or other agreement pertaining thereto, and all right, title and interest of the Borrower in and to, and remedies under, any and all Leases, or any part thereof, whether now in existence or hereafter entered into, and all accounts and general intangibles growing out of or in connection with such Leases, together with all Proceeds thereof, and including, without limitation, all cash or securities deposited thereunder to secure performance by the tenants of their obligations thereunder, whether such cash or securities are to be held until the expiration of the terms of such Leases or are to be applied to one or more of the installments of rent coming due immediately prior to the expiration of such terms

"Replacement Fund" means the fund established pursuant to Section 4 8 of the Indenture

"Replacement Reserve Agreement" means the Replacement Reserve and Security Agreement dated as of September 1, 2005 and executed by the Borrower, the Trustee and the Servicing Agent, together with all Supplements thereto

"Request for Conversion" means the request from the Borrower to the Servicing Agent to commence Conversion pursuant to Section 3 4(b)(ii) of the Indenture

"Reserved Rights of the Issuer" means (a) all of the Issuer's right, title and interest in and to the Issuer's Annual Administrative Fee and all Reimbursement Rights of the Issuer, (b) the right to receive Notices and to make any determination and to grant any approval or consent to anything in the Documents requiring the determination, consent or approval of the Issuer, (c) all rights of the Issuer to enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Tax Agreement and in the Regulatory Agreement, (d) any and all rights, remedies and limitations of liability of the Issuer set forth in the Documents regarding (1) the negotiability, registration and transfer of the Bonds, (2) the loss or destruction of the Bonds, (3) the limited liability of the Issuer as provided in the Act and in the Documents, (4) the maintenance of insurance by the Borrower, (5) no liability of the Issuer to third parties, and (6) the disclaimer of any warranties of suitability or merchantability by the Issuer, and (e) all rights of the Issuer in connection with any amendment to or modification of the Documents

"Resolution" means the Resolution adopted by the Board of Commissioners of the Issuer on September 20, 2005

"Revenue Fund" means the fund established pursuant to Section 4 1 of the Indenture

"Scheduled Conversion Date" means the first (1^{st}) day of the first (1^{st}) full calendar month that is thirty (30) months from the Closing Date, which date is April 1, 2008, and shall be subject to extension at the election of the Borrower in accordance with the terms of Section 3 4(b)(ii) of the Indenture

"Securities Depository" means DTC and any other securities depository for the Bonds appointed pursuant to Section 2 16 of the Indenture, and their successors and assigns

"Security Instrument" means the Mortgage

"Servicing Agent" means the entity acting as servicing agent under the Servicing Agreement from time to time, initially MuniMae Portfolio Services, LLC, a Maryland limited liability company

"Servicing Agreement" means the Servicing Agreement dated as of September 1, 2005 relating to the servicing of the Bonds by and between the Trustee and MuniMae Portfolio Services, LLC, as servicer, together with all Supplements thereto

"Servicing Fee" means the annual fee payable to the Servicing Agent under the Servicing Agreement, which fee shall be paid to the Trustee for remittance to the Servicing Agent, and shall be in such amount and payable at such times as are specified in the Servicing Agreement

"Sole Holder" means any registered Holder of 100% of the Outstanding principal amount of the Bonds, initially MuniMae TEI Holdings, LLC, a Maryland limited liability company

"State" means the State of South Carolina

"Subordinate Lender" means Cornerstone Ministries Investments, Inc , a Georgia corporation

"Subordinate Loan" means the loan in the principal amount of $6,050,000 advanced by the Subordinate Lender to the Borrower, which Subordinate Loan is evidenced by the Subordinate Note and the Subordinate Loan Agreement and secured by the Subordinate Security Instrument

"Subordinate Loan Agreement" means that certain Acquisition and Predevelopment Loan Agreement dated June 1, 2005, by and between the Borrower and the Subordinate Lender, together with all Supplements thereto

"Subordinate Note" means the Amended and Restated Secured Real Estate Note, dated December 28, 2005, in the principal amount of $6,050,000 and executed by the Borrower in favor of the Subordinate Lender, together with all Supplements thereto

"Subordinate Security Instrument" means the Amended and Restated Open End Mortgage, Security Agreement and Financing Statement, dated as of December 28, 2005, and executed by the Borrower in favor of the Subordinate Lender, as security for the Subordinate Loan, together with all Supplements thereto

"Subordination Agreement" means the Subordination Agreement dated as of September 1, 2005 and executed by the Borrower, the Trustee and the Subordinate Lender, together with all Supplements thereto

"Supplements" means any and all extensions, renewals, modifications, amendments, supplements and substitutions

"Supplemental Interest" shall have the meaning given such term in Section 3 4(a) of the Financing Agreement

"Surviving Rights" means, collectively, (a) the Reimbursement Rights, and (b) the right of any current or previous Holders to receive Supplemental Interest payments pursuant to Section 3 4 of the Financing Agreement after the Taxable Date, all of which shall survive any transfer or payment of the Bonds in full or in part and, if so indicated in the Financing Agreement or the Indenture, which shall also survive the termination of the Financing Agreement or the Indenture, as applicable

"Syndication Proceeds" means the aggregate amount of capital contributions to be advanced to the Borrower by the Investor pursuant to the terms of the Partnership Documents

"Tax Agreement" means the Tax Regulatory Agreement dated the Closing Date and executed and delivered by the Issuer and the Borrower, together with all Supplements thereto

"Tax-Exempt Rate" means six and fifteen one-hundredths percent (6 15%) per annum from the Closing Date and thereafter

"Taxable Date" means the first day of any period in which interest on the Bonds is, for any reason, declared (including retroactively) to be includable in Gross Income of any Holder (including, without limitation, the Gross Income of any previous Holders of the Bonds)

"Taxable Rate" means the Tax-Exempt Rate plus three percent (3%) per annum

"Taxes" means all taxes, assessments and governmental charges or levies imposed upon the applicable Person or on its income or its properties, including, without limitation, all Property Taxes

"Termination Date" means the date on which the principal of, premium (if any) and interest on the Bonds and the Note have been paid in full, and all of the Borrower's Obligations and the Issuer's Obligations are fully satisfied unless an Act of Bankruptcy shall occur within ninety-one (91) days thereafter, in which event the Termination Date shall not be deemed to occur until the Issuer, the Trustee or the Holders (as the case may be) is or are conclusively entitled (whether by final adjudication or otherwise) to retain such payment

"Trigger Event" shall have the meaning given such term in Section 5 3 of the Financing Agreement

"Trust Estate" means all of the funds, rights and property granted to the Trustee under Granting Clauses First, Second, Third, Fourth and Fifth of the Indenture

"Trustee" means The Bank of New York, a New York banking corporation, its successors and assigns, acting as trustee under the Indenture

"Trustee's Fee" means the annual fee of the Trustee due from the Borrower in the amount referenced in the Trustee Fee Agreement payable annually in advance on each September 1, commencing September 1, 2006, so long as any Bonds are Outstanding, provided that the first annual installment of the Trustee's Fee shall be paid, pro-rata, on the Closing Date

"Trustee's Fee Agreement" means the agreement by and between the Borrower and the Trustee setting forth the annual fee of the Trustee due in connection with the Bonds

"Uniform Commercial Code" means the Uniform Commercial Code as adopted and enacted in the State

EXHIBIT A

1 MONTHLY OPERATING STATEMENTS--monthly statements on a modified cash basis (showing expenses on an accrual basis and revenues on a cash basis) in a form acceptable to the Servicing Agent

2 ANALYSIS OF SIGNIFICANT VARIANCES--monthly, a detailed written explanation of variances on a line-by-line basis

3 GENERAL LEDGER--quarterly on a cash basis, a listing of accounts indicating activity, with beginning of month and end of month balances

4 BALANCE SHEET--quarterly on an accrual basis

5 TRIAL BALANCE—annually on a cash basis

6 AGED ACCOUNTS RECEIVABLE--monthly, outstanding accounts receivable in the following categories 0-30 days, 30-60 days, 60-90 days, and over 90 days, or in such other categories acceptable to the Servicing Agent

7 AGED ACCOUNTS PAYABLE--monthly, outstanding accounts payable in the following categories 0-30 days, 30-60 days, 60-90 days, and over 90 days or in such other categories acceptable to the Servicing Agent

8 LEASING/MARKETING STATUS--weekly, showing by unit type, among other things, the number and percentage of units occupied, vacant and available, current market rents and rent concessions, if any, traffic and closing statistics, and showing any other items requested by the Servicing Agent

9 RENT ROLL--monthly

10 MARKET SURVEY—quarterly, a survey of competing projects in the local market area

11 REPORTING UNDER THE REGULATORY AGREEMENT--any report (other than tenant certifications) required to be prepared and submitted to any party by the Borrower or its agent pursuant to the Regulatory Agreement, when and as required thereunder

Notwithstanding the foregoing, at all times after the first anniversary of the Closing Date that the Debt Service Coverage Ratio for the Project for the preceding rolling six (6) month period is greater than 1 15 as computed by the Servicing Agent in accordance with the provisions of the Documents, then (a) the General Ledger, Aged Accounts Receivable and Aged Accounts Payable reports referenced in lines 3, 6 and 7 above shall not be required, and (b) the Leasing/Marketing Status report referenced in line 8 above shall be required on a monthly basis

FIRST AMENDMENT TO LOAN AND FINANCING AGREEMENT

This First Amendment to Loan and Financing Agreement (this "First Amendment") is made as of this 30th day of December, 2005, by and between the **SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY,** a public body corporate and politic and an agency of the State of South Carolina (the "Issuer"), and **APPIAN WAY APRTMENTS, L P** , a South Carolina limited partnership (the "Borrower")

RECITALS

WHEREAS, the Issuer and The Bank of New York (the "Trustee") entered into that certain Trust Indenture (the "Indenture"), dated as of September 1, 2005, pertaining to the issuance and sale of the $11,500,000 South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005 (the "Bonds"), and

WHEREAS, the Issuer and the Borrower entered into that certain Loan and Financing Agreement (the "Financing Agreement"), dated as of September 1, 2005, pertaining to that certain loan (the "Loan") made by the Issuer to the Borrower from the proceeds of the Bonds, such proceeds to be used to finance the acquisition, construction and equipping of a 204-unit multifamily residential rental apartment project to be known as "Appian Way Apartments" (the "Project"), and

WHEREAS, the terms of the Loan to the Borrower mirror the terms of the obligations of the Issuer under the Bonds, and

WHEREAS, the Bonds were purchased by MuniMae TEI Holdings, LLC (the "Initial Bond Purchaser"), and

WHEREAS, the Initial Bond Purchaser subsequently transferred the Bonds, and the Bonds are now registered to Embassy and Co as nominee for U S Bank Trust National Association (the "Sole Holder"), and

WHEREAS, the Borrower and the Servicing Agent have requested, and the Issuer and the Sole Holder have agreed, to amend provisions of the Financing Agreement pertaining to (i) the construction of the Project and (ii) the presence of subordinate financing for the Project

NOW, THEREFORE in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Borrower agree that as of the day hereof, certain provisions of the Financing Agreement shall be amended and modified as follows

1 **Recitals** The recitals set forth above are hereby incorporated by reference herein and are deemed part of this First Amendment

2 **Section 3.8(d).** The following provision shall be inserted into the Financing Agreement in Section 3 8, after subsection (c)

(d) Liability of Key Principal Notwithstanding any provision in this Agreement to the contrary, all of the obligations of Cornerstone Ministries Investments, Inc ("CMI") as Key Principal under this Section 3 8 and all other provisions of this Agreement (except as provided in Section 6 4(g) hereof) shall automatically terminate upon the attainment of Conversion, and from and after Conversion CMI shall have no further liabilities under this Agreement (except as provided in Section 6 4(g) hereof) or any other Documents Upon the attainment of Conversion, Sage Living Centers, Inc , a Florida corporation ("Sage"), shall assume all obligations of the Key Principal under this Agreement and the other Documents

3 **Section 5 2(bb)** The provisions of Section 5 2(bb) are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

(bb) Other Indebtedness The Borrower shall not, without the prior written consent of the Servicing Agent, create, assume or suffer to exist any other indebtedness or liability for the debts or obligations of any other Person except the Loan, the Subordinate Loan, any portion of the Syndication Proceeds which is characterized as an interim loan, is expressly subordinate to the Bonds and which expressly prohibits the maker of such bridge loan from exercising any remedies while any portion of the Bonds remains outstanding, current and future accounts payable arising in the ordinary course of business of Borrower, indebtedness to partners of the Borrower pursuant to the Partnership Documents, and subordinated debt from related parties of the Borrower on terms acceptable to the Servicing Agent

4 **Section 5.3** The provisions of Section 5 3 are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

SECTION 5 3 Manager, Management Agreement Subject to the provisions of the Regulatory Agreement, the Borrower shall enter into a Management Agreement with the Property Manager in a form approved by the Servicing Agent In the event that (a) the Debt Service Coverage Ratio is less than 1 05, as computed by the Servicing Agent on the basis of a rolling six (6) month period commencing no earlier than the Scheduled Conversion Date, or (b) an Event of Default shall have occurred hereunder (each, a "Trigger Event"), then, upon receipt of a written request from the Servicing Agent, the Borrower shall terminate the Management Agreement with the existing Property Manager and engage a replacement Property Manager (who shall be unrelated to the general partner of the Borrower, the Property Manager or any affiliate of either and who shall be experienced in the management of multifamily rental properties with low and moderate income set aside requirements) approved by the Servicing Agent, which approval shall not be unreasonably withheld In the event that the approved replacement Property Manager is not in place managing the Project within sixty (60) days after the Borrower's receipt of the written request from the Servicing Agent, then the Servicing Agent shall have the right to exercise any of the remedies set forth in Section 10 2(d) of this Agreement The Borrower shall not enter into any Management Agreement which in inconsistent with the provisions of the Regulatory Agreement and which does not (i) contain covenants consistent with and enabling the enforcement of this Section 5 3, and (ii) require that any obligation of the Borrower to pay fees under such Management Agreement shall be

subordinate at all times to the Borrower's obligation to pay the principal and interest due on the Bonds provided the Property Manager is an affiliate of or otherwise related to the Borrower, the Key Principal or the Developer

5 **Section 6.3** The provisions of Section 6 3 are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

SECTION 6 3 Conditions Precedent to Loan Advances The Servicing Agent shall not be obligated to instruct the Trustee to advance the Loan proceeds unless each of the Borrower's representations and warranties set forth in Section 4 3 hereof is true and correct as of the Closing Date and the date of each advance under the Loan, the Borrower has satisfied each of the conditions to closing set forth in the commitment letter from MuniMae Portfolio Services, LLC, an affiliate of the initial Holder, the Servicing Agent has received and approved in its sole discretion each of the items listed on the closing checklist provided to the Borrower, and the Bond Proceeds Fund Release Date has occurred on or before December 31, 2005 (unless extended in accordance with Indenture Section 3 3(c)(iv)) The Trustee shall not advance any Bond Proceeds (except for such Bond Proceeds (A) advanced and/or deposited in accordance with the Authorized Disbursement Schedule attached to the Funding Notice or (B) advanced at the approval of the Servicing Agent) unless and until $1,198,910 has been advanced from the Subordinate Lender under the Subordinate Loan toward the payment of construction costs for the Project

6 **Section 6 4(a)(v)** The provisions of Section 6 4(a)(v) are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

(v) No later than February 1, 2006, Borrower must furnish to the Servicing Agent (A) all permits necessary to commence construction of the Project, including, but not limited to, building, grading, zoning, utility stub, and right-of-way permits and wetland permits, if applicable, which permits shall be satisfactory to the Servicing Agent in its reasonable discretion, (B) a fully executed Management Agreement together with any addenda or Supplements thereto in a form and manner satisfactory to the Servicing Agent, (C) evidence of builder's risk insurance in form and amount acceptable to the Servicing Agent and (D) signature pages properly executed by the Issuer to the following documents (i) First Supplemental Indenture to Trust Indenture, (ii) First Amendment to Loan and Financing Agreement, (iii) Assignment of Mortgage and (iv) Guaranty Agreement

7 **Section 6 4(a)(vii)** The provisions of Section 6 4(a)(vii) are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

(vii) No later than February 1, 2006 the Key Principal shall furnish a letter of credit in form and substance satisfactory to the Servicing Agent and in accordance with Section 6 5(i) hereof

8 **Section 6 4(c)(i)** The provisions of Section 6 4(c)(i) are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

(c) Holdback

(i) All disbursements from the Construction Fund shall be subject to a ten (10%) percent holdback of funds by the Servicing Agent which holdback shall (provided there is no uncured Event of Default under the Documents) be reduced to five percent (5%) upon receipt by the Servicing Agent of a certification from the Borrower's Architect and the Construction Inspector that construction of the Project is fifty percent (50%) complete

9 **Section 6 4(g)** The following provision shall be inserted into the Financing Agreement in Section 6 4, after subsection (f)

(g) Line of Credit and Cash Reserve No later than February 1, 2006, (A) the Key Principal shall furnish a line of credit in the amount of $1 million (the "Line of Credit") to Sage Living Centers, Inc , a Florida non-profit corporation, its successors and assigns ("Sage") or (B) Sage shall post cash in the amount of $1 million (the "Cash Reserve"), subject to the terms and conditions of this Section 6 4(g) The Line of Credit and Cash Reserve each shall

(i) be documented, established and structured in form and substance and in accordance with conditions satisfactory to the Servicing Agent in its sole and absolute discretion,

(ii) be maintained continuously through the Termination Date,

(iii) be structured so as to permit the Borrower and the General Partner to access the Line of Credit or Cash Reserve (in a manner and upon conditions satisfactory to the Servicing Agent) to satisfy any of their obligations under Sections 3 8 and 12 4 of this Agreement, but excluding any obligations of the Borrower and General Partner to pay principal, interest and late charges on the Loan

The Line of Credit must be provided by CMI through the Termination Date, unless the Servicing Agent consents to allow another Person (subject to satisfaction of the conditions described below) to replace CMI as the provider of the Line of Credit and to assume all of CMI's obligations under this Section 6 4(g) pertaining to the Line of Credit The Cash Reserve must be furnished by Sage through the Termination Date, unless the Servicing Agent consents to allow another Person (subject to the conditions described herein) to replace Sage as the provider of Cash Reserve and to assume all of Sage's obligations under this Section 6 4(g) pertaining to the Cash Reserve The parties agree that CMI and Sage, as applicable, shall be entitled to replace themselves with a Person (the "Proposed Replacement Provider") as the provider of the Line of Credit or the Cash Reserve, but only if (a) such Proposed Replacement Provider would not, to the satisfaction of the Servicing Agent, materially and adversely affect the Issuer's and Trustee's rights and remedies with respect to the matters described in this Section 6 4(g) and (b) the Servicing Agent, after conducting due diligence on the Proposed Replacement Provider, including, but not limited to, such Proposed Replacement Provider's background, financial records and history, assets, liabilities, officers and principals, determines in its sole discretion, that the Proposed Replacement Provider is able to assume and comply with all of its predecessor's obligations under this Section 6 4(g) Servicing Agent agrees not to unreasonably

withhold or delay its future consent to such assignment Upon (a) approval of such Proposed Replacement Provider by the Servicing Agent, (b) payment of all fees and expenses (including reasonable attorney's fees and expenses) incurred by the Servicing Agent in connection with the review and consideration of any such Proposed Replacement Provider and (c) such Proposed Replacement Provider's execution of an amendment to this Financing Agreement in a form satisfactory to all parties whose consent is required to approve any such amendment, the obligations of CMI or Sage, as applicable, shall automatically terminate and be of no further force and effect, and such approved Proposed Replacement Provider shall assume all such obligations of CMI or Sage, as applicable

10 **Section 6 5(i)** The following provisions shall be inserted into the Financing Agreement in Section 6 5, after subsection (h)

(i) Letter of Credit

(1) The Key Principal shall provide, to the satisfaction of the Servicing Agent, a sight draft letter of credit in an amount equal to five percent (5%) of the construction costs to be paid pursuant to the fixed sum Construction Contract (hereinafter referred to as the "Letter of Credit") The Letter of Credit shall be irrevocable, shall be for an initial term of not less than twenty-four (24) months, shall provide for at least sixty (60) days prior notice to the beneficiary of nonrenewal and shall be available for draw by the Servicing Agent, as beneficiary thereof, or any assignee of the Servicing Agent, at sight The Letter of Credit shall be renewable, at the sole direction and option of the Servicing Agent, for a one-year period at least thirty (30) days prior to its expiration unless its respective release date shall have occurred under Subsection (ii) below The Servicing Agent or its assignee shall be entitled to draw upon the Letter of Credit to pay for any amounts which the Borrower is required to pay pursuant to the terms of this Agreement in connection with the construction of the Project The Servicing Agent shall have no obligation to first proceed against the Borrower or any of its assets or against the Key Principal personally before drawing against the Letter of Credit The Servicing Agent or its assignee shall also be entitled to draw on the Letter of Credit in full if the Letter of Credit is not renewed or replaced in the then existing respective stated amount thereof at least thirty (30) days prior to any expiration date

(ii) The Letter of Credit shall be released upon Construction Completion, subject to the prior written approval of the Servicing Agent, which will not be unreasonably delayed or withheld In the event the Letter of Credit is drawn upon to pay interest on the Bonds prior to the satisfaction of all conditions precedent to the release of amounts in the Construction Fund as set forth in Section 6 4 hereof, then the Borrower or Key Principal shall within ten (10) days of such draw on the Letter of Credit cause the stated amount of the applicable Letter of Credit to be restored to the stated amount in effect immediately prior to such draw on the Letter of Credit Failure of the Borrower or Key Principal to comply with the requirement set forth in the preceding sentence shall constitute a default under this Agreement and shall entitle the Trustee (acting at the direction of the Servicing Agent) or the Servicing Agent to draw the entire stated amount of the Letter of Credit

11 **Section 9 3(a)(ii)** The provisions of Section 9 3(a)(ii) are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

(ii) in the sole opinion of the Servicing Agent, (A) such restoration will not result in any decrease in value or other impairment to the Property or any other security for the Loan and (B) the funds available for any restoration or replacement are sufficient to pay the costs of such restoration or replacement

12 **Section 10 1(n)** The provisions of Section 10 1(n) are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

(n) (i) An Event of Default on the part of the Borrower, the Key Principal or the Issuer occurs under any of the other Documents, (ii) a default occurs under the Partnership Documents which would have a material adverse effect on the Borrower's ability to perform its obligations under the Documents or (iii) an Event of Default or default occurs under any documents executed in connection with the Subordinate Loan,

13 **Section 10 1(z)** The following provision shall be inserted into the Financing Agreement after Section 10 1(z)

(z) The Subordinate Lender fails to furnish proceeds of the Subordinate Loan to the Trustee in accordance with the funding schedule established by the Servicing Agent

14 **Section 10 5(a)** Item Seventh of Section 10 5(a) is hereby deleted in its entirety, and the following provisions are substituted in lieu thereof

Seventh – To the payment of amounts owed to the Subordinate Lender in respect of the Subordinate Loan

Eighth -- Any remaining amounts may be returned to the Borrower

15 **Section 12 4(e)** The following provision shall be inserted into the Financing Agreement in Section 12 4, after subsection (d)

(e) Liability of Key Principal Notwithstanding any provision in this agreement to the contrary, all of CMI's obligations as Key Principal under this Section 12 4 and all other provisions of this Agreement (except as provided in Section 6 4(g) hereof) shall automatically terminate upon the attainment of Conversion, and from and after Conversion CMI shall have no further liabilities under this Agreement (except as provided in Section 6 4(g) hereof) or any other Documents Upon the attainment of Conversion, Sage shall assume all obligations of the Key Principal under this Agreement and the other Documents

16 **Section 13 13** The provisions of Section 13 13 are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

SECTION 13 13 Assignment by Key Principal

Except for CMI's obligations as described in Section 6 4(g) hereof, and subject to the provisions of Sections 3 8 and 12 4 hereof that require Sage to assume all of CMI's obligations as Key Principal upon the attainment of Conversion, all obligations of the Key Principal under this Agreement and the other Documents may be assigned by the Key Principal to any newly-formed entity that Key Principal may form and organize from and after the date hereof (the "Proposed Assignee"), but only if (a) such assignment would not, to the satisfaction of the Servicing Agent, materially and adversely affect the Issuer's and Trustee's rights and remedies with respect to the Key Principal as described in the Financing Agreement and the other Documents and (b) the Servicing Agent, after conducting due diligence on the Proposed Assignee, including, but not limited to, the Proposed Assignee's background, financial records and history, assets, liabilities, officers and principals, determines in its sole discretion, that the Proposed Assignee is able to assume and comply with all of Key Principal's obligations under this Financing Agreement and the other Documents Servicing Agent agrees not to unreasonably withhold or delay its future consent to such assignment Upon (a) approval of such Proposed Assignee by the Servicing Agent, (b) payment of all fees and expenses (including reasonable attorney's fees and expenses) incurred by the Servicing Agent in connection with the review and consideration of any such Proposed Assignee and (c) Proposed Assignee's execution of such amendments and documents in a form satisfactory to all parties whose consent is required to approve any such amendments or documents, the Key Principal's obligations under this Agreement and the other Documents shall automatically terminate and be of no further force and effect, and such approved Proposed Assignee shall assume all of the obligations of the Key Principal under this Agreement and the other Documents

17 **Definition of Permitted Encumbrances and Investor** The definitions of "Permitted Encumbrance" and "Investor" contained in the Definitions attached as Appendix I to the Financing Agreement are hereby deleted in their entirety, and the following provisions are substituted in lieu thereof

"Investor" means such limited partners under the Amended and Restated Partnership Agreement of the Borrower that advances equity contributions pursuant to the terms of the Partnership Documents, together with its successors and any substitute limited partners of the Borrower The limited partners under the Amended and Restated Partnership Agreement of the Borrower shall be Alliant Tax Credit Fund IV, Ltd , a Florida limited partnership, and its successors and assigns, and Alliant Tax Credit IV, Inc , a Florida corporation and its successors and assigns

"Permitted Encumbrances" means as of any particular time, (a) the Encumbrances approved by the Servicing Agent and set forth in the Commitment for Title, File No 1729109011 issued by Chicago Title Insurance Company as updated to the Bond Proceeds Fund Release Date, with respect to the Land and the Improvements, (b) the Security Instrument, (c) any Encumbrance placed upon any furniture, equipment or other tangible personal property or any fixture being acquired by the Borrower at the time of acquisition or within ten (10) days thereafter to secure all or a portion of the purchase price thereof if such Encumbrance is approved in advance in writing by the Servicing Agent, (d) any other Encumbrance approved in writing by the Servicing Agent, (e) the Regulatory Agreement, and (f) liens for Property Taxes

not delinquent or being contested in good faith and by appropriate proceedings, (g) the Subordination Agreement and (h) the Subordinate Security Instrument

18 **Definition of Notice** The definition of "Notice" contained in the Definitions attached as Appendix I to the Financing Agreement is hereby modified such that the following text shall be inserted into the definition of "Notice"

Investor	Alliant Tax Credit Fund IV, Ltd c/o Alliant Inc 340 Royal Poinciana Way Suite 305 Palm Beach, Florida 33480 Attention Shawn Horwitz Telephone (561) 833-5795 Facsimile (561) 833-3694
With a copy to	Alliant Tax Credit IV, Inc c/o Alliant Asset Management Company, LLC 21600 Oxnard Street, Suite 1200 Woodland Hills, California 91367 Attention Tony Palaigos Telephone (818) 668-6800 Facsimile (818) 668-2828

19 **Definitions of Subordinate Loan Terms** The following provisions shall be inserted into the Definitions that are attached as Appendix I to the Financing Agreement

"Subordinate Lender" means Cornerstone Ministries Investments, Inc , a Georgia corporation

"Subordinate Loan" means the loan in the principal amount of $6,050,000 advanced by the Subordinate Lender to the Borrower, which Subordinate Loan is evidenced by the Subordinate Note and the Subordinate Loan Agreement and secured by the Subordinate Security Instrument

"Subordinate Loan Agreement" means that certain Acquisition and Predevelopment Loan Agreement dated June 1, 2005, by and between the Borrower and the Subordinate Lender, together with all Supplements thereto

"Subordinate Note" means the Amended and Restated Secured Real Estate Note, dated December 28, 2005, in the principal amount of $6,050,000 and executed by the Borrower in favor of the Subordinate Lender, together with all Supplements thereto

"Subordinate Security Instrument" means the Amended and Restated Open End Mortgage, Security Agreement and Financing Statement, dated as of December 28, 2005, and

executed by the Borrower in favor of the Subordinate Lender, as security for the Subordinate Loan, together with all Supplements thereto

"Subordination Agreement" means the Subordination Agreement dated as of September 1, 2005 and executed by the Borrower, the Trustee and the Subordinate Lender, together with all Supplements thereto

20 **No Other Changes** Except as expressly modified, all the terms and conditions of the Financing Agreement shall remain in full force and effect as set forth at length herein

21 **Modifications** This First Amendment and the Financing Agreement shall be taken and read together as one instrument All references in the Documents to the Financing Agreement shall mean and include the Financing Agreement as modified by this First Amendment All references in the Documents to the terms defined in the Appendix I – Definitions shall be deemed to mean and include terms added or modified by this First Amendment, as the case may be

22 **Counterparts** This First Amendment may be executed in counterparts, each of which shall constitute an original, and when taken together shall constitute one and the same instrument

23 **Meaning of Terms** Capitalized terms not otherwise defined herein shall have the meanings given them in the Financing Agreement

[Signature Page Follows on Next Page]

IN WITNESS WHEREOF, the Issuer has caused this First Amendment to Loan and Financing Agreement to be executed in its name, and on its behalf by the Chairman of the Issuer, and its corporate seal to be impressed hereon and attested by its Secretary and the Borrower has caused this First Amendment to Loan and Financing Agreement to be executed under seal by its duly authorized officer, all being done as of the day and year above first written

ATTEST

Eugene A. Laurent,
Secretary

[SEAL]

WITNESS

ISSUER

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

By _____
Charles I Small,
Chairman

BORROWER

APPIAN WAY APARTMENTS, L P

By Appian Way Development Partners, LLC,
its General Partner

By New Alternatives Communities, LLC
its Manager

By SAGE Living Centers, Inc

By _____
John T Ottinger
Authorized Agent

_____

[Signature Page to First Amendment to Loan and Financing Agreement]

[Servicing Agent's Consent Page Follows]

IN WITNESS WHEREOF, the Issuer has caused this First Amendment to Loan and Financing Agreement to be executed in its name, and on its behalf by the Chairman of the Issuer, and its corporate seal to be impressed hereon and attested by its Secretary and the Borrower has caused this First Amendment to Loan and Financing Agreement to be executed under seal by its duly authorized officer, all being done as of the day and year above first written

ATTEST

ISSUER

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

_____
Eugene A Laurent,
Secretary

By _____
Charles I Small,
Chairman

[SEAL]

WITNESS

BORROWER

APPIAN WAY APARTMENTS, L P

By Appian Way Development Partners, LLC,
its General Partner

By New Alternatives Communities, LLC
its Manager

By SAGE Living Centers, Inc

By _____
John T Ottinger
Authorized Agent

_____

[Signature Page to First Amendment to Loan and Financing Agreement]

[Servicing Agent's Consent Page Follows]

MuniMae Portfolio Services, LLC, as Servicing Agent for the Bonds, hereby consents to this First Amendment to Loan and Financing Agreement pertaining to the $8,850,000 South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Cross Creek Apartments Project) Series 2005

MUNIMAE PORTFOLIO SERVICES, LLC

By _____
Name MATTHEW W. OAKEY
Title Attorney-in-Fact

DATE December 27, 2005

[Signature Page to First Amendment to Loan and Financing Agreement]

[Sole Holder's Consent Page Follows]

Embassy and Co , as nominee name for U S Bank Trust National Association, as Sole Holder of the Bonds, hereby consents to this First Amendment to Loan and Financing Agreement pertaining to the $8,850,000 South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Cross Creek Apartments Project) Series 2005

EMBASSY AND CO , as nominee for U S Bank Trust National Association

By _____
Name Jason G. Gregory
Title Vice President

Date December 27, 2005

[Signature Page to First Amendment to Loan and Financing Agreement]

Sage Living Centers, Inc ("Sage") understands and agrees that the Financing Agreement and this First Amendment shall be taken and read together as one instrument, and that all references in the Documents to the Financing Agreement shall mean and include the Financing Agreement as modified by this First Amendment Sage hereby executes this First Amendment to acknowledge and agree that it is a party to the Financing Agreement and that it must comply with the terms of Section 6 4(g) of the Financing Agreement Sage understands and agrees that due to its obligations under Section 6 4(g), it is in contractual privity with the Borrower, General Partner, Issuer, Trustee and Servicing Agent Sage agrees and understands that if it defaults in the performance of any of its obligations in the Financing Agreement, the Borrower, General Partner, Issuer, Trustee and Servicing Agent each have the right to pursue all available remedies, whether at law or in equity, against it Sage also consents to this First Amendment to Loan and Financing Agreement pertaining to the $11,500,000 South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005

SAGE LIVING CENTERS, INC

By _____

Name _____

Title _____

DATE _____, 2005

[Signature Page to First Amendment to Loan and Financing Agreement]

The Key Principal understands and agrees that the Financing Agreement and this First Amendment shall be taken and read together as one instrument, and that all references in the Documents to the Financing Agreement shall mean and include the Financing Agreement as modified by this First Amendment The Key Principal hereby executes this First Amendment to acknowledge and agree to its liability (if any), subject to the terms of Section 3 8 of the Financing Agreement, for the repayment of all amounts due under the Note, this Agreement and the other Documents, and to its representations, warranties, covenants and agreements under Sections 4 3, 5 2, 6 4, 12 4 and 13 4 of the Financing Agreement. The Key Principal hereby consents to this First Amendment to Loan and Financing Agreement pertaining to the $11,500,000 South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005

CORNERSTONE MINISTRIES
INVESTMENTS, INC

By _____
Name _____
Title _____

DATE _____, 2005

[Signature Page to First Amendment to Loan and Financing Agreement]

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") is made as of the 1st day of September, 2005, by **CORNERSTONE MINISTRIES INVESTMENTS, INC**, a Georgia corporation ("CMI") and **SAGE LIVING CENTERS, INC**, a Florida corporation ("Sage") (CMI and Sage are referred to individually or collectively, as the context may require, as the "Guarantor" or the "Key Principal"), in favor of the **SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY**, a public body corporate and politic and an agency of the State of South Carolina (the "Issuer"), **THE BANK OF NEW YORK**, a New York banking corporation, as Trustee under the hereinafter defined Indenture (the "Trustee") and **MUNIMAE PORTFOLIO SERVICES, LLC**, a Maryland limited liability company (the "Servicing Agent")

RECITALS

WHEREAS, Appian Way Apartments, L P (the "Borrower") desires to finance the acquisition, construction, equipping and improvement of a 204-unit multifamily residential rental project to be known as Appian Way Apartments (the "Project") with proceeds of tax-exempt bonds issued by the Issuer, and

WHEREAS, the Issuer has determined to issue and sell its Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005 in the principal amount of $11,500,000 (the "Bonds"), and to fund a loan in the principal amount of the Bonds (the "Loan") to the Borrower, which Bonds shall be issued pursuant to the terms of a Trust Indenture dated as of September 1, 2005 by and between the Issuer and the Trustee, as amended (the "Indenture") and which Loan shall be advanced pursuant to the terms of a Loan and Financing Agreement dated as of September 1, 2005 by and between the Issuer and the Borrower, as amended (the "Financing Agreement"), shall be evidenced by a Promissory Note from the Borrower dated the Closing Date (the "Note") and shall be used to finance the acquisition and construction of the Project (the Financing Agreement, the Note, this Guaranty and all of the other Documents, as defined in the Financing Agreement, are hereinafter referred to collectively as the "Documents"), and

WHEREAS, the initial purchaser of the Bonds has agreed to purchase the Bonds and the Issuer has agreed to make the Loan, but only if the Guarantor executes this Guaranty and provides the guaranties set forth herein, and

WHEREAS, the Guarantor will benefit from the availability of the Loan to the Borrower and is willing to give the guaranty requested so as to induce the purchaser of the Bonds to purchase such Bonds and to induce the Issuer to make the Loan

NOW, THEREFORE, in consideration of the foregoing recitals, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby undertakes, guaranties and agrees as follows

1 (a) The Guarantor hereby absolutely and unconditionally guarantees the due and punctual construction of the Project (the "Work") in accordance with the terms and requirements of the Documents and the approved Plans and Specifications, free and clear of any liens or claims of liens (except for any liens specifically permitted by the Documents), in the manner and within the time necessary to comply with all of the terms, covenants and conditions of the Documents, including all future amendments thereto Should the cost of completion of the Work exceed the amounts available therefor on a current basis from the proceeds of the Loan and the Syndication Proceeds (as defined in the Financing Agreement) or should any liens be filed against the Project (except for liens specifically permitted by the Documents) in connection with the Work, the Guarantor hereby absolutely and unconditionally guaranties the prompt, absolute, and unconditional payment of all sums necessary to complete the Work and discharge such liens

(b) During the Full Recourse Period (such period hereinafter referred to as the "Guaranty Period"), the Guarantor hereby absolutely and unconditionally guarantees the prompt, absolute and unconditional payment (not merely the collection) of all principal, interest and other amounts due under the Note and the other Documents (including the payment of all expenses and charges (including all court costs and reasonable attorneys' fees) paid or incurred by the Issuer, the Trustee or the Servicing Agent in enforcing this Guaranty)

(c) The Guarantor hereby absolutely and unconditionally guarantees the prompt, absolute and unconditional payment by the Borrower of any amounts required to be paid by the Borrower pursuant to the terms of Section 3 2(d) of the Financing Agreement in connection with any redemption of the Bonds pursuant to Section 3 3(c)(iii) of the Indenture

(d) The Guarantor hereby agrees to pay any and all amounts which it becomes obligated to pay as Key Principal under the terms of the Note and Section 3 8 and Article XII of the Financing Agreement, the terms of which are incorporated by reference herein to the same extent as if set forth in full in this Guaranty

(e) The obligations of the Guarantor under sections 1(a), 1(b), 1(c) and 1(d) are primary and unconditional and the Guarantor agrees to pay all such sums upon the demand of the Issuer or the Trustee (each acting at the direction of the Servicing Agent), and no amounts paid by the Guarantor pursuant to the terms of this Guaranty shall be refundable to the Guarantor or shall be deemed a loan to the Borrower

2 It is expressly understood and agreed that this is a continuing guaranty and that the obligations of the Guarantor hereunder are and shall be absolute under any and all circumstances, without regard to the validity, regularity, or enforceability of the Documents, or any other instruments executed in connection therewith The Guarantor hereby warrants and agrees that it will benefit from the Borrower's obtaining financing for the acquisition and construction of the Project and is, therefore, willing to give the guaranties set forth in this Guaranty All of the Issuer's and the Trustee's rights pursuant to this Guaranty shall continue with respect to any amounts of the obligations guaranteed hereunder which are thereafter required to be restored or returned by the Issuer or the Trustee, whether in a bankruptcy or other insolvency proceeding of the Borrower, the Guarantor or for any other reason, all as though such amounts had not been paid to the Issuer or the Trustee, and the Guarantor's liability under this Guaranty (and all its terms and

provisions) shall be reinstated and revived, notwithstanding any surrender or cancellation of this Guaranty The Issuer or the Trustee (acting at the direction of the Servicing Agent), at its or their sole discretion, may determine whether any amount paid to it must be restored or returned, provided, however, that if the Issuer or the Trustee elects to contest any claim for return or restoration, the Guarantor agrees to indemnify and hold the Issuer and the Trustee harmless from and against all costs and expenses, including reasonable attorneys' fees and expenses, expended or incurred by the Issuer or the Trustee in connection with such contest No payment by the Guarantor shall reduce the amount of the obligations guaranteed hereunder unless, at or prior to the time of such payment, the Servicing Agent and the Trustee receive the Guarantor's written notice to that effect or the Servicing Agent and the Trustee otherwise have actual notice of the Guarantor's intention that such payment be applied to reduce the amount of the obligations guaranteed hereunder If any bankruptcy or other insolvency proceeding is commenced by or against the Borrower or the Guarantor, at the Issuer's or the Trustee's election (each acting at the direction of the Servicing Agent), the obligations of the Guarantor hereunder shall immediately and without notice or demand become due and payable, whether or not then otherwise due and payable

3 To the extent permitted by law, the Guarantor hereby waives (a) notice of the acceptance hereof, presentment, demand for payment or performance, protest, notice of protest, and any and all notices of nonpayment, non-performance, non-observance and dishonor, and other proof, and notice of demand, (b) all suretyship defenses and defenses in the nature thereof, (c) any claim that the Issuer, the Trustee, the Servicing Agent or the Holders are under any duty or obligation to advise the Guarantor of any default or Event of Default under any of the Documents, of any event or occurrence which with notice or the passage of time could become an Event of Default under the Documents, or of any other act, omission or circumstance which could adversely affect the ability of the Borrower to perform the obligations guaranteed hereunder, (d) all rights to require the Issuer or the Trustee to proceed against the Borrower, or any other guarantor, or proceed against, enforce or exhaust any security for the obligations of the Borrower guaranteed hereunder or to marshal assets or to pursue any other remedy in the Issuer's or the Trustee's power whatsoever, (e) all defenses arising by reason of any disability or other defense of the Borrower, the cessation for any reason of the liability of the Borrower, any defense that any other indemnity, guaranty or security was to be obtained, any claim that the Issuer or the Trustee has made the obligations of the Guarantor hereunder more burdensome or more burdensome than the Borrower's Obligations, (f) all rights to require the Issuer or the Trustee to enforce any of its or their remedies, and (g) until the obligations of the Borrower guaranteed hereunder are satisfied or fully paid with such payment not subject to return, (i) all rights of subrogation, contribution, indemnification or reimbursement, (ii) all rights of recourse to any assets or property of the Borrower, or to any collateral or credit support for the obligations guaranteed hereunder, (iii) all rights to participate in or benefit from any security or credit support the Issuer or the Trustee may have or acquire, and (iv) all rights, remedies and defenses the Guarantor may have or acquire against the Borrower, provided, however, that nothing in the foregoing clause (g) is intended to prohibit the Guarantor from receiving distributions from the Borrower which (A) the Guarantor is entitled to receive under the terms of the Borrower's operating agreement, and (B) the Borrower is entitled to distribute pursuant to the provisions of the Financing Agreement and the other Documents

4 The Guarantor further agrees that the validity of this Guaranty and the obligations of the Guarantor hereunder shall in no way be terminated, affected, or impaired (a) by reason of the assertion by the Borrower of any defenses, rights or remedies under or with respect to any of the Documents, or any other instruments executed in connection therewith, against any person obligated thereunder, (b) by reason of any failure to exercise, or delay in exercising, any such right or remedy or any right or remedy hereunder or in respect to this Guaranty, or (c) by reason of the bankruptcy of any person or the filing of a petition for any relief under any federal, state or local bankruptcy law by or against any person

5 The Guarantor further covenants that this Guaranty shall remain and continue in full force and effect as to any assignment, modification, extension or renewal of the Documents or the release or exchange of any property covered by the Documents or other collateral for the Loan, or the release or discharge of any Guarantor or obligor hereunder or under the Loan, notwithstanding any amendment of the Documents, and that indulgences or forbearances may be granted under any or all of such Documents, all of which may be made, done or suffered without notice to or further consent of the Guarantor

6 The Guarantor hereby agrees that this is both a guaranty of performance of the work and a guaranty of payment, not collection, and that this Guaranty may be enforced by the Issuer or the Trustee (each acting at the direction of the Servicing Agent) against the Guarantor without first resorting to or exhausting any other right or remedy

7 The Guarantor agrees that, in the event this Guaranty is placed in the hands of an attorney for enforcement, the Guarantor will reimburse the Issuer, the Trustee and the Servicing Agent for all expenses incurred in properly enforcing this Guaranty, including reasonable attorneys' fees and expenses (whether or not suit is brought hereon) and all such expenses incurred in connection with any trial, appeal, arbitration or bankruptcy proceedings

8 This Guaranty and each covenant and agreement contained herein shall be binding upon the Guarantor, and its heirs, successors and assigns, and shall be binding upon and inure to the benefit of the Issuer, the Trustee, the Servicing Agent and their respective successors and assigns

9 If the Guarantor shall fail or refuse to perform or continue performance of all of the Guarantor's obligations under this Guaranty, then the Issuer or the Trustee (each acting at the direction of the Servicing Agent) shall, at their option, have the right to take all necessary action to complete the Work in accordance with the terms of the Documents, to discharge any liens filed against the Project or the land underlying the Project and to take any other actions necessary or advisable to cure the Guarantor's default hereunder, either before or after the exercise of any other remedy The amounts of any and all expenditures and advances so made by the Issuer, the Trustee or the Servicing Agent shall be due and payable by the Guarantor immediately upon the incurring or advancement thereof and, if not then paid, shall bear interest at two percent (2%) above the interest rate in effect from time to time under the Note

10 Notwithstanding any provision of this Guaranty to the contrary, in addition to the termination provisions of Section 18 below, all of the obligations of the Guarantor under this

Guaranty (with the exception of those obligations referenced in Section 1(d) hereof) shall automatically terminate upon the latest to occur of the following

(a) The end of the Guaranty Period,

(b) The date on which final payment is made under the Construction Contract executed in connection with the construction of the Project, and the Contractor acknowledges in writing that the Contractor and all subcontractors have been paid in full and have no further claims under the Construction Contract,

(c) The statutory period within which the Contractor and any subcontractors under the Construction Contract may file liens against the Project has expired, and

(d) Payment in full of all principal, interest and other fees and charges due under the Documents during the Guaranty Period

CMI's liability for the Guarantor's obligations referenced in Section 1(d) hereof shall terminate upon the attainment of Conversion Upon the attainment of Conversion, Sage shall assume all of CMI's obligations as Guarantor that are referenced in Section 1(d) hereof

Notwithstanding the foregoing, at any time within three (3) months after the last to occur of the foregoing events described in this Paragraph 10, the Issuer or the Trustee (each acting at the direction of the Servicing Agent) may, and if directed by the Servicing Agent, shall, give written notice (the "Guaranty Notice") to the Guarantor of any outstanding or disputed amount due to any third party which relates to the construction of the Project and may reserve its rights hereunder with respect to such outstanding amount In the event the Servicing Agent or the Trustee gives such Guaranty Notice to the Guarantor, this Guaranty shall survive to the extent of the matters described in such Guaranty Notice and until such matters have been fully paid or resolved to the satisfaction of the Servicing Agent

11 As soon as available but in no event more than one hundred twenty (120) days after the close of each calendar year, a copy of the annual financial statements for the Guarantor in reasonable detail satisfactory to the Servicing Agent, which financial statements for the Guarantor shall be prepared by an Accountant acceptable to the Servicing Agent in accordance with generally accepted accounting principles and audited (or if audited financial statements are not prepared, certified under oath by the Guarantor), and each financial statement shall include but not be limited to a balance sheet for the Guarantor as of the end of each calendar year and such other schedules as the Servicing Agent may reasonably request and shall be accompanied by a certificate of such Accountant stating that he is not aware of any material modifications that should be made in order for the financial statements to be in accordance with generally accepted accounting principles

12 All capitalized terms not defined herein shall have the meanings given such terms in the Financing Agreement

13 Each provision of this Guaranty shall be considered severable, and if for any reason any provision that is not essential to the effectuation of the basic purposes of this Guaranty is

determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Guaranty that are valid

14 Notice to the parties hereto shall be given in the manner and (where applicable) to the addresses specified in Appendix I attached to the Financing Agreement, as the same may be amended from time to time by Notice to the parties hereto Notices to the Guarantor shall be given to the following address

Cornerstone Ministries Investments, Inc
2450 Atlanta Highway, Suite 904
Cumming, Georgia 30040
Facsimile (678) 455-1114

15 This Guaranty shall be governed, construed, and interpreted as to validity and enforcement and in all other respects in accordance with the laws of the State of South Carolina, without regard to the principles of conflicts of laws, and cannot be modified, amended, or terminated orally

16 The parties intend that the Servicing Agent may enforce, directly and in its own name, or, if necessary, in the name and stead of the Trustee, without necessity of joinder by the Trustee, the Guarantor's obligations hereunder No person other than the Trustee and the Servicing Agent may directly or indirectly rely upon or enforce the provisions of the Guaranty, whether as a third party beneficiary or otherwise

17 The Borrower and the Guarantor shall be jointly and severally liable for the payment and performance of the obligations of the Guarantor under this Guaranty

18 Notwithstanding any provision to the contrary, Guarantor shall be entitled to assign all of its obligations under this Guaranty to any newly formed entity that Guarantor may form and organize from and after the date hereof (the "Proposed Assignee"), but only if (a) such assignment would not, to the satisfaction of the Servicing Agent, materially and adversely affect the Issuer's and Trustee's rights and remedies with respect to the matters guaranteed by Guarantor hereunder and (b) the Servicing Agent, after conducting due diligence on the Proposed Assignee, including, but not limited to, the Proposed Assignee's background, financial records and history, assets, liabilities, officers and principals, determines, in its sole discretion, that the Proposed Assignee is able to assume and comply with all of Guarantor's obligations under this Guaranty Servicing Agent agrees not to unreasonably withhold or delay its future consent to such assignment Upon (a) approval of such Proposed Assignee by the Servicing Agent, (b) payment of all fees and expenses (including reasonable attorney's fees and expenses) incurred by the Servicing Agent in connection with the review and consideration of any such Proposed Assignee and (c) Proposed Assignee's execution of a guaranty substantially similar in form and substance to the terms of this Guaranty, this Guaranty shall automatically terminate and be of no further force and effect as to CMI, Sage or any other current Guarantor, as applicable, and such approved Proposed Assignee shall assume all of the obligations of the Guarantor under this Guaranty

19 This Guaranty shall not be modified or amended without the prior written consent of the Guarantor

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Guaranty as of the day and year first above written In executing this Guaranty, the undersigned Guarantor acknowledges that it is waiving any and all statutory appraisal rights it may have under the laws of the State

WITNESS

GUARANTOR

CORNERSTONE MINISTRIES INVESTMENTS, INC

By _____
Name John T Ottinger
Title VICE PRESIDENT

[Signature Page to Guaranty Agreement]

IN WITNESS WHEREOF, the undersigned have duly executed this Guaranty as of the day and year first above written. In executing this Guaranty, the undersigned Guarantor acknowledges that it is waiving any and all statutory appraisal rights it may have under the laws of the State

WITNESS

GUARANTOR

CORNERSTONE MINISTRIES INVESTMENTS, INC

_____

By _____
Name _____
Title _____

WITNESS

SAGE LIVING CENTERS, INC

Bess B Moore

By Edward G. Moore
Name Ed Moore
Title PRESIDENT

[Signature Page to Guaranty Agreement]

AGREED TO AND ACKNOWLEDGED:

WITNESS

Chelsea Agnew

SERVICING AGENT

MUNIMAE PORTFOLIO SERVICES, LLC

By _____
Name Matthew W Ochs
Title Attorney-In-Fact

[Signature Page to Guaranty Agreement]

SERVICING AGREEMENT

THIS SERVICING AGREEMENT (this "Agreement") is made as of the 1st day of September, 2005, by and between **MUNIMAE PORTFOLIO SERVICES, LLC**, a Maryland limited liability company (the "Servicing Agent"), and **THE BANK OF NEW YORK**, a New York banking corporation, as Trustee under the hereinafter defined Indenture (the "Trustee")

WHEREAS, pursuant to a Trust Indenture dated as of September 1, 2005 (the "Indenture"), the Trustee is the bond trustee under that certain bond issue known as $11,500,000 South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bonds (Appian Way Apartments Project) Series 2005 (the "Bonds"),

WHEREAS, the Indenture authorizes the Trustee to delegate its rights and obligations thereunder to a servicing agent, and

WHEREAS, the Trustee has been directed by the initial Sole Holder to engage the Servicing Agent as servicing agent for the Bonds and the Servicing Agent desires to accept such engagement

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows

1 Definitions All capitalized terms not defined herein shall have the meanings given them in the Indenture

2 Appointment of Servicing Agent

(a) The Trustee hereby appoints the Servicing Agent as servicing agent for the Bonds and the Servicing Agent hereby accepts such appointment The Servicing Agent is hereby granted each and every remedy and all consent and approval rights of the Trustee under the Indenture and each other Document pertaining to the Bonds to which the Trustee is a party Notwithstanding the foregoing, and without limiting any of the other duties or obligations of the Trustee under the Documents, unless and until otherwise instructed by the Servicing Agent in accordance with Section 2(b) upon the occurrence of a Trigger Event (as defined in the Financing Agreement) or an Event of Default, the Trustee shall collect and hold all moneys, maintain all funds and accounts, and make all disbursements provided for in the Indenture and in the Replacement Reserve Agreement The Servicing Agent further agrees to perform each and every duty and acknowledges that it has each and every right accorded to the Servicing Agent directly under the Documents

(b) Upon the occurrence of a Trigger Event or Event of Default, the Trustee shall continue to maintain all funds and accounts and to make all disbursements provided for in the Indenture, but, in the event the Servicing Agent provides written notice to the Borrower and the Trustee to such effect, it shall be the responsibility of the Servicing Agent, and not the

Trustee, to collect all payments due from the Borrower under the Documents and to remit those monies to the Trustee for application in accordance with the Indenture

3 Exercise of Remedies, Standard of Care The Servicing Agent shall have the right to exercise all remedies afforded to the Trustee under the Documents, in its own name but if necessary, in the name and stead of the Trustee In exercising its rights and remedies under the Documents (including those assigned by the Trustee pursuant to this Agreement), the Servicing Agent shall take such actions and make such recommendations as it deems in its sole and absolute discretion to be in the best interests of the Holders of the Bonds, provided, however, that the Servicing Agent shall take any action with respect to the exercise of its rights and remedies under the Documents as may be directed in writing by the Holders of not less than a majority of the outstanding principal amount of the Bonds

4 Servicing Fee The Servicing Agent shall be paid an annual fee (the "Servicing Fee") in the amount of $6,000, provided, however, that upon the occurrence of an Event of Default and during the continuance thereof, the Servicing Fee shall increase and be equal to one percent (1%) of the original principal amount of the Bonds The Servicing Fee shall be paid in advance in equal monthly installments on the first Business Day of each month commencing on April 1, 2008, but strictly from funds received from the Borrower as more particularly provided in the Indenture As compensation for its efforts in collecting any delinquent payments under the terms of the Documents, the Servicing Agent shall be entitled to keep any late charges paid by the Borrower

5 Expenses of the Servicing Agent Unless the Servicing Agent is paid directly by the Borrower, the Trustee shall pay from moneys on deposit under the Indenture, all expenses incurred by the Servicing Agent in the performance of its duties, but strictly from funds deposited with the Trustee by the Borrower The Servicing Agent shall not be obligated to take any action under this Agreement or the Documents unless and until the Servicing Agent is satisfied that funds are or will be available to pay for the Servicing Agent's expenses

6 Term of Agreement The initial term of this Agreement (the "Initial Term") shall commence on the Closing Date and end on the date which is ninety (90) days after the date on which Municipal Mortgage & Equity, LLC or any of its affiliates no longer holds directly or indirectly, through one or more intermediaries, any of the Bonds or any beneficial interest therein Upon the expiration of the Initial Term, this Agreement shall automatically renew for successive one-year periods (each, a "Renewal Term") unless by written notice delivered at least sixty (60) days prior to the expiration of the Initial Term or any Renewal Term (as applicable) the Servicing Agent or the Trustee shall terminate this Agreement as of the end of such term Notwithstanding the foregoing, this Agreement shall terminate and be of no further force or effect on the Termination Date (as defined in the Indenture)

7 Resignation of Servicing Agent The Servicing Agent may at any time resign from its duties under this Agreement by executing a written resignation specifying the date on which such resignation shall take effect and providing copies thereof to the Trustee, the Borrower and the Issuer not less than sixty (60) days before the date specified If the Trustee shall not have appointed a new servicing agent within the foregoing 60-day period, the Servicing Agent's resignation shall nonetheless become effective on the date specified in the resignation

notice, this Agreement shall terminate, the office of the Servicing Agent shall be deemed vacant, and the provisions of the Indenture governing the absence of a Servicing Agent shall be in full force and effect unless and until a successor Servicing Agent is appointed and accepts such appointment

8 Termination

(a) The Trustee may terminate the Servicing Agent upon thirty (30) days' prior written notice only for one or more of the following causes

(i) misappropriation of funds,

(ii) gross negligence or willful misconduct in the performance by the Servicing Agent of its duties under the Documents,

(iii) the filing by or against the Servicing Agent of a proceeding in bankruptcy or for reorganization or under any similar law protecting the rights of creditors generally, or

(iv) forfeiture of its organizational status or other legal incapacity of the Servicing Agent to continue to act as servicing agent for the Bonds

(b) Upon a termination as set forth in this Section 8, the Trustee shall appoint a new Servicing Agent in accordance with the procedures set forth in Section 7

9 Notices Any notice required or permitted hereunder shall be deemed given when sent if sent by telecopy or by hand-delivery, one day after sending, if sent by recognized overnight courier, and two days after sending, if sent by first-class United States mail, postage prepaid, to the following addresses

If to the Trustee	At the address set forth in, or from time to time designated, under the Indenture
If the Servicing Agent	MuniMae Portfolio Services, LLC 621 East Pratt Street Suite 300 Baltimore, Maryland 21202 Attention Asset Management Department Facsimile No (410) 727-5387

10 Construction The section headings used in this Agreement are for reference purposes only and do not constitute a substantive part of the Agreement Words such as "herein", "hereby", and words of similar import refer to this Agreement as a whole As used herein, the singular shall include the plural, the plural shall include the singular, and references to the masculine, feminine and neuter shall each include the other, as the context may require

11 Third-Party Beneficiaries Except for the Holders, no person not a party hereto shall have any rights under this Agreement, it being intended that there shall be no third-party beneficiaries other than the Holders

12 Successors and Assigns This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, including without limitation any successor trustee appointed to the office of Trustee under the Indenture

13 Governing Law This Agreement shall be governed in all respects by the internal laws of the State of Maryland (excluding reference to principles of conflicts of law)

14 Amendment This Agreement may not be amended except in a writing signed by each of the parties hereto

15 Counterparts This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument

[Signature Page Follows]

IN WITNESS WHEREOF, and intending to be legally bound, the parties have executed this Servicing Agreement as of the date and year first above written

WITNESS

TRUSTEE

THE BANK OF NEW YORK

By _____(SEAL)
Name MARK DiGIACOMO
Title ASSISTANT TREASURER

SERVICING AGENT

MUNIMAE PORTFOLIO SERVICES, LLC

_____

By _____(SEAL)
Matthew W Oakey
Attorney-in-Fact

[Signature Page to Servicing Agreement]

IN WITNESS WHEREOF, and intending to be legally bound, the parties have executed this Servicing Agreement as of the date and year first above written

WITNESS

_____

TRUSTEE

THE BANK OF NEW YORK

By _____(SEAL)
Name _____
Title _____

SERVICING AGENT

MUNIMAE PORTFOLIO SERVICES, LLC

_____

By _____(SEAL)
Matthew W Oakey
Attorney-in-Fact

[Signature Page to Servicing Agreement]

MMA Financial Inc

621 East Pratt Street, 3rd Floor
Baltimore, Maryland 21202-3140
T 443 263 2900 F 410 727 5387

A MuniMae Company

MMA FINANCIAL

December 10, 2007

Bank of New York
Attn Tom Provenzano
385 Rifle Camp Road, 3rd Floor
West Patterson, NJ 07424

Cornerstone Ministries Investment, Inc
2450 Atlanta Highway, Suite 904
Cumming, GA 30040

South Carolina State Housing Finance and Development Authority
Attn Executive Director
300-C Outlet Point Blvd
Columbia, SC 29210

RE $11,500,000 South Carolina State Housing Finance and Development Authority
Multifamily Rental Housing Revenue Bond (Appian Way Apartments Project), Series 2005

Please be advised that pursuant to the terms of the Indenture related to the above referenced transaction, MuniMae Portfolio Services, LLC, as Servicing Agent, with the consent of Embassy & Co, as Sole Holder, hereby requests the removal of Bank of New York as Trustee

The undersigned has agreed to appoint U S Bank National Association as successor trustee (the "Successor Trustee") on the above referenced issue and requests that you fully cooperate with the Successor Trustee to ensure a smooth and timely transition of the account

The Trustee will be receiving a letter from U S Bank outlining all documents, records and other information required to effectuate the transfer of the account You are authorized to provide any information pertaining to the transfer of the account requested by U S Bank

Thank you in advance for your cooperation on this matter

Sincerely,

By MuniMae Portfolio Services, LLC

Christopher B Levey
Senior Vice President
Phone 443-263-2900

By Embassy & Co

Jason G Gregory
Vice President

cc Toni Shumpert, U S Bank

Corporate Trust Services
1441 Main Street, Suite 775
Columbia, SC 29201

January 16, 2008

Bank of New York
Attn Tom Provenzano
385 Rifle Camp Road, 3rd Floor
West Patterson, NJ 07424

Conerstone Ministries Investment, Inc
2450 Atlanta Highway, Suite 904
Cumming, GA 30040

South Carolina State Housing Finance
and Development Authority
Attn Executive Director
300-C Outlet Point Blvd
Columbia, SC 29210

MuniMae Portfolio Services, LLC
Attn Jackie Friend
621 East Platt Street, 3rd Floor
Baltimore, MD 21202-3140

RE $11,500,000 South Carolina State Housing Finance and Development Authority
Multifamily Rental Housing Revenue Bond (Appian Way Apartments Project), Series 2005

Please accept this letter as U S Bank National Association's acceptance of the appointment as successor Trustee under the South Carolina State Housing Finance and Development Authority Multifamily Rental Housing Revenue Bond (Appian Way Apartments Project), Series 2005 Indenture The effective date of the succession will be March 6, 2008

Sincerely,

Toni Shumpert

Toni B Shumpert
Vice President–Account Manager
U S Bank National Association

GALLAGHER
EVELIUS & JONES LLP

MATTHEW W OAKEY
moakey@gejlaw com
direct dial 410 347 1359
fax 410 468 2786

October 29, 2008

VIA FEDERAL EXPRESS

BMC Group
Attn Cornerstone Ministries Investments, Inc
444 N Nash Street
Fl Segundo, California 90245

Re Debtor Cornerstone Ministries Investments, Inc
Case No 08-20355-reb
Creditor MuniMae Portfolio Services, LLC
Proof of Claim – Appian Way Loan Guarantee

Dear Sir/Madam

In accordance with the Notice Requiring Filing of Proofs of Claim issued by the United States Bankruptcy Court on September 8, 2008, MuniMae Portfolio Services, LLC hereby files the attached proof of claim pertaining to the Appian Way Loan Guarantee furnished by the Debtor

I have also included a copy of the Proof of Claim (without the attachments) and ask that you date stamp the copy of the Proof of Claim and return it to our office in the enclosed, postage paid envelope

If you have any questions regarding the filing of the enclosed Proof of Claim, please contact me

Sincerely,

Matthew W Oakey

Enclosures

 # 366826 MWO
011215-0022