

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the Bonds is excludable from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS."



\$24,000,000
WASHINGTON STATE HOUSING FINANCE COMMISSION
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018

Dated Date: September 1, 2018
Maturity Date: March 1, 2036

Interest Rate: 3.63%
CUSIP: 93979A AA7

The Washington State Housing Finance Commission Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018 (the "**Bonds**") will be issued under and pursuant to an Indenture of Trust, dated as of September 1, 2018 (the "**Indenture**"), between the Washington State Housing Finance Commission (the "**Issuer**") and U.S. Bank National Association, as trustee (the "**Trustee**").

The Bonds are issuable only as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the denominations of \$1,000 and integral multiples of \$1.00 in excess thereof. Purchasers will not receive bonds representing their interest in Bonds purchased.

The Bonds are issued to provide funding to the SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership (the "**Borrower**"), to enable the Borrower to pay a portion of the cost of acquisition, development, rehabilitation, construction, and equipping a low- and moderate-income multifamily rental housing facility. Pursuant to the Indenture, the Borrower will cause KeyBank National Association, a national banking association (the "**Construction Lender**"), over time, to deposit Eligible Funds into the Collateral Fund established under the Indenture, in order to make the Bond proceeds available to the Borrower. It is anticipated that, prior to the delivery of the MBS (as defined below), the principal of and interest on the Bonds will be paid from amounts on deposit in the Revenue Fund, the Bond Proceeds Fund and the Collateral Fund along with the investment earnings thereon. See "SECURITY FOR AND SOURCES OF PAYMENT OF BONDS" herein.

The Borrower expects to close on the Construction Loan from KeyBank National Association, as the Construction Lender, on October 15, 2018, the date certain bonds issued by the Housing Authority of the City of Tacoma in 2001 to finance portions of the Project (the "**Prior Bonds**") are expected to be paid off, and upon and subject to satisfaction of certain conditions. The Borrower expects to receive a Lender Commitment for a permanent loan dated on or before September 27, 2018 (the "**Lender Commitment**") between Fannie Mae and KeyBank National Association, a national banking association (the "**Lender**"), in which the Lender is expected to agree to convert the Construction Loan to a permanent mortgage loan (the "**Mortgage Loan**"), subject to satisfaction of certain conditions set forth in the Lender Commitment. In the event the Mortgage Loan is originated, the Lender anticipates that it will deliver, or cause to be delivered, to the Trustee a single mortgage pass-through certificate (the "**MBS**") guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association ("**Fannie Mae**"), and concurrently therewith, pursuant to the terms of the Indenture, the Trustee will use Eligible Funds on deposit in the Collateral Fund and, if necessary, the Bond Proceeds Fund, to purchase the MBS, if and when issued, and such MBS will then secure the payment of the principal of and interest on the Bonds. If the MBS is not delivered on or before the MBS Delivery Date Deadline (as defined herein), then the Eligible Funds in the Collateral Fund will be used to redeem the Bonds as set forth herein. The Bonds are also subject to mandatory redemption in whole or in part as further described herein. See "DESCRIPTION OF THE BONDS" herein.

The aggregate principal amount, aggregate face amount (if different), maturity date, interest rate and delivery date for the Bonds shall be as set forth in the Indenture and shall be described, together with the initial reoffering price, if applicable, in a Supplement to this Official Statement delivered by the Issuer in connection with the sale of the Bonds.

Interest on the Bonds will be payable monthly on the 26th day of the month, or the next succeeding Business Day if such 26th day is not a Business Day, commencing October 26, 2018, until and including the 26th day of the month in which the MBS Delivery Date (as defined herein) occurs. Commencing on the first month after the month the MBS Delivery Date occurs, interest will be payable on the first Business Day following receipt of a payment representing interest under the MBS. Principal and interest on the Bonds are payable by the Trustee to DTC, which will be responsible for remitting such principal and interest to its Participants, which will be responsible for remitting such principal and interest to the Beneficial Owners of the Bonds, as described under "APPENDIX G – BOOK-ENTRY SYSTEM" herein.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE REVENUES AND OTHER FUNDS PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE. NEITHER THE ISSUER, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH HEREIN) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

The Bonds are offered when, as and if received by KeyBanc Capital Markets Inc. (the "**Underwriter**"), subject to the approval of legality by Pacifica Law Group LLP, Seattle, Washington, General Counsel to the Issuer and Bond Counsel. Certain legal matters will be passed upon for the Borrower by its counsel, Karr Tuttle Campbell, Seattle, Washington, and for the Underwriter by its counsel, Norris George & Ostrow PLLC, Washington, D.C. It is expected that the Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about September 27, 2018.



USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), this document constitutes an “official statement” of the Issuer with respect to the Bonds that has been “deemed final” by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The information set forth herein under the headings, “THE ISSUER” and “NO LITIGATION – The Issuer” has been obtained from the Issuer. The information set forth herein under the heading “UNDERWRITING” has been obtained from the Underwriter. All other information set forth herein has been obtained from the Borrower and other sources (other than the Issuer) which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Issuer or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Borrower or any other parties described herein since the date as of which such information is presented.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

CUSIP data herein are provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Bonds. The Issuer is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. NEITHER THE COUNTY, THE FINANCIAL ADVISOR, THE UNDERWRITERS, SPECIAL DISCLOSURE COUNSEL, NOR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY ONLY SYSTEM.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD LOOKING STATEMENTS.

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U.S. BANK NATIONAL ASSOCIATION,
Trustee

OFFICIAL STATEMENT
of
WASHINGTON STATE HOUSING FINANCE COMMISSION
relating to its
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018

INTRODUCTION

This Official Statement (which includes the cover page and appendices hereto) provides certain information in connection with the issuance and sale of the Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018 (the “**Bonds**”) issued by the Washington State Housing Finance Commission (the “**Issuer**”). The Bonds will be issued pursuant to the Laws of 1983, Ch. 161, codified at chapter 43.180 RCW, as amended (the “**Act**”) and secured by an Indenture of Trust, dated as of September 1, 2018 (the “**Indenture**”), between the Issuer and U.S. Bank National Association, as trustee (the “**Trustee**”). Pursuant to the Indenture and the Financing Agreement, dated as of September 1, 2018 (the “**Financing Agreement**”), among the Issuer, the Trustee, KeyBank National Association, as Bond Lender, and SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership (the “**Borrower**”), the Issuer is issuing the Bonds to provide funds to the Borrower to pay for a portion of the acquisition, development, rehabilitation, construction, and equipping of a certain low- and moderate-income multifamily rental housing facility known as the Sunset Garden Apartments (the “**Project**”) in the State, as further described in a Supplement to this Official Statement.

The Issuer, the Borrower and KeyBanc Capital Markets Inc. (the “**Underwriter**”) have entered into a Bond Purchase Agreement (the “**Bond Purchase Agreement**”), pursuant to which the Issuer will agree to sell the Bonds to the Underwriter. The transaction entered into under the Bond Purchase Agreement will provide for the issuance and sale to the Underwriter of the Bonds in a specified principal amount, with a specified interest rate, on a specified date and at a specified price. The delivery of the Bonds is subject to the satisfaction of a number of conditions set forth in the Bond Purchase Agreement.

On the Closing Date, the Bonds will be cash collateralized with the proceeds of the Bonds equal to the principal amount thereof deposited with the Trustee in the Bond Proceeds Fund established under the Indenture. The Borrower will, from time to time, cause the Construction Lender to deposit proceeds of the Construction Loan into the Collateral Fund established under the Indenture, to allow the Trustee to disburse a like amount of Bond proceeds from the Bond Proceeds Fund to the Borrower for Project Costs, pursuant to the terms of the Indenture. Prior to the MBS Delivery Date, the principal of, premium, if any, and interest on the Bonds will be paid from amounts on deposit in the Revenue Fund, the Collateral Fund and the Bond Proceeds Fund along with the investment earnings thereon. See “SECURITY FOR AND SOURCES OF PAYMENT OF BONDS” herein.

The Borrower expects to close on the Construction Loan from the Construction Lender on October 15, 2018, which Construction Loan will be secured by a mortgage constituting a first lien on the Project at the time of pay-off of the Prior Bonds. The Borrower expects to receive a Lender Commitment for a permanent loan dated on or before September 27, 2018 (the “**Lender Commitment**”) between Fannie Mae and KeyBank National Association, a national banking association (the “**Lender**”), pursuant to which the Lender is expected to agree, subject to the conditions set forth in the Lender Commitment, to convert the Construction Loan to a permanent mortgage loan (the “**Mortgage Loan**”). See “THE MORTGAGE LOAN” herein. In the event the Mortgage Loan is originated, the Trustee will use Eligible Funds on deposit under the Indenture including the Collateral Fund to purchase a single mortgage pass-through certificate (the “**MBS**”) guaranteed as to principal and interest by the Federal National Mortgage Association (“Fannie Mae”), if and when issued, and such MBS will then secure the payment of the principal of and interest on the Bonds. See “APPENDIX A – FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM” herein. The closing of the Mortgage Loan and delivery of the MBS are subject to the

satisfaction of certain requirements and preconditions and do not extend to the benefit of any other third party, including the beneficial owners of the Bonds, the Issuer or the Trustee. No representations or assurances can be provided as to whether or not such conditions can or will be satisfied.

On the date of issuance of the Bonds, the Lender Commitment will be in place, but the Borrower will not have closed on the Construction Loan (the “Construction Loan Closing”) or admitted the Limited Partner (the “Equity Closing”). The Borrower expects that both the Construction Loan Closing and the Equity Closing will occur at the time of pay-off of the Prior Bonds (as defined herein), which is anticipated to be October 15, 2018. The Borrower currently has a letter of intent from a proposed Limited Partner with respect to its proposed investment in the 4% LIHTC as described herein. The Borrower has also been working with the Construction Lender to document the terms of the Construction Loan. It also expects to satisfy the Conditions to Conversion set forth in the Lender Commitment prior to the Termination Date (as such date may be extended pursuant to the Lender Commitment), which is the latest date by which the Mortgage Loan can be originated before the Bonds become subject to mandatory redemption pursuant to the Indenture. If the Construction Loan Closing and Equity Closing and/or the satisfaction of the Conditions to Conversion set forth in the Lender Commitment do not occur prior to the Termination Date, the Bonds will be subject to mandatory redemption in whole at a price of par as described elsewhere herein. See “DESCRIPTION OF THE BONDS – Redemption” herein. The Borrower will not draw proceeds of the Bonds for the Project until the Construction Loan Closing and Equity Closing have occurred.

If the MBS is not delivered on or before the MBS Delivery Date Deadline (as defined herein), then the Eligible Funds in the Collateral Fund will be used to redeem the Bonds as set forth herein. The Bonds are also subject to mandatory redemption in whole or in part as further described herein. See “DESCRIPTION OF THE BONDS” herein.

IN CONNECTION WITH THE OFFERING OF BONDS THE ISSUER WILL DELIVER A SUPPLEMENT TO THIS OFFICIAL STATEMENT SPECIFYING THE SERIES DESIGNATION, DELIVERY DATE, FORM OF THE MBS, INTEREST RATE, EXPECTED PRINCIPAL AMOUNT AND THE CUSIP NUMBER OF THE BONDS OFFERED, WHICH SUPPLEMENT THE ISSUER WILL AMEND PRIOR TO THE DELIVERY OF SUCH BONDS WITH AN AMENDMENT SPECIFYING THE ACTUAL PRINCIPAL AMOUNT OF SUCH BONDS DELIVERED AND IDENTIFYING THE POOL NUMBER AND CUSIP NUMBER OF THE MBS. SEE “APPENDIX I – SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET” HERETO. THIS OFFICIAL STATEMENT, AS SUPPLEMENTED AND AMENDED, SHALL CONSTITUTE THE “OFFICIAL STATEMENT” OF THE ISSUER FOR THE BONDS AND MUST BE READ BY PURCHASERS OF THE BONDS IN ITS ENTIRETY.

All capitalized terms used in this Official Statement that are defined in the Indenture shall have the respective meanings set forth in the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions.”

Following the MBS Delivery Date, the principal amount of the Bonds Outstanding will equal the then-current principal amount of the MBS, which will equal the product of the original aggregate principal amount of the Mortgage Loan and the then-applicable factor posted by Fannie Mae as the Mortgage Loan amortizes or is otherwise prepaid (the “**Related Factor**”). Related Factors with respect to MBSs are currently published by Fannie Mae and available at <https://mbsdisclosure.fanniemae.com/PoolTalk2/index.html>.

The interest rate on the Bonds is set forth in “APPENDIX I – SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET” (the “**Pass-Through Rate**”). Interest on the Bonds will be payable monthly on the 26th day of the month, or the next succeeding Business Day if such 26th day is not a Business Day, commencing October 26, 2018, until and including the 26th day of the month in which the MBS Delivery Date occurs. Commencing on the first month after the month the MBS Delivery Date occurs, interest on the Bonds is payable on the Business Day following receipt of an interest payment under the MBS and principal on the Bonds is payable on the Business Day following receipt of a principal payment or repayment under the MBS. On and after the MBS Delivery Date, payments on the MBS will be remitted to the Trustee.

The Bonds are limited obligations of the Issuer, payable solely from and secured by the pledge pursuant to the Indenture as set forth under “SECURITY FOR AND SOURCES OF PAYMENT OF BONDS” herein.

THE BONDS, THE INDENTURE AND THE OTHER BOND DOCUMENTS DO NOT CREATE OR CONSTITUTE AN INDEBTEDNESS OF THE ISSUER IN VIOLATION OF ANY STATUTORY DEBT LIMITATION, NOR DO THE BONDS, THE INDENTURE AND THE OTHER BOND DOCUMENTS CREATE OR CONSTITUTE AN INDEBTEDNESS OF THE STATE OR ANY POLITICAL SUBDIVISION WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE BOND HOLDERS AND THE BORROWER SHALL HAVE NO RIGHT TO COMPEL THE PAYMENT OF ANY AMOUNTS OWING UNDER OR WITH RESPECT TO THE BONDS, THE INDENTURE OR THE OTHER FINANCING DOCUMENTS OUT OF ANY TAX REVENUES, FUNDS OR OTHER ASSETS OF THE ISSUER (OTHER THAN THE TRUST ESTATE) OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS. THE ISSUER HAS NO TAXING POWER.

Descriptions, certain definitions and final terms of the Bonds, the Borrower, the Project, the Mortgage Loan and the MBS, are included in the “SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET” in APPENDIX I hereto. The information included in “APPENDIX I – SUPPLEMENT TO OFFICIAL STATEMENT – Term Sheet” assumes that the Mortgage Loan is originated in an amount equal to the maximum amount available under the Lender Commitment and that all the Conditions to Conversion (as defined in APPENDIX C hereto) have been satisfied and have not been waived or modified. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the Bonds are qualified in their entirety by reference to the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements. Copies of the Indenture and the Financing Agreement are available for inspection at the office of the Trustee. The Borrower will provide certain information on an ongoing basis to the Municipal Securities Rulemaking Board (the “MSRB”). For a description of the Borrower’s undertaking with respect to ongoing disclosure, see “CONTINUING DISCLOSURE” herein.

THE ISSUER

The Issuer was created in 1983 as a public body corporate and politic and an instrumentality of the State of Washington. The Issuer is authorized to issue nonrecourse revenue bonds to make funds available at affordable rates to finance nonprofit and housing facilities in the State. The Issuer’s address is 1000 Second Avenue, Suite 2700, Seattle, Washington 98104 and its telephone number is (206) 464 7139. Additional information regarding the Issuer and its programs can be accessed at www.wshfc.org. Neither the information on the Issuer’s website, nor any links from that website, is part of this Official Statement, and such information cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.

The Issuer is authorized to purchase mortgages and mortgage loans, to make loans to nonprofit entities and to mortgage lenders so that those lenders may make mortgage loans, to pledge mortgages and mortgage loans as security for the payment of the principal of and interest on its revenue bonds, and to enter into any agreements in connection therewith. The Issuer is also authorized under Revised Code of Washington Section 43.180.300 et seq. to issue bonds for facilities owned or used by nonprofit organizations described under Section 501(c)(3) of the Code.

There are eleven members of the Issuer. Two members are State Officials, the State Treasurer and the Director of the State Department of Commerce, who serve ex officio. The Chair of the Issuer is appointed by the Governor and serves at the pleasure of the Governor. The other members of the Issuer are appointed by the Governor and serve for overlapping terms of four years. There is one vacancy on the Issuer.

As of August 23, 2018, the members of the Issuer and their principal occupations are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Karen Miller, Chair	Former Member, Snohomish County Council; former President, National Council of State Housing Boards; past Chairman, Washington State Law and Justice Planning Council; former Board member and past President of the Washington State Association of Counties; past President, Trustees Association of Community and Technical Colleges.
Duane Davidson, Secretary	State Treasurer (<i>ex officio</i> Commissioner); former Benton County Treasurer; former Chief Financial Accountant, Benton County, former Assistant Audit Manager, Washington State Auditor's Office; current President, Washington State Association of County Treasurers (WSACT); current Treasurer, Kiwanis Club of Tri Cities Industry Foundation.
Elizabeth Baum	Director, Investor Relations, Weyerhaeuser Company; former Manager, Enterprise Planning and Analysis, Weyerhaeuser Company; former Chair of Weyerhaeuser Foundation Sea-Tac Advisory Team.
Brian Bonlender	Director, State Department of Commerce (<i>ex officio</i> Commissioner).
Lowel Krueger	Executive Director, Yakima Housing Authority; former Chief Financial Officer, Yakima Nation Housing Authority; former Assistant State Auditor, Washington State Auditor's Office; current member of Board of Directors, Impact Capital and the Homeless Network of Yakima County.
Ken A. Larsen	Mortgage Banking Director and Senior Vice President, Banner Bank; current Chairman of the Board, Washington Mortgage Bankers Association; current Director, Freddie Mac's Community Lender Advisory Board; former President, Seattle Mortgage Bankers Association.
Wendy L. Lawrence	Regional Property Manager, Opportunity Council; Former Housing Director, Makah Tribe; Committee Member, Northwest Indian Housing Association; former representative to National American Indian Housing Council (NAIHC), Board of Directors; former Chair, NAIHC Legislative Committee.
Steven Moss	Former Chief Executive Officer, Blue Mountain Action Council (Retired); former Board President of Washington State Association Community Action Partnership; former Board President, Washington State Coalition for the Homeless; former Board member, Washington State Rural Development Council; former Board Treasurer, Washington Low-Income Housing Network; current Board member, Eastern Washington Partnership WorkForce Development Council; Board Treasurer, Student Health Options, Walla Walla.
Randy J. Robinson	Senior Vice President, Heritage Bank Community Development Lending. Formerly with KeyBank Community Development Lending, Fannie Mae, and U.S. Bancorp. Board member, Impact Capital and current Chair, Capitol Hill Housing Foundation. Former Campaign Committee Chair, 2009 Seattle Housing Levy; former Board President of the Washington Homeownership Center.

Name**Principal Occupation**

Alishia Topper

Councilmember, City of Vancouver, Washington; Deputy Tax Service Manager, Clark County Treasurer's Office; former Director of Strategic Partnerships, Vancouver Public School; former Senior Director of Development, Fort Vancouver National Trust; current Board Vice President, Columbia Credit Union; current member of Board of Directors, Institute of Portland Metropolitan Studies, Council for the Homeless, Southwest Clean Air Agency and Vancouver Downtown Association.

The Issuer's Executive Director is Kim Herman. Mr. Herman is a native of Washington State and has served as a member of the Issuer, as Washington Project Director of HUD's Rural Assistance Initiative Program in the Carter Administration; as Executive Director of the Housing Authority of the City of Yakima, Washington; and, as Manager of Single-Family Housing for the Portland Development Commission. Mr. Herman serves on the Board of the National Council of State Housing Agencies and served as the association's President from September, 2006, to October, 2008. He formerly served on the Board of Trustees for the Washington Center for Real Estate; on Fannie Mae's Western Regional Advisory Board; and, on the Boards of the Rural Community Assistance Corporation. He was a founding member of the Washington Low Income Housing Alliance. He currently serves on the Board of the National Rural Housing Coalition and is a board member at Impact Capital in Seattle. Mr. Herman is a graduate of Washington State University (B.A. 1967) and a former Peace Corps Volunteer.

The Issuer's Deputy Director is Paul R. Edwards. Mr. Edwards joined the Issuer in October of 1998 as Director of Capital Projects, and became Deputy Director on November 1, 1999. He is a graduate of Morehouse College in Atlanta, Georgia (B.A. in Economics & Business Administration), and received his Master of Science Industrial Administration (M.S.I.A.) degree from Carnegie-Mellon University in Pittsburgh, Pennsylvania. Mr. Edwards has held positions in corporate and real estate lending for more than twenty years. Prior to joining the Issuer, Mr. Edwards was the Community Reinvestment Act Compliance Officer for Pacific First Bank and Manager of its Community Development Department.

The Issuer's Director of the Multifamily Housing and Community Facilities Division is Lisa Vatske. Ms. Vatske joined the Issuer on May 1, 2014. Ms. Vatske has over 20 years of experience in community and economic development, holding various positions within the Washington State Department of Commerce, with over 6 years as Managing Director of the Washington State Housing Trust Fund. She most recently held positions in the Washington State Employment Security Department as well as the Department of Social and Health Services. Ms. Vatske was instrumental in the start-up and financing for Fish Brewing Company, producing Fish Tale Ales and served as their Chief Financial Officer. She is a graduate of the University of Massachusetts, Amherst, with a B.B.A. in Business Finance.

The Issuer's Director of Homeownership Programs is Lisa DeBrock. Ms. DeBrock has been an employee of the Issuer since October 1998. She had been the Manager of the Issuer's Homeownership Division since July 1999, and became the Director of Homeownership Programs on February 1, 2015. Immediately prior to joining the Issuer, Ms. DeBrock worked for the City of Aurora as a housing counselor and also worked in the mortgage lending industry. Ms. DeBrock received her Speech Communications degree from the University of Washington.

The Issuer's Senior Director of Finance is Robert D. Cook. Mr. Cook joined the Issuer in June 1996 with 18 years of accounting and finance experience in cooperative and nonprofit organizations. He is a graduate of the University of Missouri-Columbia (B.S., Business Administration-Accountancy) and Northern Illinois University-DeKalb (M.B.A.).

The Issuer's Director of Asset Management and Compliance is Val Pate. Ms. Pate originally worked for the Issuer from 2000 through 2006, in the Tax Credit Division (currently Multifamily Housing and Community Facilities), first as a Senior Development Analyst, and later as the Division Manager. In 2006, she joined Enterprise Community Partners, a Tax Credit syndicator, where she managed acquisitions for the Pacific Northwest. Later, she worked as Vice President and Relationship Manager for Key Bank Community Development Corporation, managing community development investments for Washington, Alaska and Colorado. Ms. Pate is a graduate of Humboldt State University in California with a B.A. in Geography and an M.A. in Sociology.

Limited Liability

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE REVENUES AND OTHER FUNDS PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE. NEITHER THE ISSUER, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH HEREIN) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the denominations of \$1,000 and integral multiples of \$1.00 in excess thereof. The Bonds are issuable only as fully registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only. Purchasers will not receive bonds representing their interest in the Bonds purchased. See "APPENDIX G – BOOK-ENTRY SYSTEM."

The Bonds will be dated and have a final maturity date and a final payment date on the respective dates identified in the "SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET" attached hereto as APPENDIX I. The Bonds will bear interest from their dated date at the Pass-Through Rate set forth in the Supplement to this Official Statement.

Interest on the Bonds will be payable monthly on the 26th day of the month, or the next succeeding Business Day if such 26th day is not a Business Day, commencing October 26, 2018, to the Bondholders of record at the close of business on the last day of the calendar month prior to the calendar month in which such payment occurs (the "**Record Date**"), until and including the 26th day of the month in which the MBS Delivery Date occurs.

Interest on the Bonds shall be calculated on the basis of a year of Actual/360. The payment of interest on a Payment Date is the interest accrued during the preceding calendar month. There shall be no further accrual of interest on the Bonds during the period from the Bond Maturity Date to the Final Payment Date.

Prior to the MBS Delivery Date, all payments of interest with respect to the Bonds will be paid to the Bondholders by the Trustee from funds held in the Revenue Fund under the Indenture.

Commencing on the first month after the month in which the MBS Delivery Date occurs, on the first Business Day following receipt of a payment representing interest under the MBS, the Trustee will pay to the Bondholders of record as of the applicable Record Date the amount so received as a payment of interest on the Bonds. All payments of interest with respect to the Bonds will be paid to the Bondholders in proportion to the principal amount of each Bond owned by each such owner as set forth on the records of the Trustee as of the Record Date.

Following the MBS Delivery Date, on the first Business Day following receipt of principal payments or repayments under a MBS, the Trustee will pay to the Bondholders of record as of the applicable Record Date the amount so received as a payment of principal on the Bonds. All payments of principal with respect to the Bonds will be paid to the Bondholders in proportion to the principal amount of each Bond owned by each such owner as set forth on the records of the Trustee at the close of business on the Record Date.

So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Bonds, principal and interest on the Bonds are payable by the Trustee to DTC, which will be responsible for remitting such principal and interest to its Participants, which will be responsible for remitting such principal and interest to the Beneficial Owners of the Bonds. See “APPENDIX G – BOOK-ENTRY SYSTEM.”

MBS Payments

Following the MBS Delivery Date, payments on the MBS will be made on the 25th day of each month (beginning with the month following the month in which the MBS is issued), or, if such 25th day is not a Business Day, on the first Business Day next succeeding such 25th day. With respect to the MBS, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the Mortgage Loan underlying such MBS during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any Mortgage Loan that was prepaid in full during the calendar month next preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae’s election any Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae’s election to repurchase such Mortgage Loan under certain other circumstances), (iii) the amount of any partial prepayment of a Mortgage Loan received in the calendar month next preceding the month of distribution, and (iv) one month’s interest at the pass-through rate on the principal balance of the MBS as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the MBS on its issue date).

For purposes of distribution, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae’s reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. See also “APPENDIX A – FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM.”

Transfer of Bonds

While DTC is securities depository for book-entry Bonds, the transfer of beneficial ownership of Bonds shall take place as described in “APPENDIX G – BOOK-ENTRY SYSTEM.” If DTC were to terminate its status as securities depository for the Bonds and, as a result, Bonds were no longer book-entry securities, no transfer of a Bond will be made unless made upon the records of the Issuer kept for that purpose at the corporate trust office of the Trustee, by the registered owner of the Bond or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee. Upon the transfer of any such Bond, the Issuer shall issue, and the Trustee shall authenticate and deliver to and in the name of the transferee, a new fully registered Bond, of the same series, aggregate principal amount, interest rate, maturity and other terms as the surrendered Bond.

At all times, the Issuer and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the records of the Issuer as the absolute owner of such Bond, whether such Bond shall be a book-entry security or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Optional Exchange of Bonds for MBS

(a) A Beneficial Owner of the Bonds may file with the Trustee a written request to exchange Bonds for a like principal amount of the MBS originated by such Bonds from the trust estate in the form of notice of request to exchange attached hereto as Appendix H or such other form as may be approved by the Trustee (the “Request Notice”), provided, that (i) such exchanged MBS will be, when delivered, in an original face amount equal to \$1,000 or a multiple of \$1.00 in excess thereof, and (ii) the Project is complete and placed in service by the Borrower as evidenced by a certificate of occupancy for the Project delivered by the Borrower to the Trustee accompanied by a letter from the Borrower confirming that the Project is placed in service for purposes of Section 42 of the Code. A Request Notice filed with the Trustee by a Beneficial Owner at a time when items (i) and (ii) of the preceding sentence are not satisfied shall be of no force or effect and the Trustee shall notify the Beneficial Owner who provided the Request Notice that the exchange request cannot be accommodated. Such Request Notice

must specify the date on which the exchange is requested, which shall not be less than five (5) Business Days after receipt by the Trustee of the Request Notice (the “Exchange Date”). The Beneficial Owner will arrange with its securities dealer (and/or DTC participant) to deliver such Bonds to the Trustee (via DTC withdrawal or DWAC) on or before the Exchange Date. Upon receipt of such Bonds from the requesting Beneficial Owner, the Trustee will promptly cancel the Bonds being exchanged or redeemed, which will not be reissued. Upon receipt of a Request Notice, the Trustee shall immediately notify the Issuer of such Request Notice, irrespective of whether the Trustee has received evidence of the placed in service status of the Project.

(b) The Issuer shall then have the option, in its sole discretion, of either (i) delivering to the Beneficial Owner of the Bonds its proportional interest in the MBS based upon its proportional interest in the Bonds, or (ii) redeeming the beneficial owner’s Bonds for an amount equal to the Cash Value (“Cash Value”) as of the Transfer Date, determined as follows:

Cash Value = original face amount of the MBS x MBS Factor x (1 + Redemption Premium (R) + Initial Offering Premium (I) x MBS Factor) – an amount equal to the principal to be received by such Beneficial Owner on the next Payment Date (if the date of redemption occurs between the Record Date and such Payment Date)

Where R= 5% if the exchange occurs during the first five years from the Closing Date;
= 4% during the sixth year;
= 3% during the seventh year;
= 2% during the eighth year;
= 1% during the ninth year; and
= 0% thereafter

I = initial offering price of the Bonds - 100%

(c) The Issuer shall notify the Trustee of its decision whether to exchange or redeem within four (4) Business Days of being notified by the Trustee of the Request Notice; if the Issuer elects to redeem Bonds, such notice shall provide the Trustee with the calculated Cash Value as of the date of determination, which may vary from the calculated Cash Value as of the Transfer Date. As soon as practicable upon receiving notice of the Issuer’s decision, the Trustee shall notify such Beneficial Owner of the Issuer’s decision and, if applicable, of such Cash Value. The Trustee shall have no duty to calculate or confirm or verify that the calculation of such Cash Value meets the requirements set forth in the Indenture.

(d) In the event that the Issuer elects to exchange the MBS in lieu of redeeming the Bonds, after determining that the conditions of clauses (i) and (ii) of the first sentence of the first paragraph under this heading have been satisfied, the Trustee shall transfer and deliver to such Beneficial Owner the Trustee’s beneficial ownership interest in a like principal amount of the MBS (appropriately reduced by any principal payment received or to be received by the Beneficial Owner as a result of it being the record owner of the Bonds to be exchanged on the next succeeding Payment Date) promptly following (i) delivery to the Trustee (via DWAC), of the Bonds being exchanged, and (ii) payment by the requesting owner of the Trustee’s exchange fee (\$1,000 as of the date of the Indenture) with respect to such Bonds. Such MBS will be in book-entry form. Transfers of the MBS to the Issuer or the requesting Beneficial Owner, as applicable, will be made in accordance with current market practices, including the applicable provisions of the SIFMA’s Uniform Practices for the Clearance and Settlement of Mortgage-Backed Securities and Other Related Securities. The MBS delivered in such an exchange will not be exchangeable for Bonds. If the Issuer shall fail to timely notify the Trustee of its decision, the Issuer shall be deemed to have waived its right to redeem the Bonds in lieu of the requested exchange. If the Exchange Date is subsequent to a Record Date and prior to a corresponding Payment Date for the Bonds, the Trustee shall wire the applicable principal and interest payments on the exchanged Bonds to the Beneficial Owner using the wire transfer instructions set forth on the Request Notice.

(e) If the Issuer elects to redeem Bonds, the Beneficial Owner shall arrange with its securities dealer (and/or DTC participant) to deliver such Bonds to the Trustee (via DTC withdrawal or DWAC) on or before the Exchange Date. Once the DTC DWAC has been verified and approved by the Trustee, the Trustee shall transfer the current like principal amount of the MBS to or upon the order of the Issuer in exchange for an amount equal to the Cash Value as of the Transfer Date plus accrued interest to the date of redemption (less any interest to be received by the Beneficial Owner on the next Payment Date if the redemption occurs between the Record Date and such

Payment Date) (the date on which the Trustee makes such transfer is herein referred to as the “Transfer Date”) and apply the proceeds of such transfer to the payment of the Redemption Price of the Bonds on the Payment Date by wiring such amount to the Beneficial Owner at its wire transfer instructions set forth on the Request Notice.

(f) The MBS delivered in such an exchange will also be subject to any applicable disclosure requirements concerning pass-through certificates that have been issued in connection with the multifamily mortgage lending program of a governmental housing finance agency and financed by tax-exempt obligations. The Trustee shall have no responsibility for the compliance with any such disclosure requirements.

(g) None of Fannie Mae, the Trustee or the Issuer shall have any liability to the Beneficial Owner arising from (i) the exercise by the Issuer in its sole discretion of the option to exchange or redeem the Bonds, (ii) any exchange or redemption of Bonds effected under the Indenture, or (iii) any of the costs or expenses thereof. Interest on the MBS is not excludable from gross income for federal income tax purposes. Owners of Bonds should consult their own tax advisors concerning that and other tax consequences of any exchange of a Bond for the MBS.

Redemption

Mandatory Redemption prior to MBS Delivery Date. The Bonds are subject to mandatory redemption in part on any Payment Date prior to the first day of the first month following the MBS Delivery Date in an amount equal to the amount due on the first day of the month in which such Payment Date occurs as shown in the Mortgage Loan Amortization Schedule, payable with respect to principal first, from money on deposit in the Bond Proceeds Fund and second, from money on deposit in the Collateral Fund, and with respect to interest and premium from money on deposit in the Revenue Fund.

Mandatory Redemption upon Failure to Purchase the MBS. The Bonds are subject to mandatory redemption in whole on September 1, 2020 (as such date may be extended under the Indenture) at a redemption price equal to 100% of the Outstanding principal amount thereof, plus interest accrued but unpaid from the first day of the month in which the last Payment Date occurred to the redemption date, if the MBS Delivery Date has not occurred at least five (5) Business Days prior to the redemption date, payable with respect to principal first, from money on deposit in the Bond Proceeds Fund and second, from money on deposit in the Collateral Fund and with respect to interest and premium from money on deposit in the Revenue Fund.

Mandatory Redemption upon Failure to Convert by the Termination Date. The Bonds are subject to mandatory redemption in whole five (5) Business Days after the Termination Date at a redemption price equal to 100% of the Outstanding principal amount thereof, plus interest accrued but unpaid from the first day of the month in which the last Payment Date occurred to the redemption date, if the Conversion Date has not occurred on or prior to the Termination Date, payable with respect to principal first, from money on deposit in the Bond Proceeds Fund and second, from money on deposit in the Collateral Fund and with respect to interest and premium from money on deposit in the Revenue Fund.

Mandatory Redemption on the MBS Delivery Date. The Bonds are subject to mandatory redemption in part on the MBS Delivery Date at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest accrued but unpaid from the first day of the month in which the last Payment Date occurred to the MBS Delivery Date, in a principal amount equal to the difference between (i) the principal amount of the MBS purchased on the MBS Delivery Date and (ii) the aggregate principal amount of the Bonds Outstanding as of the first day of the month in which the MBS Delivery Date occurs.

Mandatory Redemption Following MBS Delivery Date. Following the MBS Delivery Date, the Bonds are subject to mandatory redemption in part in an amount equal to, and one Business Day after the date on which, each principal payment or prepayment is received pursuant to the MBS at a redemption price equal to 100% of the principal amount received pursuant to the MBS, plus interest and premium, if any, received pursuant to the MBS.

Mandatory Redemption in Lieu of Exchange. The Bonds are subject to mandatory redemption in part in the event the Issuer elects pursuant to the provisions described under the heading “Optional Exchange of Bonds for MBS” above to redeem a Beneficial Owner’s Bonds for an amount equal to the Cash Value in lieu of delivering to the Beneficial Owner of the Bonds its proportional interest in the MBS based upon its proportional interest in the

Bonds. Any such redemption shall be made in the amounts, from the sources and in accordance with the provisions described under such heading.

Notice of Redemption

When the Trustee shall receive notice from the Borrower or the Lender that the Bonds are to be redeemed pursuant to the Indenture, the Trustee, in accordance with the provisions of the Indenture, shall use its best efforts to give at least five (5) Business Days' notice, in the name of the Issuer, of the redemption of the Bonds, which notice shall specify the following: (i) the maturity and principal amounts of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the issuance date for such Bonds; (v) the interest rate on the Bonds to be redeemed; (vi) the redemption date; (vii) any conditions to the occurrence of the redemption; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the redemption price; (x) the Trustee's name and address with a contact person and a phone number; and (xi) that on the redemption date, the redemption price shall be paid. Neither the giving of such notice by the Trustee nor the receipt of such notice by the Bondholders shall be a condition precedent to the effectiveness of any such redemption.

The Bonds to be redeemed in part and exchanged in part pursuant to the Indenture will be selected in accordance with the operational arrangements of DTC or any successor Substitute Depository, and any partial prepayments pursuant thereto shall be made in accordance with the "Pro Rata Pass-Through Distributions of Principal" procedures of DTC or comparable procedures of any successor Substitute Depository.

In the event that the MBS has not been purchased by the Trustee ten (10) Business Days prior to the Mandatory Redemption Date (as such date may be extended under the Indenture), the Trustee shall provide written notice to the Borrower and the Issuer of such non-purchase. The Trustee shall provide written notice of such non-purchase to the Bond holders five (5) Business Days prior to the MBS Delivery Date Deadline.

Notwithstanding this section, no prior notice shall be a prerequisite to the effectiveness of any redemption under the heading "Redemption" which redemption shall occur and be effective irrespective of whether the Trustee fulfills its obligation to provide the notice with respect to the heading "Redemption" required by this section.

Payment of Redemption Price

With respect to any redemption pursuant to the heading "Redemption" above, notice having been given in the manner provided in the heading "Notice of Redemption" above (or not required to be given as a result of a redemption pursuant to the heading "Redemption" above), and all conditions to the redemption contained in such notice, if applicable, having been met, the Bonds so called for redemption shall become due and payable on the redemption date so designated at the redemption price specified in the heading "Redemption" above, and upon presentation and surrender thereof at the offices specified in such notice, together with, in the case of Bonds presented by other than the registered owner, a written instrument of transfer duly executed by the registered owner or its duly authorized attorney; provided, however, that so long as the Bonds are registered in the name of the Depository, payment for such redeemed Bonds shall be made in accordance with the Representation Letter of the Issuer. If, on the redemption date, moneys for the redemption of all the Bond or the Bonds to be redeemed, together with all accrued interest on such Bonds, which shall equal all interest accrued on the MBS, if delivered, to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds so called for redemption shall cease to accrue.

Extension of Mandatory Redemption Date

At any time prior to the date on which notice of redemption pursuant to the Indenture, as described under the heading "Notice of Redemption" above, must be given pursuant to the Indenture, as described under "Redemption – Mandatory Redemption upon Failure to Purchase the MBS" or "Redemption – Mandatory Redemption upon Failure to Convert by the Termination Date" above, the Borrower may extend the applicable Mandatory Redemption Date by (i) providing written notice to the Trustee of any extension of such Mandatory Redemption Date, (ii) depositing Eligible Funds for the credit of the Negative Arbitrage Account of the Revenue

Fund in an amount, taking into account amounts already on deposit therein, sufficient to pay interest due on the Bonds to the extended Mandatory Redemption Date (the “Extension Deposit”), (iii) delivering to the Trustee and the Rating Agency a cash flow projection establishing the sufficiency of the Extension Deposit, and (iv) delivering to the Trustee confirmation by the Rating Agency of the then-current rating on the Bonds. If the Borrower extends the Termination Date in accordance with the Fannie Mae Forward Commitment, the Borrower shall also extend the Mandatory Redemption Date in accordance with this section to a date no earlier than the Termination Date, as extended. Extension Deposits may continue to be made by or on behalf of the Borrower until the MBS Delivery Date occurs or the Borrower declines to make an Extension Deposit resulting in the mandatory redemption pursuant to the Indenture; provided, however, the Mandatory Redemption Date may not be extended to a date that is later than the third anniversary of the Bond Dated Date unless prior to any extension beyond such date there shall be filed with the Trustee and the Issuer an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes. The cost of such opinion shall be the sole responsibility of the Borrower.

THE MORTGAGE LOAN

The Lender Commitment sets forth certain Conditions to Conversion which must be satisfied by the Lender prior to the origination of the Mortgage Loan and the issuance of the MBS. Such conditions include, but are not limited to: the completion of improvements, confirmation that the Minimum Occupancy Requirement (as defined in the Lender Commitment) has been met, the delivery of required transaction documents and certain other items required in connection with the Lender Commitment; the renewal and approval by Fannie Mae of all agreements, documents, instruments reports, surveys, papers and matters which are subject to Fannie Mae’s review and approval in connection with the Lender Commitment; the payment of all fees required in connection with the Lender Commitment; that there be no event of default under any of the required transaction documents; and certain other conditions set forth in the Lender Commitment. The conditions described in the prior sentence represent only a limited summary of the Conditions to Conversion, and the Lender Commitment should be referenced for a full description of such conditions. Upon satisfaction of the Conditions to Conversion set forth in the Lender Commitment prior to September 1, 2020 (the “Termination Date”), which date is subject to a six-month extension as set forth in the Lender Commitment and to further potential extension at the sole discretion of Fannie Mae, the Lender will originate the Mortgage Loan.

If and when the Mortgage Loan is originated, and the MBS is delivered, subject to (a) the conditions and requirements of the Lender Commitment and (b) the satisfaction of the conditions relating to the financing, construction and leasing of the Project, the Indenture authorizes the Trustee to use Eligible Funds to purchase the MBS, if and when the MBS is issued, and such MBS will then secure the payment of the interest on and principal of the Bonds. If the MBS is not delivered, then the Eligible Funds held under the Indenture will be used to redeem the Bonds as further described in Appendix C hereto.

The Lender has undertaken to certify that the MBS has terms consistent with the Supplement to Official Statement and meets the requirements set forth in the Indenture, on which certification the Trustee may rely and act without further investigation. The Mortgage Loan is to be evidenced by the Mortgage Note, executed by the Borrower in favor of the Lender and secured by the Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the “**Mortgage**”). The Borrower is required under the Mortgage Note to make monthly payments sufficient in the aggregate to pay debt service on the Mortgage Loan.

SECURITY FOR AND SOURCES OF PAYMENT OF BONDS

In order to secure the payment of the principal of and interest on the Bonds, the Issuer has pledged to the trust estate for the Bonds, subject to terms and provisions of the Indenture, the following:

- (i) moneys on deposit in the Bond Proceeds Fund equal to the principal amount of the Bonds;
- (ii) all Eligible Funds on deposit in the Collateral Fund and the Revenue Fund;
- (iii) the MBS, if issued by Fannie Mae and acquired by the Trustee in exchange for amounts on deposit in the Collateral Fund;

- (iv) all right, title and interest of the Issuer now owned or hereafter acquired in, to and under the Financing Agreement (except Reserved Rights, as hereinafter defined) and the Regulatory Agreement;
- (v) all MBS Revenues; and
- (vi) all other property which by the express provisions of the Indenture is required to be subject to the lien the Indenture, and any additional property that, from time to time, by delivery or by writing of any kind, may be subjected to the lien of the Indenture, by the Issuer or by anyone on its behalf, and the Trustee is hereby authorized to receive the same at any time as additional security under the Indenture; provided, however, that the Trust Estate shall not include amounts on deposit in the Rebate Fund and the Administration Fund.

The foregoing pledge is made for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds.

Prior to the delivery of the MBS, the Bonds will be collateralized by the deposit with the Trustee under the Indenture of the proceeds received from the sale of the Bonds and other Eligible Funds held under the Indenture by the Trustee in an aggregate amount equal to the outstanding principal amount of the Bonds. The Trustee will use Eligible Funds held under the Indenture along with interest earnings thereon to (a) pay principal, premium, if any, and interest on the Bonds when due, and (b) acquire, if and when issued, the MBS, upon satisfaction of the conditions set forth in the Indenture and the Lender Commitment.

It is anticipated that if the conditions to the issuance of the MBS are satisfied, the MBS will be available for acquisition by the Trustee on or before the MBS Delivery Date Deadline, as such date may be extended as provided in the Indenture. Following the acquisition of MBS by the Trustee, if issued, payments of principal and interest on the Bonds will be payable from pass-through payments received by the Trustee on the MBS.

If the MBS is not acquired by the Trustee prior to the MBS Delivery Date Deadline (as such date may be extended pursuant to the Indenture), the Bonds will be redeemed from Eligible Funds held under the Indenture as set forth in Appendix C hereto and under the heading “Redemption”.

PRIVATE PARTICIPANTS

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

The Borrower

SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership (the “Borrower”), is a single-asset entity formed for the specific purpose of acquiring, re-developing, constructing, rehabilitating, owning and operating the Project improvements and the land on which the Project is located. The general partner of the Borrower is SHAG Affordable Senior Living (2) Development Associates, LLC, a Washington limited liability company (the “General Partner”), and will have a 0.01% general partner ownership interest in the Borrower. The members of the General Partner consist of (i) Pacific Northern Construction Company, Inc., a Washington corporation (“PNCC”), Bryan M. Park (“Park”), the President and controlling shareholder of PNCC, (iii) Paul Scott Price (“Price”), the Vice President and shareholder of PNCC, (iv) Senior Housing Assistance Corporation (“SHAC”), a Washington corporation and wholly-owned subsidiary of Sustainable Housing for Ageless Generations, a Washington non-profit corporation formerly known as the Senior Housing Assistance Group (“SHAG”), and (v) SHAG-PNCC-ILI Employee Opportunity Fund, LLC (the “Employee Opportunity Fund”), a Washington limited liability company consisting of selected employees of SHAG, PNCC, and Independent Living, Inc., a Washington corporation and wholly-owned subsidiary of PNCC doing business as Independent Living Associates, LLC (“ILI”). No officer, director or shareholder of SHAG, PNCC or ILI may own, control or participate in the Employee Opportunity Fund. Managers of the General Partner are PNCC, SHAC and Park. U.S.

Bancorp Community Development Corporation, a Minnesota corporation (the “Limited Partner”), will have a 99.99% limited partner ownership interest in the Borrower. The developer of the Project (the “Developer”) will be SHAG Affordable Senior Living (2) Development Management Associates, LLC, a Washington limited liability company. Pursuant to an Operating Lease Agreement between the Borrower, as lessor, and SHAG, as lessee, SHAG will lease the Project from the Borrower and agree to operate the residential rental housing units in the Project in such a manner as to cause the Project to constitute (i) a “qualified residential rental project” within the meaning of Section 142(d) of the Code, (ii) a “qualified low-income housing project” within the meaning of Section 42(g) of the Code, and (iii) a “home for the aging” within the meaning of applicable State law.

Limited Partner

Concurrently with the Construction Loan Closing, the General Partner and the Limited Partner (along with a withdrawing limited partner for the purpose of evidencing its withdrawal) will execute and deliver an Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”), under which the equity funding arrangements for the funding of the tax credit equity for the Project is expected to be in the total amount of approximately \$10,754,000, as further described under “PLAN OF FINANCING” herein, paid in a series of installments during and after acquisition and rehabilitation of the Project. The amount and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the estimates set forth herein and neither the Issuer nor the Underwriter makes any representation as to the amount, timing or availability of such funds.

The Architect

The architect for the rehabilitation of the Project is Johnson Braund, Inc. (the “Architect”), the same architect that performed the architectural design and prepared the architectural plans and construction documents in connection with the original construction of the Project. The Architect has been the principal architect for more than twenty-eight (28) affordable housing developments containing more than 4,600 units in various locations in the Puget Sound region of Western Washington on behalf of PNCC, SHAC, SHAG and/or their affiliates. The Architect has more than 20 years of architectural design experience in connection with the construction or rehabilitation of affordable senior housing in the Puget Sound region. At the request of the Developer and the General Partner, the Architect’s focus was on incorporating new indoor and outdoor amenities and facilities in connection with the rehabilitation of the Project, in addition to numerous interior and exterior upgrades to the Project.

The General Contractor

The general contractor for the project is expected to be Pacific Northern Construction Company, Inc. (the “General Contractor”), which is a Member and Manager of the General Partner and the Developer. Since its inception in 1994, the General Contractor has been in the business of serving as a general contractor in connection with the rehabilitation of existing affordable senior housing projects or as a specialty subcontractor to another independent general contractor in connection with the new construction of affordable senior housing projects. Since 2012, the General Contractor has rehabilitated nine (9) existing affordable senior housing projects containing more than 800 affordable units pursuant to construction contracts totaling more than \$13 million in contract value. In addition, since its inception, the General Contractor has participated as a major specialty subcontractor to other independent general contractors in connection with the new construction of more than twenty-four (24) affordable housing developments containing more than 4,700 affordable housing units pursuant to construction contracts totaling more than \$396 million in contract value. The General Contractor currently is involved as a major specialty subcontractor to other independent subcontractors in connection with the new construction of two (2) affordable senior housing projects containing 476 affordable housing units pursuant to construction contracts totaling more than \$78 million in contract value.

The Property Manager

Independent Living Associates, LLC (the “Property Manager”), the existing Property Manager, will continue to manage the Project following the acquisition and rehabilitation of the Project by the Borrower. The Property Manager presently manages thirty-two (32) affordable senior housing projects containing more than 5,800 affordable housing units in various locations in the Puget Sound region of Western Washington. The Property

Manager has more than 17 years of experience in managing affordable senior housing projects supported by various federal, state and local subsidies including tax-exempt obligations, federal low-income housing tax credits and real property tax exemptions.

THE PROJECT

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

The Project, known as the Sunset Garden Apartments, is an existing 276-unit affordable senior rental housing facility consisting of three (3) residential apartment buildings (Buildings A, B and C) located at 201 – 27th Avenue SE, Puyallup, Washington 98374. In addition, the Project contained approximately 5,200 sq. ft. of Commercial Office space in Building A (which was recently vacated) and a total of 228 surface parking spaces for resident use. The proposed rehabilitation work includes the demolition of the vacant Commercial Office space in Building A and its replacement with seven (7) new affordable housing units, the conversion of several existing housing units in Building B to create various new amenities and facilities (including a Media Room with theatre seating, a large screen HDTV, and surround sound system, a Fitness Center with state of the art exercise equipment, a large Community Room with kitchen facilities and a significant amount of seating, and a new central Management Office), the conversion of several other existing housing units in each Building to create new front management or leasing offices, a Library/Craft Room with computers for free internet access, and the reconfiguration of the Main Entry and Lobby areas, together with the adjacent Community Rooms and the original management offices, to create an open and more inviting new Main Entry and Lobby areas. The proposed rehabilitation work also includes significant additional exterior and interior upgrades including new roofs, new concrete parking lots and sidewalks, new courtyards including new hardscape and landscaping, new accessible paths of travel in the garden areas between the Buildings, new shade structures, new garden sheds, new monument and directional signage, new common area laundry equipment, and new appliances and new floor covering in all units and common areas, among other things.

It is anticipated that rehabilitation will commence within approximately ten (10) days of the Construction Loan Closing and will be completed in approximately eight (8) months. Upon completion of the rehabilitation, the number of affordable rental housing units will be reduced to 276 units. The unit type, the unit mix and approximate average floor area for the post-rehabilitation units in the Project are summarized as follows:

Unit Type	Average Square Feet	Number of Units
1 Bedroom	508 Sq. Ft.	161
2 Bedroom	662 Sq. Ft.	115

[Remainder of page intentionally left blank]

Plan of Financing

The estimated sources and uses of funds for the Project are projected to be approximately as follows:

Sources of Funds	
M-TEBS Bond Proceeds	\$24,000,000
Limited Partner Tax Credit Equity Contributions	10,754,000
General Partner Equity Contributions	100
Deferred Developer Fee	634,951
Refund of Costs of Issuance from Fannie Mae	180,000
Total	<u>\$35,569,051</u>
Uses of Funds	
Acquisition Costs	\$19,500,000
Hard Costs & Contingency	8,748,327
Financing Fees & Costs and Capitalized Interest	1,043,878
Other Soft Costs Contingency	697,046
Developer Fee	4,500,000
Operating Reserve & Replacement Reserve	1,079,800
Total	<u>\$35,569,051</u>

All costs of issuance of the Bonds, including the underwriter's fee, will be paid by the Borrower.

The Low Income Housing Tax Credit Proceeds. At Equity Closing, the Investor Limited Partner will be admitted as a 99.99% limited partner in the Borrower. Pursuant to the terms of the admission of the Investor Limited Partner, the funding of the federal low income housing tax credit equity will total approximately \$10,754,000. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

Subordinate Loan. The Project will also utilize a loan from the seller of the existing Project, South Hill Associates (2001) Limited Partnership (the "Subordinate Lender"), in the principal amount of \$1,000,000 (the "Subordinate Seller Loan"). The obligation to repay the Subordinate Seller Loan will be set forth in a promissory note (the "Subordinate Seller Note") from the Borrower to the Subordinate Lender and will be repayable from tax credit equity contributions on the terms and conditions set forth therein on or before the Conversion Date and origination of the Mortgage Loan. The Subordinate Seller Note will be secured by a Subordinate Deed of Trust against the Project and will be subordinate to the Construction Loan. The Subordinate Seller Note will have a term of up to two (2) years and will bear interest at a rate of 5.00% per annum, with annual principal and interest not otherwise paid, due at maturity.

Acquisition of the Project

The estimated Project acquisition cost is approximately \$19,500,000, plus related title, closing, escrow and recording costs. The purchase price for the Project will be satisfied with the proceeds of the Bonds and tax credit equity contributions from the Borrower.

Payments on the Bonds

An amount equal to the payment of interest accrued on the Bonds to the Mandatory Redemption Date (as such date may be extended under the Indenture) will be funded from projected earnings on Permitted Investments purchased with funds deposited under the Indenture, including a Negative Arbitrage Deposit by the Underwriter, and applied to the payment of interest which will become due on the Bonds on the Mandatory Redemption Date, if applicable.

Regulatory Restrictions

The Borrower will covenant and agree, pursuant to a Regulatory Agreement by and between the Issuer and the Borrower (the “**Regulatory Agreement**”), to comply with the provisions of Section 142 of the Code relating to the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds. In particular, the Borrower is required to rent at least forty percent (40%) of the Project apartment units to certain qualified tenants whose income does not exceed sixty percent (60%) of the area average median income where the Project is located. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” hereto.

The Project will also be subject to a Regulatory Agreement (Extended Use Agreement) between the Issuer and the Borrower (the “**Tax Credit Regulatory Agreement**”) in connection with the use of low income housing tax credits under Section 42 of the Code. Under the Tax Credit Regulatory Agreement, through December 31, 2032, the Borrower will agree to restrict occupancy of 202 units to tenants whose income does not exceed sixty percent (60%) of the area average median income where the Project is located, and occupancy of 69 units to tenants whose income does not exceed fifty percent (50%) of the area average median income. After December 31, 2032, occupancy of 100% of the units will be restricted to tenants whose income does not exceed sixty percent (60%) of the area average median income. Rents may not exceed thirty percent (30%) of the applicable income limitation, adjusted for family size.

The Project will remain subject to a Regulatory Agreement dated as of May 1, 2001 (the “**Prior Regulatory Agreement**”), relating to certain bonds issued by the Housing Authority of the City of Tacoma in 2001 to finance portions of the Project (the “**Prior Bonds**”). Pursuant to the Prior Regulatory Agreement, at least fifty percent (50%) of the Project apartment units must be rented to certain qualified tenants whose income does not exceed sixty percent (60%) of the area average median income where the Project is located, and at least twenty-six percent (26%) of the Project apartment units must be rented to certain qualified tenants whose income does not exceed fifty percent (50%) of the area average median income where the Project is located.

CERTAIN RISK FACTORS

No Acceleration or Early Redemption Upon Loss of Tax Exemption on the Bonds

The Borrower’s failure to comply with the Regulatory Agreement will not constitute a default under the Bonds and will not give rise to a redemption or acceleration of the Bonds and is not the basis for an increase in the rate of interest payable on the Bonds. Furthermore, the Borrower’s failure to comply with the Regulatory Agreement will not give rise to a prepayment or acceleration of amounts due under the MBS or the Mortgage, unless directed by Fannie Mae in its sole discretion. Consequently, interest on the Bonds may become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds by reason of the Borrower’s failure to comply with the requirements of federal tax law. In such event, a Bondholder could exercise its option to exchange its Bond for the MBS as described above under the heading “Optional Exchange of Bonds for MBS,” but will have lost the value of the tax exemption.

Mandatory Redemption of Bonds

The Bonds are subject to mandatory redemption under the Indenture: (a) prior to the first day of the first month prior to the MBS Delivery Date, in part on any Payment Date, in an amount equal to the amount due on the first day of the month in which such Payment Date occurs as shown in the Mortgage Loan Amortization Schedule, (b) in whole, on September 1, 2020 (as such date may be extended under the Indenture) at a redemption price equal to 100% of the Outstanding principal amount thereof, plus interest accrued but unpaid from the first day of the month in which the last Payment Date occurred to the redemption date, if the MBS Delivery Date has not occurred at least five (5) Business Days prior to the MBS Delivery Date Deadline, (c) in whole, five (5) Business Days after the Termination Date at a redemption price equal to 100% of the Outstanding principal amount thereof, plus interest accrued but unpaid from the first day of the month in which the last Payment Date occurred to the redemption date, if the Conversion Date has not occurred on or prior to the Termination Date; (d) in part on the MBS Delivery Date at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest accrued but unpaid from the first day of the month in which the last Payment Date occurred to the MBS Delivery Date, in a principal amount

equal to the difference between (i) the principal amount of the MBS purchase on the MBS Delivery Date and (ii) the aggregate principal amount of the Bonds Outstanding as of the first day of the month in which the MBS Delivery Date occurs; and (e) following the MBS Delivery Date, the Bonds are subject to mandatory redemption in part in an amount equal to, and one Business Day after the date on which, each principal payment or prepayment is received pursuant to the MBS at a redemption price equal to 100% of the principal amount received pursuant to the MBS, plus interest and premium, if any, received pursuant to the MBS, all as further described in “DESCRIPTION OF THE BONDS – Redemption” herein.

Limited Liability of Issuer

Notwithstanding anything in the Indenture or in the Bonds, the Issuer shall not be required to advance any money derived from any source other than the MBS Revenues and other assets pledged under the Indenture for any of the purposes of the Indenture.

No agreements or provisions contained in the Indenture, nor any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project, or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit, or shall obligate the Issuer financially in any way except from the application of MBS Revenues or proceeds pledged to the payment of the Bonds and the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement in the Indenture or in any document executed by the Issuer in connection with the Project or the issuance, sale and delivery of the Bonds shall subject the Issuer to liability for any claim for damages, costs or other financial and pecuniary charge except to the extent that the same can be paid or recovered from the Financing Agreement or the MBS Revenues or other assets pledged to the payment of the Bonds or the proceeds of the Bonds.

Payment of the Mortgage Loan

The ability of the Borrower to pay the Mortgage Loan is dependent on the revenues derived from the Project. Due to the inherent uncertainty of future events and conditions, no assurance can be given that revenues generated by the Project will be sufficient to pay expenses of the Project, including without limitation, debt service on the Mortgage Loan, operating expenses, servicing fees, fees due to Fannie Mae, Trustee fees, and fees owed to the Issuer. The ability of the Project to generate sufficient revenues may be affected by a variety of factors including, but not limited to, completion of repairs to such Project, the maintenance of a sufficient level of occupancy, the ability to achieve increases in rents, the level of operating expenses, project management, adverse changes in applicable laws and regulations, general economic conditions and other factors in the surrounding market area for the Project. The Borrower intends to rent all of the units in the Project to persons or families of moderate and low income and the amount of rent that may be charged for such units may be materially less than market rates. In addition to these factors, other adverse events may occur from time to time which may have a negative impact on the occupancy level and rental income of the Project.

Failure of the Borrower to make payments when due under the Mortgage Loan will result in an event of default under the Mortgage Loan and the Financing Agreement and may result in a mandatory prepayment of all or a portion of the Bonds. The Mortgage Loan will not be accelerated unless directed by Fannie Mae in its sole discretion, in which case the Bonds will remain outstanding and will remain secured by the MBS guaranteed as to timely payment of principal and interest by Fannie Mae. See “SECURITY AND SOURCES OF PAYMENT BONDS” herein.

The Mortgage Loan is a non-recourse obligation of the Borrower with respect to which neither the Borrower nor its partners or members have personal liability and as to which the Borrower and its partners or members have not pledged for the benefit of the Lender any of their respective assets, other than the Project and its rents, profits and proceeds.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Tax Code”), except during any period while a Bond is held by a “substantial user” of the facilities financed by the Bonds or by a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. A form of the opinion of Bond Counsel is attached hereto at Appendix B.

The Tax Code contains a number of requirements that apply to the Bonds, and the Issuer and the Borrower have made certain representations and have covenanted to comply with each such requirement. Bond Counsel’s opinion assumes the accuracy of the representations made by the Issuer and the Borrower and is subject to the condition that the Issuer and the Borrower comply with the above-referenced covenants. If the Issuer or the Borrower fails to comply with such covenants or if the Issuer’s or the Borrower’s representations are inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated herein, Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds (including purchase or sale at a premium or discount), or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

Post Issuance Matters

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or the Borrower, or about the effect of future changes in the Tax Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer, the Borrower and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Issuer or the Borrower legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Issuer or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The interest rate mode and certain requirements and procedures contained in or referred to in the Indenture, the Loan Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest

on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Pacifica Law Group, LLP.

Not Bank Qualified

The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to an approving opinion of Pacifica Law Group LLP, Seattle, Washington, General Counsel to the Issuer and Bond Counsel. Certain legal matters will be passed upon for the Borrower by Karr Tuttle Campbell, Seattle, Washington, and for the Underwriter by Norris George & Ostrow PLLC, Washington, D.C. Payment of the fees of certain counsel to the transaction is contingent upon the issuance and delivery of the Bonds as described herein.

NO LITIGATION

The Issuer

There is no proceeding or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the Issuer taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the Bonds, the existence or powers of the Issuer relating to the Bonds or the title of any officers of the Issuer to their respective positions.

The Borrower

There is no legal action, suit, proceeding, investigation or inquiry at law or in equity, before or by any court, agency, arbitrator, public board or body or other entity or person, pending or, to the best knowledge of the Borrower, threatened against or affecting the Borrower or any member of the Borrower, in their respective capacities as such, nor, to the knowledge of the Borrower, any basis therefor, (i) which would restrain or enjoin the issuance or delivery of the Bonds, the use of the Official Statement in the marketing of the Bonds or the collection of revenues pledged under or pursuant to the Indenture or (ii) which would in any way contest or affect the organization or existence of the Borrower or the entitlement of any officer of the Borrower to its position or (iii) which would contest or have a material and adverse effect upon (A) the due performance by the Borrower of the transactions contemplated by the Official Statement, (B) the validity or enforceability of the Bonds or any other agreement or instrument to which the Borrower is a party and that is used or contemplated for use in the consummation of the transactions contemplated hereby and thereby, (C) the exclusion from gross income for federal income tax purposes of the interest on the Bonds or (D) the financial condition or operations of the Borrower, (iv) which contests in any way the completeness or accuracy of the Official Statement or (v) which questions the power or authority of the Borrower to carry out the transactions on its part contemplated by the Official Statement, or the power of the Borrower to own or operate the Project. The Borrower is not subject to any judgment, decree or order entered in any lawsuit or proceeding brought against it that would have such an effect.

UNDERWRITING

The Underwriter has entered into a Bond Purchase Agreement to purchase all of the Bonds, if any of the Bonds are to be purchased, at a price equal to the aggregate price set forth on the cover hereof, plus accrued interest to the date of delivery thereof. The Bond Purchase Agreement provides that the Underwriter will receive compensation for its services from the Borrower in the amount of \$180,000, not including the fees and expenses of its counsel. The obligations of the Underwriter to pay for the Bonds are subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Borrower has agreed to indemnify the Underwriter and the Issuer as to certain matters in connection with the Bonds.

The Underwriter may offer and sell Bonds that it purchases to certain dealers including dealer banks and dealers depositing Bonds into investment trusts and others at prices lower than the public offering prices stated on

the cover of this Official Statement. The initial public offering prices may be changed from time to time by the Underwriter.

RATING

The Bonds have been assigned the rating set forth on the cover page hereof by S&P Global Ratings (“S&P”). An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds reflects only the views of S&P at the time such rating was given, and neither the Issuer, the Borrower nor the Underwriter makes any representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Borrower, as an “obligated person” within the meaning of Section (b)(5)(i) or Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), will enter into a Continuing Disclosure Agreement, dated as of September 1, 2018 (the “**Continuing Disclosure Agreement**”), with U.S. Bank National Association, acting as Dissemination Agent and the Trustee, pursuant to which the Borrower will agree to provide ongoing disclosure pursuant to the requirements of the Rule. Financial statements will be provided at least annually to the MSRB and notices of certain events will be issued pursuant to the Rule. Information will be filed with the MSRB through its Electronic Municipal Market Access (“**EMMA**”) system, unless otherwise directed by the MSRB. A form of the Continuing Disclosure Agreement is attached hereto as Appendix F.

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

The Borrower has not previously been subject to the continuing disclosure requirements of the Rule.

THE TRUSTEE

The information under this heading has been provided solely by the Trustee and is believed to be reliable but has not been verified independently by the Issuer or the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer or the Underwriter.

The Issuer has appointed U.S. Bank National Association as Trustee under the Indenture. The Trustee is a national banking association organized and existing under the laws of the United States of America, having all of the powers of a bank, including fiduciary powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System.

The Trustee is to carry out such duties as are assigned to it under the Indenture, the Financing Agreement, and the other Financing Documents. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds (except for the certificate of authentication on each Bond), or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Issuer of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Issuer. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial

feasibility of the expected uses of proceeds of the Bonds or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

ADDITIONAL INFORMATION

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Bonds.

This Official Statement has been deemed final in accordance with the Rule. The execution and delivery of this Official Statement has been duly authorized by the Issuer and the Borrower.

(Remainder of Page Intentionally Left Blank)

This Official Statement has been duly authorized, executed and delivered by the Issuer and the Borrower.

WASHINGTON STATE HOUSING FINANCE COMMISSION

By: /s/ Kim Herman
Kim Herman, Executive Director

SHAG AFFORDABLE SENIOR LIVING ASSOCIATES (2) LIMITED PARTNERSHIP, a Washington limited partnership

By: SHAG Affordable Senior Living (2) Development Associates, LLC,
a Washington limited liability company,
its Managing General Partner

By: /s/ Bryan M. Park
Bryan M. Park
Manager

APPENDIX A

FANNIE MAE MORTGAGE-BACKED SECURITIES PROGRAM

*This summary of the Fannie Mae Mortgage Backed Securities Program, the Fannie Mae Certificates and the documents referred to herein has not been provided or approved by Fannie Mae, does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae MBS Prospectus (Multifamily Fixed-Rate Yield Maintenance) for Guaranteed Mortgage Pass-Through Certificates (the “Fannie Mae MBS Prospectus”) which will be available if and when the MBS is issued. The template for the Multifamily Fixed-Rate Yield Maintenance MBS Prospectus, as of the date of this Official Statement can be found at <http://www.fanniemae.com/portal/funding-the-market/mbs/multifamily/dus-disclose-information-center.html>. If the Fannie Mae MBS were issued on the date of this Official Statement, the Fannie Mae MBS Prospectus would consist of the template for Fannie Mae Multifamily Fixed-Rate Yield Maintenance MBS Prospectus with the cover page completed with the MBS-specific information, an Additional Disclosure Addendum substantially in the form attached as Schedule I to this Appendix A, and an Annex A containing information substantially consistent with the Term Sheet attached hereto as Appendix I, assuming that the Mortgage Loan is originated in the maximum amount of the Lender Commitment without any modification or amendment to any of the conditions to the origination of the Mortgage Loan in the Lender Commitment. **THERE CAN BE NO ASSURANCE, GUARANTEE OR REPRESENTATION, HOWEVER, AS TO THE FORM OF THE FANNIE MAE MBS OR THE CONTENTS OF THE FANNIE MAE PROSPECTUS OR EVEN WHETHER OR NOT A PROSPECTUS OR ANY DISCLOSURE RELATING TO THE FANNIE MAE MBS WILL BE PROVIDED IF AND WHEN THE FANNIE MAE MBS IS ISSUED, WHICH COULD BE THIRTY (30) MONTHS OR MORE FROM THE DATE OF THIS OFFICIAL STATEMENT. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE ORIGINATION OF THE MORTGAGE LOAN AND THE ISSUANCE OF THE FANNIE MAE MBS, ARE SUBJECT TO SIGNIFICANT CONDITIONS RELATING TO THE CONSTRUCTION, FINANCING AND LEASING OF THE PROJECT BY NO LATER THAN THE TERMINATION DATE.***

General Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938 under the name “Federal National Mortgage Association” to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold.

Fannie Mae has been under conservatorship since September 6, 2008. The conservator, the Federal Housing Finance Agency, succeeded to all rights, titles, powers and privileges of Fannie Mae and of any shareholder, officer or director of the company with respect to the company and its assets. For additional information on the conservatorship, see “**FANNIE MAE — Regulation and Conservatorship**” in the Fannie Mae MBS Prospectus.

Fannie Mae’s regulators include the Federal Housing Finance Agency, the U.S. Department of Housing and Urban Development (“HUD”), the Securities and Exchange Commission (the “SEC”), and the U.S. Department of the Treasury (the “Treasury”). The Office of Federal Housing Enterprise Oversight, the predecessor of the Federal Housing Finance Agency, was Fannie Mae’s safety and soundness regulator prior to enactment of the Federal Housing Finance Regulatory Reform Act of 2008.

On September 7, 2008, Fannie Mae entered into a senior preferred stock purchase agreement with the Treasury pursuant to which Fannie Mae issued to it one million shares of senior preferred stock and a warrant to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. **Nevertheless, Fannie Mae alone is responsible for making payments under its guaranty. The MBS if issued by Fannie Mae and acquired by the Trustee and payments of principal and interest on the MBS will not be guaranteed by the United States and do not constitute a debt or obligation of the United States or any of its agencies or instrumentalities other than Fannie Mae.**

Description of MBS.....	The MBS if issued by Fannie Mae and acquired by the Trustee will represent a pro rata undivided beneficial ownership interest in the Mortgage Loan. See “MORTGAGE LOAN” in the Official Statement. Fannie Mae will issue the MBS in book-entry form on the book-entry system of the U.S. Federal Reserve Bank.
Relationship of Bonds, Pass-Through Certificate and Mortgage Loan.....	The payment and other obligations of the Issuer with respect to the Bonds are intended to be, and shall be, independent of the payment and other obligations of the issuer or maker of the Mortgage Note (as hereinafter defined) and the Pass-Through Certificate, if issued by Fannie Mae and acquired by the Trustee, even though the principal amount of all three instruments is expected to be identical, except in the case of a default with respect to one or more of the instruments.
Distribution Date	The “Distribution Date” is the 25th day of each month which is the date designated for payments to the Trustee as holder of the MBS, if issued. If that day is not a Business Day, payments will be made on the next Business Day. The first Distribution Date for the MBS will occur in the month following the month in which the MBS is issued.
Interest	On each Distribution Date, Fannie Mae will pass through on the MBS, if issued, one month’s interest at the “Pass-Through Rate”. Interest on the MBS shall be calculated on an “Actual/360” basis. “Actual/360” means a computation of interest accrual on the basis of a three hundred sixty (360) day year and the actual number of calendar days during the applicable month, calculated by multiplying the unpaid principal balance of the MBS by the Pass-Through Rate, dividing the product by three hundred sixty (360), and multiplying the quotient obtained by the actual number of days elapsed in the applicable month.

Because Fannie Mae’s guaranty requires it to supplement amounts received by the trust as required to permit timely payment of interest, the amount of interest distributed to certificate holders on a Distribution Date will not be affected by any loss mitigation measure, taken with respect to, or other loan modification made to, the Mortgage Loan while it remains in the trust.

As described under the heading “**MATERIAL FEDERAL INCOME TAX CONSEQUENCES**” *which can be found at* <http://www.fanniemae.com/resources/file/mbs/pdf/fixed-rate-yield-maintenance-111717.pdf>, the MBS and payments on the MBS, including interest payments thereon, are subject to federal income taxation. Such interest payments only become excluded from gross income for federal income tax purposes and excluded from taxation by the State, to the extent described elsewhere herein, when applied by the Trustee to pay interest due on the Bonds. See “TAX MATTERS” in the Official Statement herein.

Principal..... Fannie Mae will receive collections on the Mortgage Loan on a monthly basis. The period Fannie Mae uses to differentiate between collections in one month and collections in another month is called the due period. The due period is the period from and including the second calendar day of the preceding month in which the Distribution Date occurs to and including the first calendar day of the month in which the Distribution Date occurs.

On each Distribution Date, Fannie Mae will pass through principal of the MBS, if issued, as follows:

- the aggregate amount of the scheduled principal due on the Mortgage Loan in the pool during the related due period; and
- the aggregate amount of the unscheduled principal payments specified below;
- the stated principal balance of the Mortgage Loan as to which prepayment in full was received during the calendar month immediately preceding the month in which that Distribution Date occurs;
- the stated principal balance of the Mortgage Loan if it was purchased from the pool during the calendar month immediately preceding the month in which that Distribution Date occurs; and
- the amount of any partial prepayments on the Mortgage Loan that were received during the calendar month immediately preceding the month in which that Distribution Date occurs.

Because Fannie Mae’s guaranty requires it to supplement amounts received by the trust as required to permit timely payment of the principal amounts specified above, the amount of principal distributed to certificate holders on a Distribution Date will **not** be affected by any loss mitigation measure, taken with respect to, or other loan modification made to, the Mortgage Loan while it remains in the trust.

Fannie Mae may treat a prepayment in full received on the first Business Day of a month as if the prepayment were received on the last Business Day of the preceding month. Fannie Mae passes through these prepayments on the Distribution Date in the same month in which the prepayment actually was received. For example, if a prepayment on the Mortgage Loan in full is actually received on the first Business Day of July, it would be treated as if it had been received on the last Business Day of July and, therefore, would be passed through on August 25 (or the next Business Day, if August 25 is not a Business Day).

The Mortgage Loan permits the reamortization of principal after a permitted voluntary prepayment or an involuntary prepayment caused by the receipt of proceeds from insurance or condemnation. A reamortization of the Mortgage Loan will cause a change in the rate at which principal is passed through to holders of the Pass-Through Certificate.

Monthly Related Factors On or about the fourth Business Day of each month, Fannie Mae publishes the monthly related factor for each issuance of its Certificates. If an investor multiplies the monthly related factor by the original principal balance of the MBS, the investor will obtain the current principal balance of the MBS, after giving effect to the monthly principal payment to be passed through on the Distribution Date in that month. The most current related factor is generally available in Fannie Mae's Multifamily Securities Locator Service application on Fannie Mae's Web site at <http://www.fanniemae.com>.

Guaranty Fannie Mae guarantees to each trust that on each Distribution Date it will supplement amounts received by the trust as required to permit payments on the MBS in an amount equal to:

- the aggregate amounts of scheduled and unscheduled principal payments described in “—Principal” above, and
- an amount equal to one month's interest on the MBS, as described in “—Interest” above.

In addition, Fannie Mae guarantees to the related trust that it will supplement amounts received by the trust as required to make the full and final payment of the unpaid principal balance of the related certificates on the Distribution Date in the month of the maturity date specified in the prospectus supplement. Fannie Mae's guaranty runs directly to the trust and not directly to certificate holders. Certificate holders have limited rights to bring proceedings directly against Fannie Mae to enforce its guaranty. See **“THE TRUST DOCUMENTS—Certificate holders' Rights Upon a Guarantor Event of Default”** in the Fannie Mae MBS Prospectus. While Fannie Mae is in the current conservatorship, the conservator does not have the right to repudiate Fannie Mae's guaranty on the MBS. However, if Fannie Mae is placed into receivership, or if Fannie Mae emerges from conservatorship and is then again placed into conservatorship, the receiver or conservator, as applicable, will have the right to repudiate Fannie Mae's guaranty on the MBS. See **“RISK FACTORS—RISKS RELATING TO CREDIT—Fannie Mae Credit Factors”** in the Fannie Mae MBS Prospectus.

Under certain circumstances, certificate holders have certain limited rights to bring proceedings against the Treasury if Fannie Mae fails to pay under its guaranty. The total amount that may be recovered from the Treasury is subject to limits imposed in the senior preferred stock purchase agreement. For a description of certificate holders' rights to proceed against the Treasury, see **"FANNIE MAE—Certificate holders' Rights Under the Senior Preferred Stock Purchase Agreement"** in the Fannie Mae MBS Prospectus.

Optional Prepayment Premium	The Mortgage Loan provides for payment of a prepayment premium on the Mortgage Loan, based on a yield maintenance formula, if the Borrower elects to prepay the Mortgage Loan prior to the fifteenth (15 th) year after the MBS is issued. See "APPENDIX I – SUPPLEMENT TO OFFICIAL STATEMENT" herein. As set forth in the form of MBS Prospectus Supplement attached as Appendix I hereto, the Trustee, as holder of the MBS would receive a portion of that payment, as further described in the MBS Prospectus Supplement under "Voluntary Prepayment of the Mortgage Loan - Calculation of Total Yield Maintenance Prepayment Premiums." Any premium received by the Trustee will be passed through to Certificate holders. Fannie Mae does not guarantee to any trust the payment of any prepayment premiums.
Business Day	For the MBS, if issued, any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a district where a certificate account is located if the related withdrawal is being made from that certificate account.
Trust Agreement.....	If issued, the MBS will be issued pursuant to the Multifamily Master Trust Agreement effective as of October 1, 2010, as supplemented by an issue supplement for that issuance. Certain pertinent provisions of the trust agreement in the Fannie Mae MBS Prospectus will apply. The trust agreement may be found on Fannie Mae's Web site: http://www.fanniemae.com .
Paying Agent	The Federal Reserve Bank of New York currently serves as Fannie Mae's paying agent for certificates such as the MBS.
The Mortgage Loan	The Mortgage Loan backing the MBS is secured by a first mortgage lien, is in the original principal amount of the MBS; bears interest at a rate of 4.68% per annum; amortizes over a period and has a balloon maturity as set forth in the SUPPLEMENT TO OFFICIAL STATEMENT attached hereto as "APPENDIX I".

SCHEDULE I

FORM OF PROPOSED ADDITIONAL DISCLOSURE ADDENDUM

The following information supplements the information in the Prospectus. In the event of any inconsistency between the information provided in the Addendum and the information in the Prospectus, the information in the Addendum shall prevail.

The mortgaged property is subject to affordable housing regulatory agreements that impose income restrictions on tenants of the mortgaged property and is an Affordable Housing Loan. See **“The Mortgage Loans—Affordable Housing Loans”**; **“RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Prepayments Relating to Specific Types of Mortgage Loans and Mortgaged Properties—The successful operation of a mortgaged property securing an affordable housing mortgage loan may depend upon additional factors”**; and **“RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Prepayments Relating to Specific Types of Mortgage Loans and Mortgaged Properties—An affordable housing mortgage loan may be secured by a mortgaged property that has received an allocation of low-income housing tax credits but that fails to remain in compliance with the requirements for maintaining eligibility to receive the tax credits due to operations of the property or a casualty on the property”** in the Prospectus for additional information.

The MBS certificates will initially serve as collateral for a tax-exempt issue of multifamily housing bonds (the “Bonds”) issued by the Washington State Housing Finance Commission (the “Issuer”) pursuant to and secured by an indenture of trust by and between the Issuer and U.S. Bank National Association, as trustee, and will be held as collateral for the Bonds. The mortgage loan documents provide that the mortgage loan is cross-defaulted with certain agreements relating to the Bonds entered into at the time of the issuance of the Bonds, including but not limited to the indenture authorizing the Bonds and any housing regulatory agreements that limit rents, impose income restrictions or otherwise restrict the use of the property.

Because the mortgage loan documents provide that the mortgage loan is cross-defaulted with certain of the agreements relating to the Bonds, a default under any of the cross-defaulted documents may trigger an event of default on the mortgage loan. If Fannie Mae accelerates the mortgage loan as a result of any event of default under the mortgage loan, the mortgage loan will be paid in full, and the stated principal balance of the certificates will be passed through to the holder of the certificates. In this case, no yield maintenance or other prepayment premium will be payable to the holder of the certificates.

The mortgaged property is an affordable property that has a non-profit entity within its ownership structure. As such, the mortgaged property benefits from an abatement of property taxes that is anticipated to eliminate property taxes on the mortgaged property during the term of the mortgage loan assuming the current ownership of the mortgaged property. The failure to meet the requirements for such property tax abatement may be an event of default under the mortgage loan. See **“THE MORTGAGE LOANS—Characteristics of Multifamily Properties—Mortgage Loan Secured by Property Receiving Real Estate Tax Benefits”** and **“RISK FACTORS—RISKS RELATING TO YIELD AND PREPAYMENT—Prepayments Relating to Specific Types of Mortgage Loans and Mortgaged Properties—A mortgaged property may benefit from a state or local property tax exemption or tax abatement that requires the borrower and the property to maintain compliance with specific requirements. The failure to meet those requirements may be an event of default under the mortgage loan”** in the Prospectus for additional information.

In addition to the matters described above, the eligible multifamily lender originating the mortgage loan may request the disclosure of additional matters relating to the mortgage loan or, upon delivery of the mortgage loan to Fannie Mae, in Fannie’s Mae’s discretion, it may determine that matters identified in the Term Sheet at Appendix I or otherwise may need to be disclosed in the Additional Disclosure Addendum provided in connection with the issuance of the MBS certificates.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

The form of the approving legal opinion of Pacifica Law Group LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth below to reflect circumstances both factual and legal at the time of such delivery.

September 27, 2018

Washington State Housing Finance Commission
Seattle, Washington

U.S. Bank National Association
Seattle, Washington

KeyBanc Capital Markets Inc.
Seattle, Washington

Re: Washington State Housing Finance Commission
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project), Series 2018 - \$24,000,000

Ladies and Gentlemen:

We have examined the Constitution and laws of the State of Washington (the “State”) and a certified transcript of the proceedings taken by the Washington State Housing Finance Commission (the “Issuer”) in the matter of the issuance by the Issuer of its Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018, in the aggregate principal amount of \$24,000,000 (the “Bonds”) for the purpose of acquiring a mortgage loan (the “Loan”) originated by KeyBank National Association, a national banking association (the “Bond Lender”), to SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership (the “Borrower”), to enable the Borrower to finance a portion of the costs of the acquisition, rehabilitation and expansion of a 276-unit residential rental facility for seniors located in Puyallup, Washington and known as “Sunset Garden” (the “Project”) and to pay costs of issuance of the Bonds.

The Issuer has entered into a Non-Arbitrage Certificate (the “Issuer Tax Certificate”) and the Borrower has entered into a Tax Certificate of Borrower (the “Borrower’s Tax Certificate” and together with the Issuer Tax Certificate, the “Tax Certificates”), each of even date herewith regarding the use and investment of the proceeds of the Bonds, and the Borrower and the Issuer have entered into a Regulatory Agreement, dated as of September 1, 2018 (the “Regulatory Agreement”) regarding the low income housing set-aside requirements for the Project.

The Bonds have been authorized pursuant to Chapter 161, Laws of Washington, 1983, a resolution of the Issuer adopted August 23, 2018 (the “Resolution”), and an Indenture of Trust dated as of September 1, 2018 (the “Indenture”), between the Issuer and the Trustee. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

The Bonds are fully registered, are dated the date of issuance, bear interest as provided in the Indenture and mature on the dates provided in the Indenture. The Bonds are subject to redemption and mandatory and optional tender prior to their stated maturity as provided in the Indenture.

The Issuer has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

The Bonds are special, limited obligations of the Issuer. The principal of, redemption premium, if any, and interest on the Bonds are payable solely from and secured by a pledge of certain money, securities and earnings held in the funds and accounts created under the Indenture and pledged to the Bonds.

We have examined executed counterparts of the Resolution, the Financing Agreement, the Indenture, the Regulatory Agreement, the Tax Certificates, and such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinions stated below.

From our examination, it is our opinion that:

1. The Issuer has been duly created and organized as a public body corporate and politic constituting an instrumentality of the State of Washington with full legal right, power and authority to adopt the Resolution, to enter into the Indenture, the Financing Agreement, the Regulatory Agreement and the Issuer Tax Certificate (together, the “Bond Documents”), to issue, sell and deliver the Bonds, to acquire, pledge and assign the Loan, to provide funds for such purpose by the issuance of the Bonds, to perform its obligations under the Resolution and Bond Documents and to carry out the transactions contemplated thereby.

2. The Issuer has duly adopted the Resolution and has duly authorized, executed and delivered the Bond Documents, and the Bond Documents constitute the legal, valid and binding obligations of the Issuer enforceable in accordance with their terms.

3. The Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding special obligations of the Issuer enforceable in accordance with their terms and are entitled to the benefits and security provided by the Indenture.

4. The Indenture creates the valid pledge of and lien on the revenues, other money and securities, funds, accounts, guarantees, insurance and other items held by the Trustee under the Indenture which it purports to create to secure and/or support the payment of principal of, redemption premium, if any, on and interest on the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

5. The Bonds are not a debt of the State or of any political subdivision of the State or any municipal corporation or other subdivision of the State. Neither the State nor any municipal corporation or other political subdivision of the State, other than the Issuer, is liable on the Bonds. The Bonds are not a debt, indebtedness or the borrowing of money within the meaning of any prohibition on the issuance of bonds contained in the Constitution of the State.

6. Interest on the Bonds is excludable from gross income for federal income tax purposes, except during any period while the Mortgage Note is held by a “substantial user” of the facilities financed by the Bonds, or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in this paragraph is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

With respect to the opinions expressed herein, the enforceability of rights and obligations under the Bonds, the Indenture, the Resolution, the Issuer Tax Certificate, the Regulatory Agreement and the Financing Agreement and against the assets pledged by the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

PACIFICA LAW GROUP LLP

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture for a full and complete statement of its provisions.

Definitions

“Act” means Laws of 1983, Ch. 161, codified at chapter 43.180 RCW, as amended.

“Actual/360” means a computation of interest accrual on the basis of a three hundred sixty (360) day year and the actual number of calendar days during the applicable month, calculated by multiplying the unpaid principal balance of the Bonds by the Pass-Through Rate, dividing the product by three hundred sixty (360), and multiplying the quotient obtained by the actual number of days elapsed in the applicable month.

“Administration Fund” means the Fund created and so designated under the Indenture.

“Authorized Borrower Representative” means any person designated as an authorized representative by the Borrower by a written certificate delivered to the Trustee.

“Authorized Denomination” means \$1,000 or any integral multiple of \$1.00 in excess thereof.

“Authorized Officer” means (a) with respect to the Issuer, any member of the Issuer and any other person(s) as may be designated and authorized to sign on behalf of the Issuer pursuant to a resolution adopted thereby, and (b) any Vice President or Assistant Vice President of the Trustee having regular responsibility for corporate trust matters.

“Bankruptcy Code” means the Federal Bankruptcy Code, Title 11 of the United States Code.

“Beneficial Owner” means the purchaser of a beneficial interest in the Bonds.

“Bond” or **“Bonds”** means the Washington State Housing Finance Commission Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018 in the principal amount of \$24,000,000 authorized under and secured by the Indenture and issued pursuant to the Indenture.

“Bond Counsel” means an attorney at law or a firm of attorneys of recognized expertise in the field of federal income tax matters relating to municipal securities selected by the Issuer.

“Bond Dated Date” means September 1, 2018.

“Bond Loan Note” means the Promissory Note dated the Closing Date from the Borrower to the Bond Lender and assigned by the Bond Lender to the Issuer, and further assigned by the Issuer to the Trustee on the Closing Date, in substantially the form attached as an exhibit to the Financing Agreement, together with any amendments, supplements or modifications thereto.

“Bond Maturity Date” means the date set forth in SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET hereto, subject to final payment of principal with respect to the MBS which will be passed through to the Bondholders on the Final Payment Date.

“Bond Proceeds Fund” means the fund so designated which is established and created pursuant to the Indenture.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated September 14, 2018, among the Underwriter, the Issuer and the Borrower.

“Bond Resolution” means Resolution No. 18-87 dated August 23, 2018, together with any amendments or supplements, authorizing and approving the issuance and sale of the Bonds and authorizing and approving the execution and delivery of the Indenture, the Financing Agreement, the Regulatory Agreement, the Non-Arbitrage Certificate executed by the Issuer and acknowledged by the Borrower and certain other documents, making certain appointments and determining certain details with respect to the Bonds.

“Bondholder” or **“holder”** **“owner”** of any Bond or any similar term shall mean the person in whose name any Bond is registered.

“Book Entry Bonds” means the Bonds for which a Depository or its Nominee is the Bondholder.

“Borrower” means the SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership, or any of its permitted successors or assigns.

“Business Day” means, with respect to the MBS and the Bonds, any day other than a Saturday or Sunday, a day when the fiscal agent or paying agent for the MBS is closed, a day when the Federal Reserve Bank of New York is closed, or a day when the Federal Reserve Bank is closed in a State where a certificate account is located if the related withdrawal is being made from that certificate account, and, with respect to the Bonds, any such day that is also a day on which the Trustee is open for business.

“Cash Value” has the meaning given to such term under the heading “DESCRIPTION OF THE BONDS – Optional Exchange of Bonds for MBS” of this Official Statement.

“Closing Date” means September 27, 2018.

“Code” means the United States Internal Revenue Code of 1986, as in effect on the date of issuance of the Bonds or as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, as applicable official public guidance published, under the Code.

“Collateral Fund” means the Fund created and so designated under the Indenture.

“Conditions to Conversion” has the meaning set forth in such term in the Fannie Mae Forward Commitment.

“Construction Lender” means KeyBank National Association, a national banking association, in its capacity as maker of the Construction Loan.

“Construction Loan” means the loan made from the Construction Lender to the Borrower in the original principal amount set forth in the Indenture.

“Construction Loan Documents” means the documents executed and delivered in connection with the Construction Loan, including, without limitation, the promissory note and mortgage evidencing the Construction Loan.

“Conversion Date” has the meaning set forth for such term in the Fannie Mae Forward Commitment.

“Costs of Issuance” means costs to the extent incurred in connection with, and allocable to, the issuance of the Bonds within the meaning of Section 147(g) of the Code. For example, “issuance costs” include the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: fees and costs of the Issuer; Issuer’s counsel fees; Underwriter’s fee; counsel fees; financial advisory fees; fees paid to an organization to evaluate the credit quality of an issue; Trustee fees; Trustee’s counsel fees; paying agent fees; registrar, certification

and authentication fees; accounting fees; printing costs for certificates and offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than qualified guarantees; and similar costs.

“Costs of Issuance Deposit” shall mean the amount deposited on the Closing Date into the Costs of Issuance Fund.

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

“Depository” means, initially, DTC and any replacement securities depository appointed under the Indenture.

“DTC” means The Depository Trust Company, New York, New York.

“DWAC” has the meaning given to such term in the Indenture.

“Electronic Means” means a facsimile transmission or any other electronic means of communication approved in writing by Fannie Mae.

“Eligible Funds” means:

- (a) the proceeds of the Bonds or any other amounts received by the Trustee from the Underwriter of the Bonds;

- (b) the proceeds of the Construction Loan;

- (c) moneys drawn on a letter of credit;

- (d) any amounts received by the Trustee representing advances to the Borrower (or an affiliate) of funds from other third parties representing loans or grants of money earmarked for the Project including, without limitation, the following: an equity bridge loan to the Borrower;

- (e) any other amounts for which the Trustee has received an Opinion of Counsel to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;

- (f) any payments held by the Trustee for a continuous period of 123 days, provided that no act of bankruptcy with respect to the Borrower has occurred during such period; and

- (g) investment income derived from the investment of the money described in (a) through (f) above.

“Event of Default” means any of the events specified in the Indenture.

“Exchange Date” has the meaning given to such term in the Indenture.

“Extension Deposit” means the deposit of Eligible Funds described in the Indenture.

“Fannie Mae” means Fannie Mae, a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors.

“Fannie Mae Certificate” means a guaranteed mortgage pass-through Fannie Mae mortgage-backed security issued by Fannie Mae in book-entry form, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal of and interest by Fannie Mae, and backed by the Mortgage Loan, not including any portion of the Fannie Mae Certificate liquidated or exchanged pursuant to the Indenture.

“Final Payment Date” means the date set forth in APPENDIX I – SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET hereto.

“Financing Agreement” means the Financing Agreement dated as of September 1, 2018 among the Issuer, the Borrower and the Trustee.

“Financing Documents” means the Financing Agreement, the Bond Resolution, the Regulatory Agreement, the Tax Certificates, the Indenture, the Bond Loan Note and the Bond Purchase Agreement.

“Fund” or “Account” means a fund or account created by or pursuant to the Indenture.

“Government Obligations” means United States Treasury Securities, State and Local Government Series (“SLGS”); however, if SLGS are unavailable, will consist of direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury), and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by the United States of America.

“Indenture” means the Indenture of Trust and any amendments or supplements made in accordance with its terms, including each applicable Supplemental Indenture.

“Issuer” means Washington State Housing Finance Commission, a public body corporate and politic and an instrumentality of the State.

“Issuer Fee” means, (a) through and including December 31, 2023, an annual fee equal to \$42,000, payable in semiannual installments, on each January 1 and July 1 in advance; provided, that the first payment (accrued through December 31, 2018) shall be made on the Closing Date and that the minimum fee received over the life of the Bonds shall be \$210,000; and (b) commencing January 1, 2024, an amount equal to 0.175% per annum of the principal amount of Bonds Outstanding on the most recent July 1 (after taking into account any principal redemption occurring on such July 1), payable in semiannual installments, on each January 1 and July 1 in advance.

“Lender” means KeyBank National Association, a national banking association.

“Lender Commitment” means the Fannie Mae Forward Commitment, dated on or before September 27, 2018, to be entered into between the Lender and Fannie Mae, as the same may be amended from time to time.

“Limited Partner” means U.S. Bancorp Community Development Corporation, a Minnesota corporation, and its successors and/or assigns.

“Loan” means the loan from the Bond Lender to the Borrower acquired with the proceeds of the Bonds by the Issuer pursuant to the terms of the Financing Agreement and made for the purpose of providing funds to the Borrower to finance the Project.

“Mandatory Redemption Date” means any date on which the Bonds are subject to mandatory redemption pursuant to the Indenture.

“MBS” means the Fannie Mae Certificate delivered pursuant to the Indenture that is pledged by the Issuer to the Trustee pursuant to the Indenture.

“MBS Dated Date” means the 1st day of the month in which the MBS is delivered.

“MBS Delivery Date” means the date on which the Trustee receives the MBS backed by the Mortgage Loan, which will occur not less than five days after the Trustee receives written notice of such date from the Lender and not later than the MBS Delivery Date Deadline.

“MBS Delivery Date Deadline” means November 1, 2020, as such date may be extended pursuant to the Indenture.

“MBS Factor” means the applicable factor posted by Fannie Mae in respect of the MBS from time to time as the Mortgage Loan amortizes, which represents the percentage of the original balance of the MBS that is outstanding as of a given date.

“MBS Purchase Price” means the principal amount outstanding on the Mortgage Loan as of the MBS Delivery Date plus accrued interest on the MBS from the MBS Dated Date to the MBS Delivery Date at the Pass-Through Rate.

“MBS Revenues” means all payments made under and pursuant to the MBS.

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

“Mortgage” means the instrument securing the Mortgage Loan.

“Mortgage Loan” means the interest-bearing loan for multifamily housing relating to the Bonds, if originated on the Conversion Date, which is evidenced by the Mortgage Note and secured by the Mortgage and the Multifamily Loan and Security Agreement.

“Mortgage Loan Amortization Schedule” means the loan amortization schedule delivered to the Trustee on the Closing Date and attached to the Bond Loan Note, as subsequently modified on the Conversion Date to correspond to the mortgage loan amortization schedule for the Mortgage Loan.

“Mortgage Loan Documents” means, collectively, the Mortgage Note, the Mortgage, the Multifamily Loan and Security Agreement and all other documents, agreements and instruments delivered on the Conversion Date and evidencing, securing or otherwise relating to the Mortgage Loan, as each such document, agreement or instrument may be amended, supplemented or restated from time to time. Neither the Financing Agreement nor the Regulatory Agreement is a Mortgage Loan Document and such documents are not secured by the Mortgage.

“Mortgage Note” means the instrument amending and restating the Construction Note and evidencing the Mortgage Loan, dated the Conversion Date, if such Mortgage Loan is originated.

“Multifamily Loan and Security Agreement” means the Multifamily Loan and Security Agreement executed by the Borrower and dated the Conversion Date, if such agreement is entered into.

“Negative Arbitrage Account” means the Negative Arbitrage Account of the Revenue Fund which is established and created pursuant to the Indenture.

“Negative Arbitrage Deposit” means Eligible Funds in the amount set forth in the Indenture to be deposited on the Closing Date into the Negative Arbitrage Account and as otherwise set forth in the Indenture.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

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

- (a) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) any Bond for the payment or redemption of which either (i) moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, or (ii) specified types of Permitted Investments or moneys in the amounts, of the maturities and otherwise as described and required under the provisions of the Indenture, shall have theretofore been deposited with the Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, as to which a redemption notice shall have been given or provided for in accordance with the Indenture, and
- (c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the Indenture.

“Participant” means a member of, or a participant in, the Depository.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of the Borrower between SHAG Affordable Senior Living (2) Development Associates, LLC and the Limited Partner, dated as of October 15, 2018.

“Pass-Through Rate” means the rate set forth in APPENDIX I – SUPPLEMENT TO OFFICIAL STATEMENT – TERM SHEET hereto.

“Payment Date” means (i) the 26th day of the first full month following the month in which the Closing Date occurs and the 26th day of each month thereafter, or the next succeeding Business Day if such 26th day is not a Business Day until and including the 26th day of the month in which the MBS Delivery Date occurs, (ii) commencing on the first month following the month in which the MBS Delivery Date occurs, the Business Day immediately after the date of receipt by the Trustee of a payment received on the MBS, and (iii) with respect to any redemption pursuant to the provisions described under the heading “DESCRIPTION OF THE BONDS – Optional Exchange of Bonds for MBS” of this Official Statement, the Business Day on which the Trustee receives funds pursuant to such provisions. The payment of interest on a Payment Date shall relate to the interest accrued during the preceding calendar month. There shall be no further accrual of interest from the Bond Maturity Date to the Final Payment Date.

“Permitted Investments” means any of the following investments which at the time are legal investments for moneys of the Issuer which are then proposed to be invested therein and each of which investments must mature or be guaranteed to be able to be tendered at a price of par at such time or times as to enable timely disbursements to be made from the fund in which such investment is held or allocated in accordance with the terms of the Indenture:

- (a) Government Obligations; and
- (b) to the extent permitted in the Indenture, shares or units in any money market mutual fund rated “AAAm” by S&P (or if S&P is not the Rating Agency or a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists primarily of Government Obligations.

“Project” means the multifamily residential rental housing project for seniors to be known as Sunset Gardens Apartments, which is expected to consist of 3 buildings containing a total of approximately 276 residential rental units and non-housing facilities, which are functionally related and subordinate thereto, and will be located at 201 – 27th Avenue SE, Puyallup, WA 98374, on the site described in the Mortgage.

“Project Costs” means the following costs of the Project:

(a) Costs incurred directly or indirectly for or in connection with the acquisition (including the acquisition of a fee simple interest), construction, rehabilitation, expansion, improvement and equipping of the Project, including costs incurred in respect of the Project for preliminary planning and studies; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work and insurance.

(b) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the construction period with respect to the Project.

(c) Taxes, assessments and other governmental charges in respect of the Project that may become due and payable during the construction period.

(d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to the Project.

(e) Subject to the limitations set forth in the Tax Certificates, Costs of Issuance, including, financial, legal, accounting, cash flow verification, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, including, without limitation, the fees and expenses of the Trustee properly incurred under the Indenture that may become due and payable during the construction period.

(f) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, development, construction, improvement and equipping of the Project.

(g) Payment of interest on the Bonds during the construction period.

(h) Payments to the Rebate Fund.

“Rating Agency” means Moody’s, S&P or any other nationally recognized securities rating agency rating the Bonds, or such rating agency’s successors or assigns.

“Rebate Fund” means the Fund created and so designated in the Indenture.

“Record Date” means the last Business Day of the month in the month immediately preceding each Payment Date.

“Regulations” and all references thereto, shall mean and include applicable final, proposed and temporary United States Treasury Regulations promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made after the date of the Indenture.

“Regulatory Agreement” means the Regulatory Agreement relating to the Project, dated as of September 1, 2018, between the Issuer and the Borrower, as it may be amended, supplemented or restated from time to time.

“Requisition” means a requisition in the form attached as an exhibit to the Construction Loan Agreement executed by an Authorized Borrower Representative, countersigned by the Construction Lender, on which the Trustee may conclusively rely.

“Reserved Rights” means those certain rights of the Issuer under the Financing Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Issuer, if any), its rights to exercise the option to exchange Bonds for the MBS or redeem such Bonds for cash pursuant to the Indenture, its rights to give or

withhold consent to amendments, changes, modifications and alterations to the Financing Agreement and the Regulatory Agreement, and its rights to enforce the Financing Agreement and the Regulatory Agreement.

“Request Notice” has the meaning given to such term under the heading “DESCRIPTION OF THE BONDS – Optional Exchange of Bonds for MBS” of this Official Statement.

“Revenue Fund” means the Revenue Fund which is established and created pursuant to the Indenture.

“S&P” means S&P Global Ratings and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the Issuer, that assigns credit ratings.

“Servicer” means KeyBank National Association.

“State” means the State of Washington.

“Substitute Depository” means a securities depository appointed as successor to DTC under the Indenture.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and effective in accordance with the Indenture.

“Tax Certificates” means, collectively, the Tax Certificate of the Borrower executed by the Borrower and the Non-Arbitrage Certificate executed by the Issuer and acknowledged by the Borrower, each dated the Closing Date, as either of them may be amended, supplemented or otherwise modified from time to time.

“Termination Date” shall mean September 1, 2020, unless extended to March 1, 2021, subject to such additional extension in the sole discretion of Fannie Mae, in accordance with the Fannie Mae Forward Commitment and as set forth in a notice of the occurrence of such extension delivered by the Lender to the Trustee, and further subject to the satisfaction of the requirements of the Indenture.

“Transfer Date” has the meaning given to such term under the heading “DESCRIPTION OF THE BONDS – Optional Exchange of Bonds for MBS” of this Official Statement.

“Trust Estate” means all the property, rights, moneys, securities and other amounts pledged and assigned to the Trustee pursuant to the granting clauses of the Indenture.

“Trustee” means U.S. Bank National Association.

“Trustee Fee” means (i) an upfront fee in the amount of \$3,000, payable on the Closing Date, and (ii) the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services in connection with the Bonds during each twelve month period, which fee is equal to the amount specified in the letter agreement between the Issuer and the Trustee, and shall be payable in semi-annual installments, in advance on the first day of each January 1 and July 1, commencing January 1, 2019, so long as any principal of the Bonds remains unpaid; provided that the first payment of the Trustee Fee shall be paid on the Closing Date for the period through January 1, 2019.

“Underwriter” means KeyBanc Capital Markets Inc., as underwriter of the Bonds.

Authorization, Transfer and Registration, and Terms of Bonds

Authorization for Bonds.

The Bonds of the Issuer are authorized by the Indenture to be issued in an aggregate principal amount set forth in the Indenture and shall be issued subject to the terms, conditions and limitations established in the Indenture

as provided therein. The Bonds may be executed by or on behalf of the Issuer, authenticated by the Trustee and delivered or caused to be delivered by the Trustee to the original purchasers thereof upon compliance with the requirements set forth in the Indenture. The Bonds shall be issued initially as Book Entry Bonds.

Limited Obligation of Bonds.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE REVENUES AND OTHER FUNDS PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE. NEITHER THE ISSUER, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH HEREIN) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

The Issuer shall not be liable for payment of the principal of, redemption price or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Indenture, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower.

No recourse shall be had for the payment of the principal of, or interest on any Bond or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against the Issuer, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any member of its governing body and its officers, attorneys, accountants, financial advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of the Indenture and the issuance of the Bonds.

Delivery of MBS

The MBS shall be registered in the name of the Trustee or its designee. The obligation of the Trustee to purchase the MBS on the MBS Delivery Date shall be subject to receipt by the Trustee of written notification from the Lender upon which the Trustee may rely and act without further investigation certifying that the MBS duly executed by Fannie Mae is available for purchase by the Trustee at the MBS Purchase Price, and meets the following requirements:

- (i) the principal amount of the MBS shall equal from time to time the then current principal amount of the Bonds, except for principal payments received which have not been remitted to owners of the Bonds;
- (ii) the MBS shall bear interest at the Pass-Through Rate payable on the 25th day of each month, commencing on the 25th day of the month following the month in which the Trustee purchases the MBS, or if any such 25th day is not a Business Day, the next succeeding Business Day, and have a final maturity date, which is the same as the Bond Maturity Date of the Bonds; and
- (iii) the MBS shall provide that timely payment of principal (whether on any scheduled Payment Date or prior thereto upon any mandatory prepayment of the Mortgage Note or upon any optional prepayment of the Mortgage Note or upon declaration of acceleration following a default thereunder and

interest on the MBS) is guaranteed to the record owner of the MBS, regardless of whether corresponding payments of principal and interest on the Mortgage Loan are paid when due; and

(iv) the MBS shall be acquired by the Trustee on behalf of the Issuer, shall be held at all times by the Trustee in trust for the benefit of the Bond owners and shall be held only in book-entry form through the United States Federal Reserve Bank book-entry system, pursuant to which the MBS shall have been registered on the records of the Federal Reserve Bank in the name of the Trustee. The Trustee shall receive confirmation in writing that the depository is holding the MBS on behalf of, and has identified the MBS on its records as belonging to, the Trustee.

Upon purchase of the MBS on the MBS Delivery Date, the Trustee shall post a notification to this effect on the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.

Pledge of Trust Estate

The pledge and assignment of and the security interest granted in the Trust Estate pursuant to the granting clauses of the Indenture for the payment of the principal of, premium, if any, and interest on the Bonds, in accordance with their terms and provisions, and for the payment of all other amounts due under the Indenture, shall attach, be perfected and be valid and binding from and after the time of the delivery of the Bonds by the Trustee or by any person authorized by the Trustee to deliver the Bonds. The Trust Estate so pledged and then or thereafter received by the Trustee shall immediately be subject to the lien of such pledge and security interest without any physical delivery thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

Establishment of Funds

The Trustee shall establish, maintain and hold in trust the following funds, each of which shall be disbursed and applied only as authorized in the Indenture:

- (a) Revenue Fund, including therein a Negative Arbitrage Account;
- (b) Rebate Fund;
- (c) Costs of Issuance Fund;
- (d) Bond Proceeds Fund;
- (e) Collateral Fund; and
- (f) Administration Fund.

Initial Deposits

On the Closing Date, the Trustee shall make the following deposits:

- (a) Accrued interest on the Bonds from the Bond Dated Date to their date of delivery;
- (b) The Costs of Issuance Deposit shall be deposited into the Costs of Issuance Fund;
- (c) The original principal amount of the Bonds shall be deposited into the Bond Proceeds Fund; and
- (d) The Negative Arbitrage Deposit shall be deposited into the Negative Arbitrage Account of the Revenue Fund.

Revenue Fund

(a) Prior to the MBS Delivery Date, the Trustee shall disburse from the Revenue Fund (including the Negative Arbitrage Account therein) on each Payment Date an amount equal to the amount of principal and interest due on the Bonds pursuant to the Mortgage Loan Amortization Schedule.

(b) Following the Closing Date, the Trustee shall immediately deposit any Extension Deposit received into the Negative Arbitrage Account of the Revenue Fund.

(c) On the MBS Delivery Date, the Trustee shall remit from the Revenue Fund (including the Negative Arbitrage Account therein) to the Lender accrued and unpaid interest on the MBS at the Pass-Through Rate from the first calendar day of the month in which the MBS was delivered.

(d) On the first Business Day following the Payment Date in the first full month following the MBS Delivery Date, the Trustee shall return any amounts then on deposit in the Revenue Fund (including the Negative Arbitrage Account) to the Borrower and shall immediately close the Negative Arbitrage Account thereafter.

(e) Following the MBS Delivery Date, all MBS Revenues shall be deposited by the Trustee, promptly upon receipt thereof, to the Revenue Fund.

(f) On the first Business Day following receipt of any MBS Revenues and the deposit thereof into the Revenue Fund pursuant to subsection (e) above, the Trustee shall pay to the Bond owners all amounts so received from money on deposit in the Revenue Fund. All payments of principal and interest shall be paid to Bond owners in proportion to the principal amount of Bonds owned by each Bond owner as set forth on the records of the Trustee at the close of business on the applicable Record Date.

(g) If the Trustee does not receive a scheduled payment on the MBS by 5:00 p.m. Eastern Time on the 25th day of any month, (or the next succeeding Business Day if such day of the month is not a Business Day), the Trustee shall immediately notify Fannie Mae and immediately demand payment under the terms of the guaranty thereof.

Bond Proceeds Fund

Upon (a) deposit of Eligible Funds in the Collateral Fund as provided under the heading “Collateral Fund” below, (b) delivery of a corresponding Requisition and (c) subject to the provisions of this section, the Trustee shall disburse Bond proceeds in an amount equal to such corresponding deposit made into the Collateral Fund to fund Project Costs pursuant to such Requisition. Prior to making any such disbursement from the Bond Proceeds Fund, the Trustee shall confirm that the aggregate principal amount that will be held in both (a) the Collateral Fund and (b) the Bond Proceeds Fund, after the requested disbursement, will at least equal the then Outstanding principal amount of the Bonds and, notwithstanding anything to the contrary, the Trustee shall not disburse money from the Bond Proceeds Fund (other than to pay amounts due on the Bonds as provided in the Indenture and described under the heading “Redemption” in this Official Statement), unless and until Eligible Funds in an amount equal to or greater than the requested disbursement amount have been deposited in the Collateral Fund. To the extent money on deposit in the Bond Proceeds Fund is invested in Permitted Investments that have not yet matured, the Trustee is authorized by the Indenture to make the following sale and exchange, which sale and exchange shall occur prior to the disbursement of amounts on deposit in the Bond Proceeds Fund to pay Project Costs without the need to sell or terminate such Permitted Investments prior to their stated maturity date: (i) liquidate and sell all or a portion of the Permitted Investments in the Bond Proceeds Fund, in the amount specified in the request for disbursement, to the Collateral Fund for a price of par and (ii) transfer a like amount of available funds from the Collateral Fund to the Bond Proceeds Fund representing Bond proceeds as the purchase price thereof.

Upon the satisfaction of the provisions set forth in this section, the Trustee shall be irrevocably and unconditionally obligated to disburse Bond proceeds from the Bond Proceeds Fund equal to either the amount deposited to the Collateral Fund, as set forth in the corresponding Requisition and to the extent the Trustee is unable to do so, (a) the Trustee shall return the amount deposited in the Collateral Fund, within one Business Day of receipt

of such deposit to the party that made such deposit as set forth in the Requisition and (b) the Trust Estate shall not include such amount to be returned.

To the extent sufficient funds are not otherwise available to the Trustee, including money on deposit in the Revenue Fund or the Collateral Fund, the Trustee shall transfer from the Bond Proceeds Fund to the Revenue Fund sufficient money to pay amounts due on the Bonds pursuant to the Indenture.

On the MBS Delivery Date, amounts remaining in the Bond Proceeds Fund shall be used by the Trustee in the following order: (i) to the extent sufficient funds are not otherwise available in the Collateral Fund, to pay the MBS Purchase Price, (ii) to transfer funds to the Revenue Fund in an amount equal to the difference, if any, between (x) the aggregate principal and interest due on the Bonds Outstanding as of the first day of the month in which the MBS Delivery Date occurs and (y) the principal amount of the MBS purchased on the MBS Delivery Date, plus interest accrued but unpaid to the redemption date, for redemption pursuant to the Indenture, and (iii) to pay any remaining Project Costs as approved by the Construction Lender in writing.

Collateral Fund

The Trustee shall deposit into the Collateral Fund all Eligible Funds received pursuant to the Financing Agreement and any other Eligible Funds received by the Trustee for deposit into the Collateral Fund. The Financing Agreement requires the Borrower to cause Eligible Funds to be paid to the Trustee for deposit into the Collateral Fund in a principal amount equal to, and as a prerequisite to the disbursement of, the corresponding amount of Bond proceeds on deposit in the Bond Proceeds Fund to be disbursed by the Trustee to pay Project Costs.

Until the purchase of the MBS on the MBS Delivery Date, the deposit into the Collateral Fund shall constitute an irrevocable deposit solely for the benefit of the Bondholders, subject to the provisions of the Indenture.

Money in the Collateral Fund shall be used by the Trustee as follows: (i) to the extent money is not otherwise available, the Trustee shall transfer from the Collateral Fund to the Revenue Fund an amount necessary to pay amounts due on the Bonds pursuant to the Indenture, (ii) for disbursement to the Construction Lender in accordance with the Indenture and (iii) on the MBS Delivery Date, to pay for the principal amount of the MBS.

The Bonds shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Collateral Fund unless and until the amount on deposit in the Collateral Fund is transferred to the Revenue Fund and applied to the payment of the principal of any of the Bonds, or the principal component of the redemption price of any of the Bonds, all as provided in the Indenture.

On the Business Day following each disbursement from the Bond Proceeds Fund, to the extent that (i) the aggregate principal amount held in both (a) the Collateral Fund and (b) the Bond Proceeds Fund, after the requested disbursement, exceeds the then Outstanding principal amount of the Bonds, and (ii) such excess represents amounts provided by the Construction Lender on deposit in the Collateral Fund, (x) the Trustee shall return the amount of such excess deposited in the Collateral Fund to the Construction Lender and (y) the Trust Estate shall not include such amount to be returned to the Construction Lender.

Investment of Funds

Any moneys attributable to each of the Funds and Accounts under the Indenture shall be invested by the Trustee at the written direction or telephonic direction (promptly confirmed in writing) of the Borrower in Permitted Investments which mature or are redeemable at par without penalty on the date on which such funds are expected to be needed for the purposes for which they are held. Notwithstanding anything in the Indenture to the contrary, all amounts in the Revenue Fund, Bond Proceeds Fund and the Collateral Fund shall be invested on the Closing Date in Government Obligations (i) that mature or are redeemable by the Trustee without penalty at times sufficient to pay the principal and interest on the Bonds as and when due to a date no later than the Conversion Date, subject to a cash flow projection establishing the sufficiency of such amounts as so deposited and invested, and the reallocation thereof as described under the heading "Allocation and Reallocation of Government Obligations Deposited to the Collateral Fund and the Bond Proceeds Fund" below, and (ii) that bear interest at yield which is not in excess of the

yield on the Bonds. If the Trustee does not receive written direction or telephonic directions (promptly confirmed in writing) from the Borrower regarding the investment of funds, the Trustee shall invest solely in Permitted Investments which shall mature or be redeemable at par without penalty at the times set forth in the preceding sentence. After the Conversion Date, all amounts remaining on deposit in the Revenue Fund, Bond Proceeds Fund and the Collateral Fund shall be invested in money market funds specified in clause (I)(b) of the definition of Permitted Investments; provided, that any MBS Revenues shall be held uninvested in the Revenue Fund. The Trustee may make any and all such investments through its own banking department or the banking department of any affiliate. The Trustee shall be entitled to assume, absent receipt by the Trustee of written notice to the contrary, that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter.

Permitted Investments representing an investment of moneys attributable to any Fund or Account shall be deemed at all times to be a part of such Fund or Account. Such investments shall be sold at the best price obtainable (at least par) whenever it shall be necessary to do so in order to provide moneys to make any transfer, withdrawal, payment or disbursement from such Fund or Account. In the case of any required transfer of moneys to another such Fund or Account, such investments may be transferred to that Fund or Account in lieu of the required moneys if permitted by the Indenture as an investment of moneys in that Fund or Account. Investment proceeds earned in respect of moneys on deposit in a particular Fund or Account shall be deposited to such Fund or Account and shall be applied to the payment of those items for which such Fund or Account was established.

All Permitted Investments acquired by the Trustee pursuant to the Indenture shall be purchased in the name of the Trustee and shall be held for the benefit of the Bondholders and Fannie Mae pursuant to the terms of the Indenture. The Trustee shall take such actions as shall be necessary to assure that such Permitted Investments are held pursuant to the terms of the Indenture and are subject to the trust and security interest created in the Indenture.

The Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the Indenture. The Trustee or its affiliates may act as sponsor, principal or agent in the acquisition or disposition of investments. The Trustee may commingle investments made under the Funds and Accounts established under the Indenture, but shall account for each separately.

In computing for any purpose under the Indenture the amount in any Fund or Account on any date, obligations so purchased shall be valued at the lower of cost or par exclusive of accrued interest, and may be so valued as of any time within four (4) days prior to such date.

The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Borrower the right to receive brokerage confirmations of the security transactions as they occur. The Borrower specifically waives such notification to the extent permitted by law and will receive periodic cash transaction statements that will detail all investment transactions.

Allocation and Reallocation of Government Obligations Deposited to the Collateral Fund and the Bond Proceeds Fund

On the Closing Date, the Trustee shall allocate ownership of the Government Obligations acquired pursuant to the provisions described under the heading "Investment of Funds" above and deposited for the benefit of the Bond Proceeds Fund and the Collateral Fund as follows: The Trustee shall allocate to the Collateral Fund a percentage of such Government Obligations equal to the amount of Eligible Funds presented to the Trustee for deposit to the Collateral Fund on the Closing Date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the "Initial Collateral Fund Percentage") and the remainder (i.e., 100% minus the Initial Collateral Fund Percentage, referred to as the "Initial Bond Proceeds Fund Percentage") shall be allocated to the Bond Proceeds Fund. On each subsequent month when additional Eligible Funds are presented to the Trustee for deposit to the Collateral Fund (the "Subsequent Allocation Date"), the dollar amount of such Eligible Funds shall be added to all prior Eligible Funds so deposited, and the percentage of such Government Obligations allocated to the Collateral Fund shall be adjusted to that percentage equal to the aggregate so deposited through such date divided by the aggregate Outstanding principal amount of the Bonds and multiplied by 100 (the "Collateral Fund Percentage") and the remainder (i.e., 100% minus the Collateral Fund Percentage, referred to as the "Bond Proceeds Fund Percentage") shall be allocated to the Bond Proceeds Fund. On each Subsequent Allocation Date, the Trustee

shall be treated for federal income tax purposes to have liquidated that portion of the Governmental Obligations allocated to the Bond Proceeds Fund and purchased that portion of the Governmental Obligations to be allocated to the Collateral Fund. All Statements of account for the Bond Proceeds Fund and the Collateral Fund shall reflect the liquidation and purchase of Governmental Obligations described in the preceding sentence and the allocation of Government Obligations described in this section. In addition, the Trustee is directed to transfer Eligible Funds from the Collateral Fund to the Bond Proceeds Fund prior to disbursing such funds to pay Project Costs.

Particular Covenants

Payment of Bonds. Subject to the other provisions of the Indenture, the Issuer shall duly and punctually pay or cause to be paid, solely from amounts available in the Trust Estate, the principal of, premium, if any, and interest on the Bonds, at the dates and places and in the manner described in the Bonds, according to the true intent and meaning thereof. The Bonds are not a general obligation of the Issuer, but are payable solely from the Trust Estate.

The payment and other obligations of the Issuer with respect to the Bonds are intended to be, and shall be, independent of the payment and other obligations of the issuer or maker of the Mortgage Note and the MBS, even though the principal amount of all three instruments is expected to be identical, except in the case of a default with respect to one or more of the instruments.

Tax Covenants. The Issuer shall not take any action that will cause the interest paid on the Bonds to be includable in gross income for federal income tax purposes. In furtherance of the foregoing covenant, the Issuer particularly covenants and agrees with the Bondholders as follows:

(a) No part of the proceeds of the Bonds or any other funds of the Issuer shall be used by the Issuer at any time directly or indirectly to acquire securities or obligations, the acquisition of which, or which in any other manner, would cause any Bond to be an arbitrage bond as defined in Section 148 of the Code and any applicable regulations promulgated thereunder.

(b) The Issuer will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code and any applicable regulations promulgated thereunder.

Extension of Payment of Bonds. The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of the principal due on any of the Bonds or the time of payment of interest due on the Bonds, and if the time for payment of any such claims for interest shall be extended through any other means, such Bonds or claims for interest shall not be entitled in case of any default hereunder to any payment out of the Trust Estate or the funds (except funds held in trust for the payment of particular Bonds pursuant to the Indenture) held by the Trustee, except subject to the provisions of the Indenture and subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds which is not represented by such extended claims for interest.

If an Extension Deposit has not been made pursuant to the Indenture, such that the aggregate balance in the Bond Proceeds Fund and the Revenue Fund is equal to 100% of the principal amount of the Bonds plus interest accrued on the Bonds to the Mandatory Redemption Date (as such date may be extended under the Indenture), then the Bonds shall be subject to mandatory redemption as set forth in the Indenture.

Discharge of Indenture

Defeasance. (a) If all Bonds shall be paid and discharged as provided in this section, then all obligations of the Trustee and the Issuer under the Indenture with respect to all Bonds shall cease and terminate, except only (i) the obligation of the Trustee to pay or cause to be paid to the owners thereof all sums due with respect to the Bonds and to register, transfer and exchange Bonds pursuant to the Indenture, (ii) the obligation of the Issuer to pay the amounts owing to the Trustee under the Indenture from the Trust Estate, and (iii) the obligation of the Issuer to

comply with the Indenture. Any funds held by the Trustee at the time of such termination which are not required for payment to Bondholders or for payment to be made by the Issuer, shall be paid as provided in the Indenture.

Any Bond or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding under the Indenture if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest on such Bond which have become due and payable; or

(ii) by depositing with the Trustee, in trust, cash which, together with the amounts then on deposit in the Revenue Fund and dedicated to this purpose, is fully sufficient to pay when due all principal of, and premium, if any, and interest on such Bond to the maturity or earlier redemption date thereof; or

(iii) by depositing with the Trustee, in trust, any investments listed under the definition of Permitted Investments as described above, in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue on such Permitted Investments without the need for reinvestment, be fully sufficient to pay when due all principal of, and premium, if any, and interest on such Bond to the maturity or earlier redemption date thereof, notwithstanding that such Bond shall not have been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit under clauses (ii) and (iii) of subsection (a) above shall be deemed a payment of such Bond until the earlier to occur of:

(i) if such Bond is by its terms subject to redemption within 45 days, proper notice of redemption of such Bond shall have been previously given in accordance with the Indenture to the holder thereof or, in the event such Bond is not by its terms subject to redemption within 45 days of making the deposit under clauses (ii) and (iii) of subsection (a) above, the Issuer shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the holder of such Bond as soon as practicable stating that the deposit required by clauses (ii) or (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Bond is deemed to have been paid and further stating such redemption date or dates upon which money will be available for the payment of the principal and accrued interest thereon; or

(ii) the maturity of such Bond.

(c) The Trustee shall be entitled to receive a report from a nationally recognized accounting firm to provide for the payment of all Bonds to be defeased pursuant to this section.

(d) In addition to the circumstances described in paragraph (a) above, any Bond or portion thereof in an authorized denomination shall be deemed no longer Outstanding under the Indenture if and to the extent of an exchange of such Bond or portion thereof for the MBS or an interest therein as provided in under the heading "DESCRIPTION OF THE BONDS – Optional Exchange of Bonds for MBS" of this Official Statement.

Defaults and Remedies

Events of Default. Each of the following events shall constitute an Event of Default under the Indenture:

(a) On and after the MBS Delivery Date, failure by Fannie Mae to pay principal, interest or premium, if any, due under the MBS;

(b) Failure to pay the principal, interest or premium, if any, on the Bonds when the same shall become due; or

(c) Default in the observance or performance of any other covenant, agreement or condition on the part of the Issuer in the Indenture and the continuation of such default for a period of 90 days after

written notice to the Issuer from the Trustee or the registered owners of at least 75% in aggregate principal amount of the Bonds Outstanding at such time specifying such default and requiring the same to be remedied.

Upon the occurrence of an Event of Default under clause (a) above, upon any failure by Fannie Mae to distribute to the Trustee any payment required to be made under the terms of the MBS, the Trustee shall notify Fannie Mae not later than the next Business Day (all such notices to be promptly confirmed in writing) requiring the failure to be remedied.

The Trustee will immediately notify the Issuer, the Bondholders, the Lender, the Construction Lender (but only prior to the Conversion Date) and Fannie Mae, if applicable, after an Authorized Officer obtains knowledge or receives notice of the occurrence of an Event of Default or an event which would become an Event of Default with the passage of time or the giving of notice, or both.

Acceleration; Rescission of Acceleration

Upon the occurrence of an Event of Default under paragraph (a) under the heading “Events of Default” above, the Trustee may, and upon the written request of the holders of not less than 75% in aggregate principal amount of the Bonds then Outstanding, which written request shall acknowledge that the amounts due on the MBS cannot be accelerated solely by virtue of acceleration of the Bonds, and upon receipt of indemnity satisfactory to it, shall, by 30 days’ prior notice in writing delivered to the Issuer, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Subject to the Indenture, upon the occurrence of an Event of Default under paragraph (b) under the heading “Events of Default” above no action shall be taken by the Trustee, unless an Event of Default has occurred pursuant to paragraph (a) under the heading “Events of Default” above in which event the Trustee shall proceed as provided above. An Event of Default under paragraph (c) under the heading “Events of Default” above shall not give rise to an acceleration pursuant to this section, provided, however, that following such an Event of Default, the holder of 100% of the Bonds then Outstanding may direct the Trustee in writing to transfer the MBS to it or its designee, in which case, the Trustee shall cancel the Bonds upon such release and transfer of the MBS, and upon such transfer, the Bonds will no longer be Outstanding. In the event any payments are received by the Trustee after the transfer of the MBS and cancellation of the Bonds, all such payments shall belong to and be transferred to the owner of the MBS.

Following any Event of Default under the Indenture, or in the event that interest on the Bonds ceases to be excluded from gross income for federal income tax purposes, any Beneficial Owner of the Bonds then Outstanding may direct the Trustee in writing to transfer the MBS to it or its designee, in which case, the Trustee shall transfer and deliver to such requesting owner the Trustee's beneficial ownership interest in the MBS promptly following (i) delivery to the Trustee (via DTC withdrawal or Deposit/Withdrawal At Custodian (“DWAC”)) of the Bonds being exchanged, and (ii) payment by the requesting owner of the Trustee's exchange fee with respect to such Bonds. Such MBS will be in book-entry form. Transfers of the MBS will be made in accordance with current market practices, including the applicable provisions of the SIFMA's Uniform Practices for the Clearance and Settlement of Mortgage Backed Security and Other Related Securities. Upon receipt of such Bonds from the requesting Beneficial Owner, the Trustee will promptly cancel the Bonds being exchanged, which will not be reissued. The MBS delivered in such an exchange will not be exchangeable for Bonds.

The MBS delivered in such an exchange will also be subject to any applicable disclosure requirements concerning pass-through certificates that have been issued in connection with the multifamily mortgage lending program of a governmental housing finance agency and financed by tax-exempt obligations.

Interest on such MBS is not excludable from gross income for federal income tax purposes. Owners of Bonds should consult their own tax advisors concerning that and other tax consequences of any exchange of a Bond for the MBS.

The acceleration of the Bonds will not constitute a default under, or by itself cause the acceleration of, the MBS.

If at any time after the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Issuer, the Borrower or Fannie Mae, as applicable, shall pay to or deposit with the Trustee a sum sufficient to pay all principal of the Bonds then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) on all the Bonds then due with interest at the rate borne by the Bonds on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable expenses of the Trustee shall have been made good or cured or adequate provisions shall have been made therefor, and all other defaults under the Indenture have been made good or cured or waived in writing by the holders of a majority in principal amount of the Bonds then Outstanding, then and in every case, the Trustee on behalf of the holders of all the Bonds shall rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, nor shall it impair or exhaust any right or power consequent thereon.

Other Remedies; Rights of Bondholders.

Subject to the provisions of the Indenture, upon the happening and continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the holders of all Bonds, may also proceed to protect and enforce any rights of the Trustee and, to the full extent that the holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights:

(a) By pursuing any available remedies under the Financing Agreement, the Regulatory Agreement or the MBS;

(b) Upon an Event of Default under paragraph (a) under the heading "Events of Default" above only, by realizing or causing to be realized through sale or otherwise upon the security pledged hereunder (including the sale or disposition of the MBS); and

(c) By action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Issuer allowed in any bankruptcy or other proceeding.

If an Event of Default shall have occurred, and if requested by the holders of not less than 75% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem to be in the best interests of the Bondholders subject to the limitations set forth above and in the Indenture.

No right or remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right and remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or to the Bondholders under the Indenture, the Financing Agreement, the Regulatory Agreement or the MBS or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein and every such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Waivers of Events of Default.

The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of, premium, if any, and interest on the Bonds upon the written request of the holders of a majority in aggregate principal amount of all Bonds then Outstanding with respect to which there is an Event of Default; provided, however, that there shall not be waived (a) any default in the payment of the principal amount of any Bonds at the date of maturity specified therein or upon proceedings for mandatory redemption, or (b) any default in the payment when due of the interest or premium, if any, on any such Bonds, unless prior to such waiver or rescission all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest or all arrears of payments of principal or premium, if any, when due (whether at the stated maturity thereof or upon proceedings for mandatory redemption) as the case may be, and all expenses of the Trustee in connection with such monetary default, shall have been paid or provided for, and in case of any such waiver or rescission, the Issuer, the Borrower, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture respectively.

No such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereto; and no delay or omission of the Trustee or of any Bondholders to exercise any right or power accruing upon any Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default, or acquiescence therein.

Termination of Proceedings

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

Supplemental Indentures

Supplemental Indentures Effective upon Acceptance. For any one or more of the following purposes and at any time or from time to time, the Issuer and the Trustee may enter into a Supplemental Indenture which, upon the execution and delivery thereof by an Authorized Officer and by the Trustee, and with the prior written consent of Fannie Mae and the Construction Lender (but only prior to the Conversion Date), but without the necessity of consent of the Bondholders, shall be fully effective in accordance with its terms:

- (a) To add to the covenants or agreements of the Issuer herein contained other covenants or agreements to be observed by the Issuer or to otherwise revise or amend the Indenture in a manner which are/is not materially adverse to the interests of the Bondholders;
- (b) To add to the limitations or restrictions herein contained other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the provisions hereof as theretofore in effect;
- (c) To surrender any right, power or privilege reserved to or conferred upon the Issuer herein, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained herein and is not materially adverse to the interests of the Bondholders;
- (d) To confirm, as further assurance, any pledge of the Trust Estate under the Indenture and the subjection to any lien on or pledge of the Trust Estate created or to be created by the Indenture;
- (e) To appoint a co-trustee or successor Trustee or successor co-trustee;

(f) To cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Indenture;

(g) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not materially adverse to the interests of the Bondholders; and

(h) To make such changes and modifications that are necessary or desirable to provide for all interest, principal and premium paid with respect to the Bonds are in the exact respective amounts of the payments of interest, principal and premium paid under and pursuant to the MBS.

Supplemental Indentures Requiring Consent of Bondholders. In addition to those amendments to the Indenture which are authorized under the heading “Supplemental Indentures Effective Upon Acceptance” above, any modification or amendment of the Indenture may be made by a Supplemental Indenture with the written consent, given as hereinafter provided under the heading “Consent of Bondholders” below, of Fannie Mae and the holders of at least two thirds in aggregate principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that no such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal amount of any Outstanding Bond or an extension of the date for payment of any installment of interest thereon or a reduction in the principal amount of, premium, if any, or the rate of interest on any Outstanding Bond without the consent of the holder of such Bond, (b) reduce the proportion of Bonds the consent of the holders of which is required to effect any such modification or amendment or to effectuate an acceleration of the Bonds prior to maturity, (c) permit the creation of a lien on the Trust Estate pledged under the Indenture prior to or on a parity with the lien of the Indenture, (d) deprive the holders of the Bonds of the lien created by the Indenture upon the Trust Estate (except as expressly provided in the Indenture), without (with respect to (b) through (d)) the consent of the holders of all Bonds then Outstanding, or (e) change or modify any of the rights or obligations of the Trustee without the written consent thereto of the Trustee.

Consent of Bondholders. The Issuer and the Trustee may, at any time, execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions under the heading “Supplemental Indentures Requiring Consent of Bondholders” above, to take effect when and as provided in this section. A copy of such Supplemental Indenture, together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to the Bondholders. Such Supplemental Indenture shall not be effective unless there shall have been filed with the Trustee (a) the written consents of Fannie Mae and the holders of the proportion of Outstanding Bonds specified under the heading “Supplemental Indentures Requiring Consent of Bondholders” above, and (b) an opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully entered into by the Issuer in accordance with the provisions of the Indenture, is authorized or permitted by the provisions of the Indenture, and, when effective, will be valid and binding upon the Issuer. Each such consent of the Bondholders shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Indenture. A Bond or bonds by the Trustee that it has examined such proof and that such proof is sufficient under the provisions of the Indenture shall be conclusive that the consents have been given by the holders of the Bonds described in such bond or bonds. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof). At any time after the holders of the required proportion of Bonds shall have filed their consents to such Supplemental Indenture, the Trustee shall make and file with the Issuer a written statement that the holders of such required proportion of Bonds have filed and given such consents. Such written statement shall be conclusive that such consents have been so filed and have been given. Within 90 days after filing such statement, the Trustee shall mail to the Bondholders a notice stating in substance that such Supplemental Indenture (which may be referred to as a Supplemental Indenture executed by the Issuer on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required proportion of Bonds and will be effective as provided in this section, but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in this section. The Trustee shall file with the Issuer proof of the mailing of such notice to the Bondholders. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such modification or amendment shall be deemed conclusively binding upon the Issuer, the Trustee and the holders of all Bonds upon the execution thereof and the filing by the Trustee with the Issuer of the statement that the required proportion of Bondholders have consented thereto.

The Issuer may conclusively rely upon the Trustee's determination that the requirements of this section have been satisfied.

Modification By Unanimous Consent. Notwithstanding anything contained in the foregoing provisions of the Indenture, the terms and provisions of the Indenture and the rights and obligations of the Issuer and the holders of the Bonds under the Indenture, in any particular, may be modified or amended in any respect upon execution and delivery of a Supplemental Indenture by the Issuer and the Trustee making such modification or amendment and the consent to such Supplemental Indenture of Fannie Mae, the Construction Lender (but only prior to the Conversion Date) and the holders of all of the Bonds then Outstanding, such consent to be given and proved as provided under the heading "Consent of Bondholders" above except that no notice to Bondholders shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the written assent thereto of the Trustee, in addition to the consent of the Bondholders.

Concerning the Trustee

Compensation. Notwithstanding any provision to the contrary in the Indenture, the Trustee shall be entitled to payment for reasonable fees for its services rendered under the Indenture and the Financing Agreement and reimbursement for all advances, counsel fees and other expenses reasonably made or incurred by the Trustee (including any co-Trustee) in connection with such services which shall be paid from time to time as provided in the Financing Agreement; provided that no such amounts shall be paid to the Trustee from the proceeds of the MBS. Upon an Event of Default under paragraph (a) under the heading "Events of Default" above as a result of a failure by Fannie Mae to make payment under the MBS, but only upon such an Event of Default, the Trustee shall have a lien upon the Trust Estate for extraordinary fees, charges and expenses incurred by it. The Issuer shall require the Borrower to indemnify and save harmless the Trustee against any liabilities which the Trustee may incur in the exercise and performance of its powers and duties under the Indenture and the Financing Agreement which are not due to its own negligence or willful misconduct, and to reimburse the Trustee for any fees and expenses of the Trustee to the extent they exceed funds available under the Indenture for the payment thereof, subject only to the right of the Borrower to contest the reasonableness of any such fees or the necessity for any such expenses. The Trustee shall continue to perform its duties and obligations under the Indenture until such time as its resignation or removal is effective pursuant to the Indenture.

Merger or Consolidation. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto shall be and become successor Trustee under the Indenture and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Resignation of Trustee. The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' prior written notice to the Issuer, the Construction Lender (but only prior to the Conversion Date) and Fannie Mae, and such resignation shall only take effect upon the appointment, pursuant to the Indenture, of, and acceptance by, a successor Trustee. The successor Trustee shall give notice of such succession by first class mail, postage prepaid, to each Bondholder at the address of such Bondholder shown on the Register.

Removal of Trustee. The Trustee shall be removed (i) by the Issuer (a) upon receipt of the written request of the owners of a majority in principal amount of the Bonds then Outstanding or (b) if at any time the Trustee shall cease to satisfy the eligibility requirements of a Successor Trustee in accordance with the provisions described under the heading "Appointment of Successor Trustee" below; provided, that Fannie Mae may request that the Issuer remove the Trustee for cause and the Issuer shall evaluate such request and shall determine, in its sole discretion, whether to remove the Trustee. The Issuer may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Issuer, or for no cause whatsoever, by filing with the Trustee an instrument signed by an Authorized Officer. Such removal shall then discharge the Trustee of future duties and obligations under the Indenture other than as provided under the heading

“Merger or Consolidation” above. In no event, however, may such removal take effect until a successor Trustee shall have been appointed pursuant to the provisions described under the heading “Appointment of Successor Trustee” below.

Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer covenants and agrees that it will thereupon appoint a successor Trustee. The Issuer shall mail notice of any such appointment to registered owners of Bonds, such mailing to be made within twenty days after such appointment. The Issuer shall use its best efforts to appoint a successor Trustee before any resignation or removal of the Trustee is scheduled to become effective.

(b) If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions described under this heading within forty-five days after the Trustee shall have given to the Issuer written notice, as provided under the heading “Resignation of Trustee” above, or after a vacancy in the office of a Trustee shall have occurred by reason of its inability to act, the Trustee or the owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) Any Trustee appointed under the provisions described under this heading in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000) and have a long-term debt rating from a Rating Agency of at least “BBB” or the equivalent.

Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer and Fannie Mae, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if named in the Indenture as such Trustee, but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, Fannie Mae or the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any properties held by it under the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such moneys, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request, and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Issuer.

Collection of MBS Payments

The Trustee shall cause the MBS to be registered in the name of the Trustee or in the name of the nominee of the Trustee with such additional recitals as appropriate to indicate that the MBS is to be held by the Trustee in its capacity as Trustee under the Indenture subject to the provisions of the Indenture. In the event the Trustee determines in its discretion that payment by Fannie Mae, directly to DTC for the account of the Bondholders is desirable, it can, subject to Fannie Mae’s consent, designate DTC as the address to which payments under the MBS are to be made; provided that DTC shall have agreed to notify the Trustee in the event that any amount payable under the MBS is not received by such custodian within one Business Day of the date such payment is due. In the event that any amount payable to the Trustee under the MBS is not received by the Trustee within one Business Day of the date such payment is due, or if such payment is to be made directly to the DTC, in the event the Trustee shall receive notice from DTC that such payment has not been received within one Business Day of the date such payment is due, the Trustee shall notify Fannie Mae or (if directed by Fannie Mae) the paying agent for the MBS by

telephone (such notification to be immediately confirmed by telegram, telecopy or other means of instantaneous written communication) that such payment has not been received in a timely manner and request that such payment be made by wire transfer of immediately available funds to the account of the Trustee or such custodian, as the case may be.

Miscellaneous Provisions

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

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT

The following is a summary of certain provisions of the Financing Agreement which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Financing Agreement for a full and complete statement of its provisions.

Definitions

Capitalized terms used but not defined herein shall have the means given them in the Indenture and the Financing Agreement.

General Terms of the Financing

The Issuer has authorized the issuance of the Bonds in the aggregate principal amount set forth in the Financing Agreement and Bonds in such amount shall be issued and Outstanding as of the Closing Date. The obligations of the Issuer, the Trustee and the Borrower under the Financing Agreement are expressly conditioned upon (i) the issuance, sale and delivery of the Bonds, (ii) receipt by the Trustee of the amounts set forth in the Indenture, (iii) the making of the Construction Loan by the Construction Lender and (iv) the making of the Mortgage Loan on the Conversion Date. Neither the Issuer, the Lender, the Trustee nor Fannie Mae shall have any liability for any fees, costs or expenses, including, without limitation, issuance costs relating to the Bonds; all of such fees, costs and expenses shall be paid by the Borrower.

Amount and Source of Mortgage Loan

The Trustee shall apply the amounts deposited to the Collateral Fund as provided in the Indenture to secure the Bonds until the MBS Delivery Date and then to purchase the MBS. The Borrower will accept the Construction Loan from the Construction Lender, upon the terms and conditions set forth in the Construction Loan Documents. The Borrower accepts the Mortgage Loan from the Lender, upon the terms and conditions set forth in the Mortgage Loan Documents and subject to the terms and conditions of the Regulatory Agreement. The Issuer has caused the proceeds of the Bonds and the Loan to be provided to the Trustee for deposit to the Bond Proceeds Fund. The Borrower acknowledges its obligation to pay all amounts necessary to pay principal of and interest on the Bonds. The Borrower has made arrangements for the delivery to the Trustee of the MBS and of certain other Eligible Funds as contemplated in the Financing Agreement and in the Indenture. Payments on the MBS received by the Trustee shall be credited to amounts due from the Borrower for payment of principal of and interest on the Bonds.

Notification of Prepayment of Bond Loan Note and Mortgage Note

The Borrower shall notify the Trustee promptly of the receipt of any prepayment of the Bond Loan Note and Mortgage Note, whether upon acceleration, by reason of application of insurance or condemnation proceeds, optional prepayment or otherwise. If such prepayment results in revisions to the amortization schedule, the Borrower shall provide the revised amortization schedule to the Trustee.

Collateral Payments

In consideration of and as a condition to the disbursement of Bond proceeds in the Bond Proceeds Fund to pay Project Costs, and to secure the Borrower's obligation to make payments on the Loan, the Borrower shall cause the delivery of Eligible Funds equal to the amount of the proposed disbursement to the Trustee on or before each such disbursement. All such Eligible Funds shall be paid to the Trustee for the account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture.

Disbursements from Bond Proceeds Fund

Subject to the provisions below and so long as no Event of Default under the Financing Agreement has occurred and is continuing for which the principal amount of the Bonds has been declared to be immediately due and payable pursuant to the Financing Agreement and the Indenture, and no Determination of Taxability has occurred, disbursements from the Bond Proceeds Fund shall be made only to pay any of the Project Costs.

Any disbursements from the Bond Proceeds Fund for the payment of Project Costs shall be made by the Trustee only upon the receipt by the Trustee of: (a) a Requisition; and (b) Eligible Funds in an amount equal to the amount of any such disbursement request for deposit in the Collateral Fund as described under the heading "Collateral Payments" above. The Borrower acknowledges and agrees that it shall submit Requisitions to the Trustee no more frequently than once each calendar month. Each such Requisition shall be consecutively numbered and approved by the Construction Lender. Proceeds of the Bonds disbursed pursuant to the provisions of the Financing Agreement may only be used to pay the Project Costs.

Any disbursement for any item not described in, or the cost for which item is other than as described in, the information statement filed by the Issuer in connection with the issuance of the Bonds as required by Section 149(e) of the Code, and in the notice of public hearing pertaining to the Bonds shall be accompanied by an opinion of Bond Counsel to the effect that such disbursement will not adversely affect the status of the interest on the Bonds as excludible from gross income for federal income tax purposes of the Bondholders (except on Bonds while held by a substantial user or related person, each as defined in the Code).

Any money in the Bond Proceeds Fund remaining after the MBS Delivery Date shall be applied as set forth under the Indenture.

Notwithstanding any provision of the Financing Agreement or any provision of the Indenture to the contrary, the Trustee shall not disburse funds from the Bond Proceeds Fund unless and until the Trustee confirms that Eligible Funds in the Collateral Fund plus Eligible Funds in the Bond Proceeds Fund, less the amount of the requested disbursement from the Bond Proceeds Fund, is at least equal to the then-Outstanding principal amount of the Bonds.

Events of Default

Each of the following shall constitute an event of default under the Financing Agreement, and the term "Event of Default" shall mean, whenever used in the Financing Agreement, any one or more of the following events:

(i) Failure by the Borrower to pay any amounts due under the Financing Agreement at the times and in the amounts required by the Financing Agreement; or

(ii) Failure by the Borrower to observe or perform any covenants, agreements or obligations in the Financing Agreement on its part to be observed or performed (other than as provided in clause (i) above) for a period of sixty (60) days after receipt of written notice specifying such failure and requesting that it be remedied, given to the Borrower by any party to the Financing Agreement; provided, however, that if said failure shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the Bonds and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected; or

(iii) Breach of any of the covenants, agreements or obligations of the Borrower under or the occurrence of a default which is continuing under the Regulatory Agreement, including any exhibits to any of the foregoing; or

(iv) The occurrence of an Event of Default caused by the Borrower under and as defined in the Indenture or under any of the other Financing Documents.

Nothing contained in this section is intended to amend or modify any of the provisions of the Mortgage Loan Documents or to bind the Borrower, the Lender or Fannie Mae to any notice and cure periods other than as expressly set forth in the Mortgage Loan Documents.

Remedies Upon an Event of Default

(a) Subject to subsection (d) below, whenever any Event of Default shall have occurred and be continuing, the Issuer or the Trustee may take any one or more of the following remedial steps:

(i) By any suit, action or proceeding, pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Financing Agreement and the Bond Loan Note, to enforce the performance of any covenant, obligation or agreement of the Borrower under the Financing Agreement and the Bond Loan Note (subject to the nonrecourse provisions of the Financing Agreement and the Regulatory Agreement) or to enjoin acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee.

(ii) Take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of the Borrower under the Financing Agreement and the Bond Loan Note or to enforce any other covenant, obligation or agreement of the Borrower under the Financing Agreement, the Regulatory Agreement or the Bond Loan Note.

(iii) Have access to and inspect, examine, audit and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower.

(b) The provisions of subsection (a) hereof are subject to the condition that if, after any Event of Default, except a default under the Regulatory Agreement, (i) all amounts which would then be payable under the Financing Agreement by the Borrower if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Borrower, and (ii) the Borrower shall have also performed all other obligations in respect of which it is then in default under the Financing Agreement and shall have paid the reasonable charges and expenses of the Issuer and the Trustee, including reasonable attorney fees and expenses paid or incurred in connection with such default, then and in every such case, such Event of Default may be waived and annulled by the Trustee, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) Subject to the limitations of the Regulatory Agreement and the Financing Agreement, the Issuer, without the consent of the Trustee, but only after written notice to the Trustee, the Borrower, the Lender and Fannie Mae, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any Reserved Right of the Issuer; provided that, the Issuer may not (i) terminate the Financing Agreement or cause the Mortgage Loan to become due and payable, (ii) cause the Trustee to declare the principal of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, or cause the Trustee to accelerate, foreclose or take any other action or seek other remedies under the Financing Documents, the Mortgage Loan Documents or any other documents contemplated thereby or by the Financing Agreement to obtain such performance or observance, (iii) cause the acceleration, foreclosure or taking of any other action or the seeking of any remedies under the Mortgage Loan Documents, (iv) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal, interest and other amounts due under the Mortgage Loan, or (v) interfere with or attempt to influence the exercise by Fannie Mae of any of its rights under the Financing Documents or the Mortgage Loan Documents.

(d) Except as required to be deposited in the Rebate Fund pursuant to the Tax Certificates any amounts collected pursuant to action taken under this section shall, after the payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, the Issuer, the Lender or Fannie Mae and their respective counsel, be applied in accordance with the provisions of the Indenture. No action taken pursuant to this section shall relieve the Borrower from the Borrower's obligations pursuant to the Financing Agreement.

(e) No remedy conferred upon or reserved to the Issuer or the Trustee in the Financing Agreement 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 now or hereafter existing pursuant to any other agreement at law or in equity or by statute.

(f) Notwithstanding any other provision of the Financing Agreement to the contrary, after the MBS Delivery Date, so long as Fannie Mae is not in default under the MBS, none of the Issuer, the Trustee or any Person under their control shall exercise any remedies or direct any proceedings under the Financing Agreement or the Mortgage Loan Documents, other than to (i) enforce rights under the MBS, (ii) enforce the tax covenants in the Indenture and the Financing Agreement, or (iii) enforce rights of specific performance under the Regulatory Agreement; provided, however, that any enforcement under (ii) or (iii) above shall not include seeking monetary damages.

Notice of Default: Rights to Cure

The Issuer and the Trustee shall each give notice to the other and to the Limited Partner, the Construction Lender (but only prior to the Conversion Date) and the Lender of the occurrence of any Event of Default by the Borrower under the Financing Agreement of which it has actual knowledge. The Lender and the Limited Partner shall each have the right, but not the obligation, to cure any such default by the Borrower, and upon performance by the Lender or the Limited Partner to the satisfaction of the Issuer and the Trustee of the covenant, agreement or obligation of the Borrower with respect to which an Event of Default has occurred, the parties to the Financing Agreement shall be restored to their former respective positions, it being agreed that the Lender and the Limited Partner shall each have the right to repayment from the Borrower of moneys it has expended and any other appropriate redress for actions it has taken to cure any default by the Borrower; provided that the Borrower's reimbursement obligation shall be non-recourse to the same extent as the underlying obligation is non-recourse to the Borrower.

Amendment

The Financing Agreement and all other documents contemplated by the Financing Agreement to which the Issuer is a party may be amended or terminated only if permitted by the Indenture, and no amendment to the Financing Agreement shall be binding upon, any party to the Financing Agreement until such amendment is reduced to writing and executed by the parties thereto; provided that no amendment, supplement or other modification to the Financing Agreement or any other Financing Document shall be effective without the prior written consent of Fannie Mae and the Construction Lender (but only prior to the Conversion Date).

Limited Liability of the Issuer

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER AND THE ISSUER IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE REVENUES AND OTHER FUNDS PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE. NEITHER THE ISSUER, THE STATE, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH HEREIN) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

The Borrower acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the Trust Estate, and agrees that if the payments to be made under the Financing Agreement shall ever prove insufficient to pay all principal (or redemption price) of and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall

pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) of or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

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

Definitions

Unless otherwise expressly provided in the Regulatory Agreement or unless the context clearly requires otherwise, capitalized terms not defined in the Regulatory Agreement shall bear the meaning given them in the Loan Agreement.

“Additionally Qualified Residents” means and includes individuals and households earning up to 50% of median gross income for the area, adjusted for household size, determined in a manner consistent with determinations of lower-income households under Section 8 of the United States Housing Act of 1937, as amended. Occupants of a Unit shall not be considered Additionally Qualified Residents if all residents in the Unit are students (as defined in Section 152(f)(2) of the Code), none of whom file a joint income tax return unless such residents satisfy an exception for students set forth in Section 42(i)(3)(D) of the Code. The method of determining low or moderate income in effect on the date of issue will be determinative for the Bonds, even if such method is subsequently changed.

“Available Unit” means a residential unit that is actually occupied and a residential unit that is unoccupied and has been leased at least once after becoming available for occupancy.

“Bond Counsel” means Pacifica Law Group LLP or an attorney at law or a firm of attorneys at law selected by the Issuer of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final and temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the Department of the Treasury or the IRS of the United States. All references in the Regulatory Agreement to sections, paragraphs or other subdivisions of the Code or the regulations promulgated thereunder shall be deemed to be references to correlative provisions of any successor code or regulations promulgated thereunder.

“First Occupied” means the date of first occupancy of a Unit by a resident (irrespective of whether such resident is a Project Qualified Resident).

“Functionally Related and Subordinate” shall mean and include facilities (other than Units) for use by residents; for example, laundry facilities, parking areas, swimming pools and other recreational facilities and other facilities which are reasonably required for the Project (including heating and cooling equipment, trash disposal equipment and Units for resident managers or maintenance personnel); provided, that such facilities are of a character and size commensurate with the character and size of the Project.

“Occupancy Date” means the date on which at least 10% of the Units in the Project are First Occupied.

“Project Qualified Residents” means and includes individuals and households earning up to 60% of median gross income for the area, adjusted for household size, determined in a manner consistent with determinations of lower-income households under Section 8 of the United States Housing Act of 1937, as amended. Occupants of a Unit shall not be considered Project Qualified Residents if all residents in the Unit are students (as defined in Section 152(f)(2) of the Code), none of whom file a joint income tax return unless such residents satisfy an exception for students set forth in Section 42(i)(3)(D) of the Code. The method of determining low or moderate

income in effect on the date of issue will be determinative for the Bonds, even if such method is subsequently changed.

“Qualified Units” means Units that are occupied by Project Qualified Residents, or after initial occupancy by a Project Qualified Resident, set aside for Project Qualified Residents.

“Regulatory Period” means the period described under the heading “Regulatory Period” below.

“Transfer” means any transaction that results in a change in the ownership entity whether the title to the property is transferred by a recordable deed or the interests in the ownership entity are transferred.

“Transferee” means the entity to whom the Project is sold or transferred.

“Treasury Regulations” means the final or temporary regulations of the Department of the Treasury under the Code.

“Units” means the accommodations for residents containing separate and complete facilities for living, sleeping, eating, cooking (equipped with a cooking range or microwave oven, refrigerator and sink) and sanitation comprising the Project that are available for occupancy.

Federal Tax Law Requirements

For purposes of satisfying the requirements of the Code, the Borrower has represented, warranted and covenanted as follows:

(a) ***Qualified Residential Rental Project.*** The Issuer and the Borrower have agreed that the Project is to be developed, owned, managed and operated as a “qualified residential rental project” as such phrase is used in Section 142(d) of the Code at all times during the Regulatory Period. To that end, the Borrower has represented, covenanted and agreed as follows:

(1) that the Project shall be rehabilitated and equipped for the purpose of providing residential rental accommodations containing Units and facilities Functionally Related and Subordinate to such Units, as described in Section 142(d) of the Code;

(2) that all of the Units in the Project shall contain complete and separate facilities for living, sleeping, eating, cooking (equipped with a cooking range or microwave oven, refrigerator and sink) and sanitation for single person or a household or shall qualify as a single-resident occupancy unit as provided in Section 142(d)(2)(D);

(3) that none of the Units in the Project shall be leased or rented on a transient basis or for a period of less than 30 days; used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing or rest home, trailer park or court, or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code);

(4) that once available for occupancy, each Unit in the Project shall be rented or available for rental on a continuous basis for the term of the Regulatory Agreement to members of the general public in compliance with applicable Treasury Regulations, the Regulatory Agreement and applicable state and federal laws;

(5) that no Unit in the Project shall be occupied by the Borrower; provided, that if a Project contains five or more Units, this provision shall not be construed to prohibit occupancy of not more than one Unit by the Borrower;

(6) that the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Regulatory Period; and

(7) that the Project shall consist of proximate buildings or structures located on a single “tract” of land which have similarly constructed Units financed pursuant to a “common plan” together with Functionally Related and Subordinate facilities all of which shall be owned by the Borrower for federal tax purposes.

(b) **Similar Units.** That the Qualified Units shall have substantially the same equipment and amenities (not including luxury amenities such as fireplaces) as the other Units in the Project.

(c) **Size and Location.** That the Qualified Units shall be of substantially the same size as other Units in the Project.

(d) **Designated Units.** If at any time during the Regulatory Period the Borrower is unable to rent or lease the Qualified Units to Project Qualified Residents, to hold such unrented Qualified Units vacant and to offer them for occupancy by Project Qualified Residents to meet the requirements of the Regulatory Agreement.

(e) **Annual Income Determination.** To make a determination at least annually of whether the income of residents of the Qualified Units continues to qualify such residents as Project Qualified Residents. Project Qualified Residents shall continue to be so qualified, notwithstanding any increase in income, until the annual determination of the resident’s income reflects that the resident’s income exceeds 140% of the applicable median gross income. Once it is determined that a Project Qualified Resident’s income exceeds 140% of the applicable median gross income, then the next available Unit of comparable or smaller size must be rented to a Project Qualified Resident (and the Unit occupied by the resident whose income has exceeded 140% of the applicable median gross income will continue to be treated as reserved as described in paragraph (a) above until the next Unit is rented to a Project Qualified Resident). Such determination shall be made on the forms identified in the Regulatory Agreement, as such forms may be amended by the Issuer, and are subject to independent investigation and verification by the Issuer.

(f) **Tax-Exempt Status of the Bonds.** To not (i) take any action, (ii) fail to take any action or (iii) make any use of the Project or the proceeds of the Bonds, which would cause the interest on the Bonds to be or become includable in the gross income of the Bondholders. Without limiting the generality of the foregoing, the Borrower has further covenanted and agreed that it will take such action or actions (including, without limitation, consenting and agreeing to amendments to the Regulatory Agreement or any of the other documents as may be necessary, in the opinion of Bond Counsel) so that the Borrower, all subsequent owners of the Project and the Project comply fully and continuously with Section 142(d) of the Code, as amended and applicable to the Bonds from time to time, and all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code, including, without limitation, the Treasury Regulations.

(g) **Recording.** The Regulatory Agreement shall be duly recorded at or before the Delivery Date and all amendments shall be duly recorded in the office of the County Auditor of the county in which the Project is located in first position as an encumbrance upon the Project. The Borrower has covenanted, agreed and acknowledged that the Issuer, the Bond Lender and the Bondholders are the beneficiaries of the Regulatory Agreement, that the Issuer has relied on the Regulatory Agreement in determining to issue and sell the Bonds, and that the Bondholders have relied on the Regulatory Agreement in determining to purchase or otherwise become the registered owners of the Bonds; provided that such acknowledgement is not intended to grant to Bondholders the right to enforce the terms of the Regulatory Agreement.

Additional Requirements of the Issuer

In order to satisfy the requirement of the Issuer in issuing the Bonds, the Borrower has represented, covenanted and agreed as follows:

(a) **Unit Mix.** Qualified Units shall be in a range of sizes comparable to those Units which are available to other residents. To the extent practicable, the bedroom mix (ratios of one- and two-bedroom Units, as applicable), of such Qualified Units will be in the same proportion as the bedroom mix for the entire Project.

(b) **Reporting.** To submit to the Issuer, pursuant to the Regulatory Agreement, the required documentation with respect to each Project Qualified Resident residing in the Project; provided, that so long as a Regulatory Agreement (Extended Use Agreement) in connection with the use of low income housing tax credits between the Issuer and the Borrower (the “Tax Credit Regulatory Agreement”), if any, is in full force and effect for the Project, the Issuer shall waive the reporting requirements contained in the Regulatory Agreement for the Qualified Units subject to the reporting requirements of the Tax Credit Regulatory Agreement and the Borrower shall report to the Issuer pursuant to the terms of the Tax Credit Regulatory Agreement with respect to such units.

(c) **Records.** To maintain on file, for at least three years after the expiration of the Regulatory Period, copies of the original documentation required in the Regulatory Agreement with respect to each Project Qualified Resident.

(d) **Inspection of Records.** To permit any duly authorized representative of the Issuer, the Trustee, the Bond Lender or the IRS to inspect during regular business hours, upon reasonable notice, the books and records of the Borrower pertaining to the incomes of the Project Qualified Residents who are residing or have resided in the Project including the records pertaining to the Units set-aside pursuant to the Regulatory Agreement. The Borrower is obligated to obtain and maintain on file, permit access to and submit to the Issuer only that documentation with respect to Project Qualified Residents necessary to ensure compliance with the Regulatory Agreement.

Set Aside Requirements

In order to satisfy the requirements of the Code and the Issuer in issuing the Bonds, the Borrower has represented, covenanted and agreed as follows:

(a) **Federal Tax Law Requirements.** Commencing on the date that is twelve months after Bond Closing and continuing at all times during the Regulatory Period, to maintain 40% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Project Qualified Residents; provided, that if within sixty days of the later of (1) the date of Bond Closing or (2) the acquisition of the Project, more than 90% of the Units in the Project are not available for occupancy, the Borrower shall provide immediate written notice to the Issuer and shall commence compliance with the requirements described in this paragraph (a) on the Occupancy Date.

(b) **State Law Requirements.** [None]

(c) **Compliance Monitoring Requirements.** For purposes of monitoring compliance with the Regulatory Agreement, and taking into account the rounding necessary to achieve the requirements described in paragraphs (a) and (b) above, the Project will be in compliance if at the times described in paragraphs (a) and (b) above 111 Units in the Project are for occupancy by Project Qualified Residents.

Only Qualified Units may be counted towards the low income set-aside requirements.

Regulatory Period

Except as otherwise provided in the Regulatory Agreement, the Regulatory Agreement shall continue in full force and effect until the latest of the date (i) which is 15 years after the Bond Closing, (ii) which is the first date on which the Bonds or any bonds under Section 142(d) of the Code issued to refund the Bonds are no longer Outstanding or (iii) on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates.

The Issuer and the Borrower have expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds and the discharge of the Loan Agreement and the Bond Loan Note.

Covenants to Run with the Land

The Borrower has declared its express intent that, during the term of the Regulatory Agreement, the covenants, restrictions, charges and easements set forth in the Regulatory Agreement, all of which touch and concern the land, shall be deemed covenants running with the land and shall, except as provided in the Regulatory Agreement, pass to and be binding upon the Borrower's successors in title, including any purchaser, grantee or lessee of any portion of the Project and any other person or entity having any right, title or interest therein. Except as provided in the Regulatory Agreement, each and every contract, deed or other instrument executed encumbering or conveying the Project or any portion thereof or interest therein (other than a rental agreement or lease for a Unit) shall contain an express provision making such conveyance subject to the covenants, restrictions, charges and easements contained in the Regulatory Agreement; provided, however, that any such contract, deed or other instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants, regardless of whether or not such covenants are set forth or incorporated by reference in such contract, deed or other instrument.

Sale, Transfer or Conveyance of a Project

If the Borrower sells, transfers or otherwise disposes of the Project or any portion thereof (other than by leasing or renting for individual resident use as contemplated under the Regulatory Agreement or upon transfer of title upon foreclosure of a deed of trust or a deed in lieu of foreclosure; provided, that any subsequent Transfer following foreclosure shall be in accordance with the requirements of the Regulatory Agreement) without obtaining the prior written consent of the Issuer, an event of default shall occur under the terms of the Regulatory Agreement and the remedies provided for such default described under the heading "Non-compliance; Defaults; Remedies" below can be exercised. The Issuer's consent shall not be unreasonably withheld but may be conditioned upon:

- (a) reasonable evidence satisfactory to the Issuer that the Borrower is not then in default under the Regulatory Agreement beyond any applicable grace period or cure period or that such default will be cured within a reasonable period of time following such Transfer;
- (b) reasonable evidence satisfactory to the Issuer that the Borrower has paid or will pay all fees owing under the Loan Agreement;
- (c) agreement of the Borrower to provide the Transferee with the files, information and data necessary to comply with the reporting requirements of the Regulatory Agreement;
- (d) if required by the Issuer, an opinion of counsel for the Transferee, delivered to the Issuer and the Trustee, to the effect that the Transferee has assumed in writing and in full all duties and obligations of the Borrower under the Regulatory Agreement and the Loan Agreement and that the Regulatory Agreement and the Loan Agreement constitute legal, valid and binding obligations of the Transferee;
- (e) a determination by the Issuer, with regard to any project of the Transferee financed by the Issuer, that

(i) the Transferee is not now in arrears on any payments of fees due and owing to the Issuer or in default under a regulatory agreement, beyond any applicable grace period or cure period;

(ii) the Transferee does not have a documented history of repeated instances of noncompliance with nonmonetary provisions of the Regulatory Agreement which are not cured after notice thereof and within the applicable cure period or grace period;

(iii) the Transferee does not have a documented history of repeated instances of failure to pay fees due and owing to the Issuer or the Trustee which are not paid within a reasonable period after notice thereof;

(iv) either (a) the purchaser or assignee has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below market rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local government requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Qualified Units; and

(v) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of, material building code violations or material complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies;

(f) payment to the Issuer of the then applicable administrative fee of the Issuer (as set forth in the Issuer's Tax Credit Compliance Procedures Manual) to transfer ownership of the Project on its books and records and ensure compliance with the provisions of the Regulatory Agreement described under this heading;

(g) an opinion of Bond Counsel that such Transfer will not cause the interest on the Bonds to lose its exemption from federal income taxation; and

(h) any other conditions which may be reasonably imposed by the Issuer or the Trustee, to assure compliance with federal or state law. Any sale, transfer or other disposition of the Project in violation of the foregoing provisions shall be ineffective to relieve the Borrower or the Project of obligations under the Regulatory Agreement.

Notwithstanding the foregoing, neither the Issuer's consent nor notice shall be required for a transfer of interests in the Borrower to an affiliate of the Limited Partner. However, while consent shall not be required, written notice and an explanation of the change shall be required for the following: (i) for the removal of a general partner of Borrower in accordance with the Partnership Agreement and the replacement thereof with the Limited Partner, or any of its affiliates; (ii) the transfer of the Limited Partner's partnership interests in Borrower to an entity which is not an affiliate of the Limited Partner, (iii) the transfer of the interests of the Limited Partner to Borrower's general partner or any of its affiliates; (iv) the transfer of other interests of the Limited Partner to Borrower's general partner or any of its affiliates; (v) for the events specifically excluded from Issuer consent described in the Bond Compliance Procedures Manual of the Issuer; or (vi) any amendments to the Partnership Agreement to memorialize the transfers or removal described in subsections (i) through (iv) above.

Any written consent to a sale or transfer obtained from the Issuer shall constitute conclusive evidence that the sale or transfer is not a violation of the transfer provision.

Non-compliance; Defaults; Remedies

The Borrower shall exercise reasonable diligence to comply with the requirements of the Regulatory Agreement and shall correct any such noncompliance within sixty (60) days after such noncompliance is first discovered by the Borrower or would have been discovered by the exercise of reasonable diligence, or within sixty (60) days after the Borrower receives notice of such noncompliance from the Issuer; provided, however, that such period for correction may be extended if the Borrower is exercising due diligence to correct the noncompliance and upon receipt of an opinion of Bond Counsel that such extension would not cause the interest on the Bonds to be includable in gross income for the purpose of federal income taxation pursuant to Section 103 of the Code.

If the Borrower shall fail to observe or perform any covenant, condition or agreement contained in the Regulatory Agreement on its part to be observed or performed and if such noncompliance is not corrected as described under this heading, then such noncompliance shall be considered an event of default and the Issuer shall be entitled to bring an action at law or in equity to abate, prevent or enjoin any such violation or attempted violation, to recover monetary damages caused by such violation or attempted violation or to compel specific performance by the Borrower of its obligations under the Regulatory Agreement, it being recognized that the beneficiaries of the Borrower's obligations under the Regulatory Agreement cannot be adequately compensated by monetary damages in the event of the Borrower's default. No delay in enforcing the provisions of the Regulatory Agreement as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the same or obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times.

Enforcement of Terms

The benefits of the Regulatory Agreement shall inure to, and may be enforced by the Issuer and its successors and assigns, during the term of the Regulatory Agreement, whether or not the Loan is paid in full and whether or not the Bonds are outstanding. Notwithstanding the foregoing, the requirements set forth in the Regulatory Agreement shall cease to apply to the Project if any of the events described under the heading "Involuntary Termination" below occurs with respect to the Project. The parties have agreed they will execute and deliver any and all documents and instruments necessary to effectuate the provisions described under this heading.

Violations of the provisions of the Regulatory Agreement shall be enforceable exclusively against the Borrower or its Transferee (as approved pursuant to the Regulatory Agreement) and only by the Issuer and/or the Trustee. No Bondholder shall have the right to enforce the Regulatory Agreement. The Issuer, its successors, designees and assigns, assume no direct or indirect obligation to any former, present or prospective resident for violations of the Regulatory Agreement. The Regulatory Agreement is not intended, and shall not be construed, to create a duty or obligation of the Issuer to enforce any term or provision of the Regulatory Agreement on behalf of, at the request of, or for the benefit of, any former, present or prospective resident.

Term; Amendment; Termination

The Regulatory Agreement shall become effective upon its execution and delivery, and shall remain in full force and effect for the Regulatory Period provided in the Regulatory Agreement and shall terminate in its entirety at the end of the Regulatory Period, it being expressly agreed and understood that the provisions of the Regulatory Agreement may survive the retirement of the Bonds and discharge of the Loan Agreement and the Bond Loan Note. When all the Bonds have been paid or deemed paid pursuant to the Indenture, the Trustee will no longer have any duties under the Regulatory Agreement and all references to the Trustee will thereafter be deemed references to the Issuer.

The provisions of the Regulatory Agreement shall not be amended, revised or terminated (except as provided in the Regulatory Agreement) prior to the expiration of the Regulatory Period except by an instrument in writing duly executed by the Issuer and the Borrower (or their successors in title) and duly recorded. The Issuer's consent to any such amendment, revision or termination, other than termination as described under the heading "Involuntary Termination" below (in each case, whether or not the Bonds shall then be outstanding), shall be given only upon receipt of an opinion of Bond Counsel that such amendment, revision or termination will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. An opinion of

Bond Counsel approving the modification of any of the terms of the Regulatory Agreement as provided in the Regulatory Agreement shall become applicable upon the delivery of such opinion to the Issuer and the recording of the instrument evidencing the modification in the office of public records in the County where the Project is located.

Notwithstanding any other provisions of the Regulatory Agreement, the Regulatory Agreement shall be amended to conform to any more restrictive requirement of any amendments to the Code, or amended Treasury Regulations (proposed or final), which in the opinion of Bond Counsel, is necessary and desirable to preserve the tax-exemption of interest on the Bonds, or any legislative enactment or final decision by a court of competent jurisdiction, affecting the tax-exempt status of the interest on the Bonds when the same becomes applicable. The Issuer, the Borrower and any Transferee of the Borrower agree to any such amendments as may be required to comply with any such amendments or decisions.

Involuntary Termination

Notwithstanding anything else in the Regulatory Agreement to the contrary, the requirements of the Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the Regulatory Agreement caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Delivery Date which prevents the Issuer and its assigns from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period (other than as to foreclosure or a deed in lieu of foreclosure), either the Bonds allocable to the Project are retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Regulatory Agreement; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Regulatory Agreement shall be reinstated if, at any time subsequent to the termination of such provisions as a result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower has agreed that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Upon the termination of the Regulatory Agreement, the parties to the Regulatory Agreement have agreed to execute, deliver and record the appropriate instruments of release and discharge of the terms of the Regulatory Agreement; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms. Such release is not subject to satisfaction of any outstanding obligation owed to the Issuer.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$24,000,000

**Washington State Housing Finance Commission
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018**

This Continuing Disclosure Agreement, dated as of September 1, 2018 (this “Continuing Disclosure Agreement”), is executed and delivered by the SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership (the “Borrower”), and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”). The above-captioned bonds (the “Bonds”) are being issued pursuant to a Trust Indenture, dated as of September 1, 2018 (the “Indenture”), between the Washington State Housing Finance Commission (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). Pursuant to the Indenture and Financing Agreement, dated as of September 1, 2018, among the Issuer, the Trustee, Keybank National Association, as bond lender, and the Borrower (the “Financing Agreement”), the Dissemination Agent and the Borrower covenant and agree as follows:

Section 1. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the holders of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement, and has no liability to any person, including any holder of the Bonds or Beneficial Owner, with respect to any such reports, notices or disclosures.

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

“*Annual Report*” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“*Audited Financial Statements*” means, in the case of the Borrower, the annual audited financial statements prepared in accordance with generally accepted accounting principles, if any.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean the administrator of the Project or his or her designee, or such other person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“*MSRB*” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in an electronic format and

accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB's Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

"Participating Underwriter" means KeyBanc Capital Markets Inc., and its successors and assigns.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The Borrower will, or will cause the Dissemination Agent to, not later than 180 days following the end of the Borrower's fiscal year, commencing with the fiscal year ending on December 31, 2018, provide to the MSRB an Annual Report which is consistent with the requirements described below. No later than 15 Business Days prior to said date, the Borrower will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information, provided that the audited financial statements for the prior calendar year of the Borrower may be submitted separately from the balance of the Annual Report.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent will contact the Disclosure Representative to determine if the Borrower is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent will send in a timely manner a notice to the MSRB in substantially the form attached as Exhibit B to this Continuing Disclosure Agreement.

(d) The Dissemination Agent will file a report with the Borrower and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided.

Section 4. Content of Annual Reports. The Borrower's Annual Report will contain or incorporate by reference the following:

(a) Financial information with respect to the Project, provided at least annually, of the type included in Exhibit A hereto, which Annual Report may, but is not required to, include Audited Financial Statements. If the Borrower's Audited Financial Statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the Audited Financial Statements will be filed in the same manner as the Annual Report when and if they become available; and

(b) Tables setting forth the following information as of the end of such fiscal year:

(i) The original aggregate principal amount of the Bonds and the aggregate principal amount of the Bonds remaining Outstanding; and

(ii) With respect to the MBS relating to the Bonds, the MBS pool number, the MBS CUSIP number, the original principal amount and the principal amount outstanding of the MBS.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB. The Borrower will clearly identify each such other document so incorporated by reference.

Each annual report submitted hereunder shall be in readable portable document format ("PDF") or other acceptable electronic form.

Section 5. Reporting of Listed Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events (each, a “Listed Event”):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Borrower. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent, if material;
- (xv) Any HAP Contract or other rental assistance or subsidy agreement for the Project has been terminated;
- (xvi) Any Regulatory Agreement with respect to the Project is in default;
- (xvii) The date when the Project is placed in service for purposes of Section 42 of the Internal Revenue Code of 1986, as amended;

(xviii) The extension of the Mandatory Redemption Date as such date may be extended under the Indenture; and

(xix) The delivery of the MBS and the MBS CUSIP number.

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any potential Listed Event, pursuant to subsection (c) of this Section 5 or otherwise, provide the Disclosure Representative with notice (by facsimile transmission confirmed by telephone or by email). While the Dissemination Agent is also the Trustee, the Dissemination Agent shall be deemed to have actual knowledge of those items listed in clauses (i), (iii) (solely with respect to funds held by the Trustee), (iv), (v), (vii), (viii), (ix), (x) and (xiv) above without the Dissemination Agent having received notice of such event. While the Dissemination Agent is not also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of any items listed in clauses (i) - (xiv) above without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Disclosure Representative, the Dissemination Agent shall assume that the unscheduled draws described in clauses (iii) and (iv) reflect financial difficulty.

(c) Whenever the Borrower obtains knowledge of the occurrence of a potential Listed Event, the Borrower shall, within five (5) Business Days of obtaining such knowledge and in any event no more than eight (8) Business Days after the occurrence of such event, determine if such event is in fact a Listed Event that is required by the Rule to be disclosed and provide the Dissemination Agent with notice and instructions pursuant to subsections (d) below.

(d) If the Borrower has determined that a Listed Event is required to be disclosed then the Borrower shall prepare a written notice describing the Listed Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (e) below.

(e) If the Dissemination Agent has been provided with a written notice describing a Listed Event pursuant to subsection (c) of this Section 5 or otherwise, and is instructed by the Borrower to report the occurrence of such Listed Event, the Dissemination Agent shall, within two (2) Business Days of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Listed Event, file the notice with the MSRB and send a copy to the Borrower.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the Dissemination Agent will agree to any amendment so requested by the Borrower unless such amendment adversely affects its rights, duties, protections, immunities, indemnities or standard of care, as determined by the Dissemination Agent) and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described under paragraph (a) under “Provision of Annual Reports,” “Contents of Annual Reports” or paragraph (a) under “Reporting of Listed Events,” it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an Obligated Person (as defined in the Rule) with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower will describe such amendment in the next Annual Report and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5(f) hereof and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, and such failure to comply continues beyond a period of thirty (30) days following written notice to the Borrower, the Borrower or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking, or specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement will not be deemed an Event of Default under the Indenture or the Financing Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement will be an action to compel performance.

Section 8. Beneficiaries. This Continuing Disclosure Agreement will inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds and will create no rights in any other person or entity.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

Section 11. Notices. All notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered personally or by mail (including electronic mail) to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Disclosure Agreement and addressed as set forth below or telecopied to the telecopier number of the recipient, with confirmation of transmission, indicated below:

If to the Borrower:

SHAG Affordable Senior Living Associates (2) Limited Partnership
c/o Pacific Northern Construction Company, Inc.
201 27th Avenue NE, Building A, Suite 300
Puyallup, Washington 98374
Attention: Bryan Park

If to the Dissemination Agent:

U.S. Bank National Association
Attn: Global Corporate Trust Services
1420 Fifth Avenue, 7th Floor, PD-WA-T7CT
Seattle, Washington 98101
Telephone: (206) 344-4681
Fax: (206) 344-4630

If to the Trustee:

U.S. Bank National Association
Attn: Global Corporate Trust Services
1420 Fifth Avenue, 7th Floor, PD-WA-T7CT
Seattle, Washington 98101
Telephone: (206) 344-4681
Fax: (206) 344-4630

Section 12. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State of Washington.

Section 13. Termination of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement may be terminated by any party to this Continuing Disclosure Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Continuing Disclosure Agreement; provided the termination of this Continuing Disclosure Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a dissemination agent who agrees to continue to provide, to the MSRB and the Bondholders, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities law provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws, (iii) notice of the termination of this Agreement is provided to the MSRB and (iv) the Borrower shall have paid to the Dissemination Agent its fees due hereunder to and including the effective date of such termination of this Agreement.

The Dissemination Agent shall be fully discharged at the time any such termination is effective. Also, this Agreement shall terminate (i) automatically upon payment or provisions for payment of the Bonds, or (ii) when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity and the Borrower shall have paid to the Dissemination Agent its fees due hereunder to and including the effective date of such termination of this Agreement.

Section 14. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be executed by their duly authorized representatives as of the date set forth above.

SHAG AFFORDABLE SENIOR LIVING ASSOCIATES (2) LIMITED PARTNERSHIP,

a Washington limited partnership

By: SHAG Affordable Senior Living (2) Development Associates, LLC,
a Washington limited liability company,
its Managing General Partner

By: _____
Bryan M. Park
Manager

[Signatures continue on following page]

[Dissemination Agent’s Signature Page to Continuing Disclosure Agreement]

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

ANNUAL REPORT

\$24,000,000

**Washington State Housing Finance Commission
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018
CUSIP: 93979A AA7**

Report for Period Ending _____

THE PROJECT

Name: Sunset Garden Apartments Project

Address:

Number of Units:

Number of Units Occupied as of Report Date: _____ (excluding ____ manager's units)

OPERATING HISTORY OF THE PROJECT

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

Revenues

Operating Expenses¹

Net Operating Income

Debt Service on the Bonds

Net Operating Income/(Loss)

After Debt Service

The average physical occupancy of the Project for the fiscal year ended [] was []% and the average economic occupancy of the Project for the fiscal year ended [] was []%.

¹Excludes depreciation and other non-cash expenses, includes management fee.

EXHIBIT B

**NOTICE OF FAILURE TO
FILE ANNUAL DISCLOSURE REPORT**

Name of Issuer: Washington State Housing Finance Commission

Name of Issue: Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018

Name of Borrower: SHAG Affordable Senior Living Associates (2) Limited Partnership

CUSIP: 93979A AA7

Date of Issuance: September 27, 2018

NOTICE IS HEREBY GIVEN that the above-referenced borrower (the "Borrower") has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Agreement. The undersigned has been informed by the Borrower that it anticipates that Annual Report will be filed by _____.

DATED: _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Name: _____
Title: _____

cc: Borrower

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APPENDIX G

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Borrower believe to be reliable, but neither the Issuer, the Underwriter nor the Borrower take responsibility for the accuracy thereof.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings' rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the transaction documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, the amount of the interest of each Direct Participant in such issue to be redeemed shall be determined on a pro rata basis in accordance with the “Pro Rata Pass Through Distributions of Principal” procedures of DTC.

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or its nominee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX H

FORM OF NOTICE OF REQUEST TO EXCHANGE

\$24,000,000

Washington State Housing Finance Commission
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018

The undersigned Beneficial Owner of Washington State Housing Finance Commission Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018 (the "Bonds"), hereby requests U.S. Bank National Association (the "Trustee") to exchange Bonds in an original face amount and current principal amount equal to \$_____ and \$_____, respectively, for a like original face amount and current principal amount of the MBS on _____, 20__ (the "Exchange Date"), and has arranged with its securities dealer (and/or DTC participant) to deliver such Bonds to the Trustee (via DTC withdrawal or DWAC) on or before the Exchange Date.

The undersigned acknowledges and agrees that the Issuer has the option, in the Issuer's sole discretion, of either (i) delivering to the Beneficial Owner of the Bonds its proportional interest in the MBS based upon its proportional interest in the Bonds, or (ii) redeeming the Beneficial Owner's Bonds for an amount equal to the Cash Value plus accrued interest to the date of redemption, all as more fully provided in the Indenture. The undersigned further agrees that the Issuer shall not have any liability to the Beneficial Owner arising from (1) the exercise by the Issuer in its sole discretion of the option to exchange for or redeem the Bonds, (2) any exchange or redemption of Bonds effected hereby, or (3) any of the costs or expenses hereof.

If the Issuer elects to exchange Bonds for a like original face amount and current principal amount of the MBS, once the DTC DWAC has been verified and approved by the Trustee, the Trustee is hereby requested to deliver free the above referenced original face and current principal amount of the MBS using the automated book-entry system maintained by the Federal Reserve Banks acting as depositories for the issuer of the MBS in accordance with the Beneficial Owner's Fed delivery instructions.

If the Issuer elects to redeem Bonds, once the DTC DWAC has been verified and approved by the Trustee, the Trustee is hereby requested to transfer the above-referenced current principal amount of the MBS to or upon the order of the Issuer in exchange for an amount equal to the Cash Value plus accrued interest to the date of redemption (less any interest to be received by the Beneficial Owner on the next Payment Date if the redemption occurs between the Record Date and such Payment Date), and apply the proceeds of such transfer to the payment of the Redemption Price of the Bonds.

The undersigned Beneficial Owner shall pay the Trustee's exchange fee in the amount of \$1,000 by wire transfer on the Exchange Date. If the Exchange Date is subsequent to a Record Date and prior to a corresponding certificate payment date for the Bonds, the Trustee shall wire the applicable principal and interest payments on the Bonds to the undersigned Beneficial Owner using the wire instructions set forth below.

Dated: _____

Signature: _____

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Beneficial Owner's fed delivery instructions:

Beneficial Owner's wire instructions:

Trustee's wire instructions:

U.S. Bank National Association

ABA:

Account:

Account Name:

Attention:

APPENDIX I

**SUPPLEMENT TO OFFICIAL STATEMENT
DATED SEPTEMBER 14, 2018**

relating to

\$24,000,000

**Washington State Housing Finance Commission
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018**

Capitalized terms used in this Supplement have the meanings given to such terms in the Official Statement referred to above. On September 14, 2018, the Washington State Housing Finance Commission (the “Issuer”), the SHAG Affordable Senior Living Associates (2) Limited Partnership, a Washington limited partnership (the “Borrower”) and KeyBanc Capital Markets Inc. (the “Underwriter”) entered into a transaction for the delivery of the above-captioned bonds (the “Bonds”) with the terms and characteristics set forth below and in certain sections of the Official Statement.

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TERM SHEET

This Term Sheet assumes the Mortgage Loan is originated in an amount equal to the maximum amount available under the Lender Commitment and that all the Conditions to Conversion have been satisfied and have not been waived or modified. See “Multifamily Schedule of Loan Information” herein.

\$24,000,000
CLOSING DATE September 27, 2018
Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (M-TEBS)
(Sunset Garden Apartments Project),
Series 2018

BOND CUSIP: 93979A AA7

POOL STATISTICS (AS OF CLOSING DATE)

TAX-EXEMPT BOND ISSUE INFORMATION <i>(Information provided by Issuer for this Supplement to Official Statement)</i>	
BOND ISSUER NAME	Washington State Housing Finance Commission (“WSHFC”)
BOND ISSUE SERIES	Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Sunset Garden Apartments Project), Series 2018
BOND ISSUE PAR	\$24,000,000
BOND DATED DATE	September 1, 2018
BOND MATURITY DATE	March 1, 2036
BOND ISSUE TAX STATUS	Excludable from gross income for federal tax purposes and state tax purposes, and not an item of tax preference for Federal AMT. See “TAX MATTERS” in the Official Statement.
BOND ISSUE CUSIP	93979A AA7
COLLATERAL FOR THE BOND ISSUE	Fannie Mae DUS MBS (see pool info below)
BOND ISSUE CREDIT RATING	S&P “AA+”
BOND CLOSING DATE	September 27, 2018
BOND PAYMENT DATES	One Business Day after payment on underlying MBS is received by the Trustee ¹
BOND FIRST PAYMENT DATE	October 26, 2018
BOND FINAL PAYMENT DATE	The Business Day after the receipt of the final payment on the MBS scheduled for March 25, 2036, or the following

¹ There shall be no further accrual of interest from the Bond Maturity Date to the Bond Final Payment Date. Because of this lag in payment of principal and interest inherent in the payment terms of the Bonds and the one Business Day lag in payment, the effective yield on the Bonds will be lower than the Bond Net Pass-Through Rate on the Bond.

	Business Day if such day is not a Business Day
ALL OTHER BOND ISSUE TERMS	Same as underlying MBS
BOND PREPAYMENT TERMS	100% of the principal amount of the Bonds if MBS not delivered by Bond Initial Mandatory Redemption Date and if the Conversion Date has not occurred on or prior to the Termination Date, thereafter same as underlying MBS
BOND NET PASS THROUGH RATE	3.63%
BOND OFFERING PRICE	100%
BOND UNDERWRITER COMPENSATION	\$180,000
BOND UNDERWRITER	KeyBanc Capital Markets Inc.
BOND MANDATORY REDEMPTION UPON FAILURE TO PURCHASE MBS	November 1, 2020, which date may be extended in accordance with the Indenture
BOND MANDATORY REDEMPTION DATE UPON FAILURE TO CONVERT BY THE TERMINATION DATE	Five (5) Business Days after September 1, 2020, unless extended to March 1, 2021, subject to such additional extension in the sole discretion of Fannie Mae, in accordance with the Fannie Mae Forward Commitment and the Indenture
BOND TRUSTEE	U.S. Bank National Association
BOND REMAINING TERM TO MATURITY (MONTHS)	209 months, plus, if the Closing Date occurs other than on the first day of the month, the number of days from the Closing Date to the last day of the month in which the Closing Date occurs.
POTENTIAL UNDERLYING FANNIE MAE POOL STATISTICS ASSUMING THE ORIGINATION OF THE ENTIRE MORTGAGE LOAN AMOUNT SUBJECT TO THE LENDER COMMITMENT AND NO WAIVER OR MODIFICATION OF ANY CONDITION TO THE ORIGINATION OF THE MORTGAGE LOAN IN THE LENDER COMMITMENT ON OR PRIOR TO THE TERMINATION DATE <i>(Information provided by Lender for this Official Statement)</i>	
ISSUE DATE	October 2019, based on an assumed Conversion Date of October 1, 2019 determined based on information provided by Borrower. No assurance can be provided as to the actual Issue Date.
NOTE RATE	4.68%
ISSUANCE PASS-THROUGH RATE	3.63%
POOL ISSUANCE UPB	\$24,000,000
MAXIMUM ISSUANCE UPB	\$24,000,000
POOL MATURITY DATE	March 1, 2036
EXPECTED MBS DELIVERY DATE	October 22, 2019 based on an assumed Conversion Date of October 1, 2019 determined based on information provided by the Borrower. No assurance can be provided as to the actual Conversion Date and whether or not it will occur prior to the Termination Date
REMAINING TERM TO MATURITY (MONTHS)	From the Conversion Date to March 1, 2036 (not less than 180 months)
NUMBER OF LOANS	1
POOL SECURITY FUNDS TRANSFER TYPE	Fed Wire
TRANSACTION TYPE	DUS

POOL FIRST PAYMENT DATE	25 th day of the month following the month in which the MBS is delivered, or the following Business Day if such day is not a Business Day
POOL FINAL PAYMENT DATE	March 25, 2036, or the following Business Day if such day is not a Business Day
SECURITY TYPE	MBS
SELLER NAME	KeyBank National Association
SERVICER NAME	KeyBank National Association
% OF INITIAL POOL BALANCE	100%
POTENTIAL UNDERLYING FANNIE MAE POOL STATISTICS ASSUMING THE ORIGINATION OF THE ENTIRE MORTGAGE LOAN AMOUNT SUBJECT TO THE LENDER COMMITMENT AND NO WAIVER OR MODIFICATION OF ANY CONDITION TO THE ORIGINATION OF THE MORTGAGE LOAN IN THE LENDER COMMITMENT ON OR PRIOR TO THE TERMINATION DATE. <i>(Information provided by Lender for this Official Statement)</i>	
LOAN MATURITY DATE	March 1, 2036
TIER	2
TIER DROP ELIGIBLE	No
LIEN PRIORITY	First
WEIGHTED AVERAGE LTV	90%
WEIGHTED AVERAGE ISSUANCE UW NCF DSCR(x)	1.15x
BALLOON	Yes
OTHER DEBT	No
ORIGINAL UPB	\$24,000,000
ISSUANCE UPB	\$24,000,000
ISSUANCE UPB/UNIT	\$86,957
PREPAYMENT PREMIUM OPTION	Yield Maintenance – CMT as defined in the Fannie Mae Multifamily MBS Prospectus
PREPAYMENT PREMIUM TERM (MONTHS)	From the Conversion Date to September 1, 2035 and thereafter; then 3 months of a 1% prepayment penalty; final 3 months of loan term no penalty.
PREPAYMENT PREMIUM END DATE	September 1, 2035
FIRST LOAN PAYMENT DATE	First of the month following the Conversion Date
ORIGINAL TERM (MONTHS)	From the Conversion Date to March 1, 2036 (not less than 180 months)
INTEREST TYPE	Fixed
INTEREST ACCRUAL METHOD	Actual/360
INTEREST ONLY END DATE	March 1, 2021
INTEREST ONLY TERM (MONTHS)	From the Conversion Date to March 1, 2021
NOTE DATE	October 1, 2019, assuming a Conversion Date of October 1, 2019
LOAN PURPOSE	Refinance/Rehabilitation
ISSUANCE NOTE RATE (%)	4.68%
MONTHLY DEBT SERVICE	\$116,271.65
MULTIFAMILY SCHEDULE OF LOAN INFORMATION	

COLLATERAL INFORMATION <i>(Information provided by Lender for this Supplement to Official Statement)</i>	
PROPERTY NAME	Sunset Garden
PROPERTY STREET ADDRESS	201 27th Avenue SE
PROPERTY CITY	Puyallup
PROPERTY STATE	Washington
PROPERTY ZIP CODE	98374
PROPERTY COUNTY	Pierce
MSA	Tacoma
YEAR BUILT	2001 (estimated)
PHYSICAL OCCUPANCY	95.72%
UNDERWRITTEN ECONOMIC OCCUPANCY	95.00%
PASS-THROUGH RATE	3.63%
MAXIMUM PASS-THROUGH RATE	3.63%
MINIMUM PASS-THROUGH RATE	3.63%
REMAINING AMORTIZATION TERM	420 months commencing March 1, 2021
ISSUANCE LTV	85.26%, maximum 90.00%
ALL-IN ISSUANCE LTV	85.26%, maximum 90.00%
UNDERWRITTEN EFFECTIVE GROSS INCOME	\$3,014,868
UNDERWRITTEN TOTAL OPERATING EXPENSES	\$1,271,043; excluding reserves
UNDERWRITTEN REPLACEMENT RESERVES	\$82,800
UW NCF (\$)	\$1,661,025
CROSS-COLLATERALIZED (Y/N)	N
CROSS-DEFAULTED (Y/N)	N
GENERAL PROPERTY TYPE	Multifamily
SPECIFIC PROPERTY TYPE	Multifamily
LAND OWNERSHIP RIGHTS	Leased Fee
PROPERTY VALUE	\$28,150,000 (as of April 1, 2019)
SEISMIC RISK	The Project does not meet any Fannie Mae tests that require any mitigants for seismic risk. N/A
TERRORISM INSURANCE COVERAGE (Y/N)	To Be Determined at Conversion
TOTAL NUMBER OF UNITS	276
AFFORDABLE HOUSING TYPE	Low Income Housing Tax Credit ("LIHTC") (276 units)
TAXES CURRENTLY ESCROWED	Yes
PROPERTY OWNER	SHAG Affordable Senior Living Associates (2) Limited Partnership
SPONSOR	Bryan M. Park, Paul Scott Price
PROPERTY MANAGER	Independent Living Associates, LLC
PROPERTY MANAGER EXPERIENCE	Independent Living Associates, LLC, the existing Property Management Agent, will continue to manage the Project following the acquisition and rehabilitation of the Project by the Borrower. The Property Manager presently manages thirty-two (32) affordable senior housing projects

	containing more than 5,800 affordable housing units in various locations in the Puget Sound region of Western Washington. The Property Manager has more than 17 years of experience in managing affordable senior housing projects supported by various federal, state and local subsidies including tax-exempt obligations, federal low-income housing tax credits and real property tax exemptions.
UNIT OF MEASURE	Unit
MULTIFAMILY SCHEDULE OF LOAN INFORMATION	
CRA INFORMATION	
<i>(Information provided by Borrower for this Supplement to Official Statement)</i>	
UNITS AT OR BELOW 50% OF MEDIAN INCOME	25% (69 units)
UNITS AT OR BELOW 60% OF MEDIAN INCOME	75% (202 units + 5 Common Area Units)
UNITS WITH INCOME OR RENT RESTRICTION %	100% (276 units)
AGE RESTRICTED INDICATOR	Yes
TAX ABATEMENT	Yes
TAX CREDIT INVESTOR	U.S. Bancorp Community Development Corporation
REGULATORY AGREEMENTS OVERSEER	WSHFC
REGULATORY AGREEMENT SET-ASIDES	LIHTC – 100% of units rented to tenants whose income is at or below 60% of AMI for an initial 30-year compliance period.
LIHTC LOW INCOME HOUSING TAX CREDIT ELIGIBILITY	The Project has applied for and received an allocation of 4% LIHTC in the State of Washington which require the property to do a certain amount of rehabilitation and limits the income of the tenants to families making 60% or less of AMI. Under the Tax Credit Regulatory Agreement, the project must have tax exempt financing for over 50% of project cost in order to be eligible for LIHTC.

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