

NEW ISSUE
Book Entry Only

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Offered Bonds is included in gross income for federal income tax purposes. In addition, in the opinion of Bond Counsel, under existing statutes, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes. See "TAX MATTERS" herein.



\$41,795,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate)

Dated: Date of Delivery

Due: as shown on inside cover page

The Housing Revenue Bonds, Series 2013 E (the "Offered Bonds") will be fully registered bonds and initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Offered Bonds. Purchases of the Offered Bonds in the Weekly Mode (as hereinafter defined) will be in book entry form only, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. For the period from and including the date of the first authentication and delivery of the Offered Bonds, except as otherwise described herein, the Offered Bonds will bear interest at a rate determined weekly by RBC Capital Markets, LLC, as Remarketing Agent. The Administration may convert the Offered Bonds to modes other than a Weekly Mode as described herein. **The description of the Offered Bonds in this Official Statement pertains only to the Offered Bonds in the Weekly Mode when supported by the Initial Liquidity Facility (as hereinafter defined).**

Interest on the Offered Bonds will be paid semiannually on January 1 and July 1 of each year, commencing January 1, 2014, and at maturity or earlier redemption, by Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, as trustee and registrar (the "Trustee"), to DTC. DTC will remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the Offered Bonds. Additional information is contained under the caption "THE OFFERED BONDS" herein.

The Offered Bonds are subject to redemption prior to maturity at the times, under the conditions and at the prices set forth under the caption "THE OFFERED BONDS — Redemption Provisions" herein.

The Administration will maintain a liquidity facility to provide funds for the purchase of Offered Bonds tendered but not remarketed. The initial liquidity facility will be a Standby Bond Purchase Agreement (Series 2013 E) (the "Initial Liquidity Facility") among the Administration, the Trustee, Royal Bank of Canada (the "Bank") and Manufacturers and Traders Trust Company, as tender agent (the "Tender Agent").



Royal Bank of Canada

The Initial Liquidity Facility will expire on November 6, 2017 (the "Expiration Date") but may be extended or replaced as described herein. The obligation of the Bank to purchase tendered Offered Bonds may also be terminated or suspended in accordance with the Initial Liquidity Facility prior to its Expiration Date under certain circumstances described herein. See "THE OFFERED BONDS – Liquidity Facility Relating to the Offered Bonds" herein and APPENDIX M — "INITIAL LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS" hereto.

The Offered Bonds are special obligations of the Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the State of Maryland (the "State"), payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Offered Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

The proceeds of the Offered Bonds will be applied to refund certain Bonds previously issued by the Administration. The Offered Bonds will be secured as described under the captions "INTRODUCTION" and "SECURITY FOR THE BONDS" herein.

The Offered Bonds are offered for delivery when, as and if issued by the Administration and accepted by the Underwriter, and the delivery of the Offered Bonds is subject to the opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel, as to the validity of the Offered Bonds. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York. Certain legal matters will be passed upon for the Bank by its counsel, Kutak Rock LLP, Atlanta, Georgia. It is expected that the Offered Bonds will be available for delivery to DTC on or about November 7, 2013.

RBC Capital Markets

Dated: October 31, 2013

MATURITY SCHEDULE

\$41,795,000 Series 2013 E

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP¹</u>
July 1, 2045	\$41,795,000	Variable	100%	57419R HB4

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed by S&P Capital IQ, a division of McGraw Hill Financial. CUSIP data herein are set forth for convenience of reference only. Neither the Administration nor the Underwriter of the Offered Bonds assumes any responsibility for the selection or use of CUSIP numbers or for the accuracy of such data. The CUSIP number for a specific maturity is subject to change after the issuance of the Offered Bonds.

No dealer, broker, salesman or other person has been authorized by the Administration 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 Offered Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to the registration or qualification under the securities laws of such jurisdiction. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Offered Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Administration since the date hereof.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or owners of any of the Offered Bonds. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OFFERED BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

No registration statement relating to the Offered Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Offered 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.

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OFFICIAL STATEMENT

of the Community Development Administration Maryland Department of Housing and Community Development

Relating to

**\$41,795,000
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page and appendices hereto, is to set forth information in connection with the sale by the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), of its Housing Revenue Bonds, Series 2013 E (the “Offered Bonds”).

Authorization

The Administration is authorized to issue the Offered Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”) and a Resolution Providing for the Issuance of Housing Revenue Bonds adopted by the Administration as of November 1, 1996, and amended and restated as of July 1, 2006 (the “Bond Resolution”). The Offered Bonds are issued pursuant to the Bond Resolution, as supplemented by a Series Resolution Providing for the Issuance and Sale of Housing Revenue Bonds, Series 2013 E, to be adopted by the Administration as of November 1, 2013 (the “2013 E Series Resolution”). The Bond Resolution, as supplemented and amended, and the 2013 E Series Resolution are collectively referred to herein as the “Resolutions.” Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is the trustee (the “Trustee”) under the Resolutions. The Trustee has not participated in the preparation of this Official Statement.

Prior Bond Issues Under Bond Resolution

The Offered Bonds are the forty-fifth issue of Housing Revenue Bonds issued by the Administration pursuant to the Bond Resolution. As of July 1, 2013, the Bond Resolution had outstanding Bonds (as defined below) having a principal amount of \$352,095,000. See APPENDIX E — “OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION” hereto. Such Bonds were issued to finance 54 mortgage loans for 57 multi-family residential rental facilities containing approximately 7,767 units, in addition to shared living and related facilities for special needs populations which are owned and sponsored by nonprofit organizations (“Group Homes”) and single family residences. On July 25, 2013, the Administration issued its (a) Housing Revenue Bonds Series 2013 B in the original principal amount of \$11,915,000 to finance three additional multi-family residential rental facilities containing 242 units and (b) Housing Revenue Bonds Series 2013 C in the original principal amount of \$23,270,000 to refund certain Bonds previously issued by the Administration. On September 19, 2013,

the Administration issued its Housing Revenue Bonds Series 2013 D in the original principal amount of \$10,790,000 to finance two additional multi-family residential rental facilities containing 104 units.

The Bond Resolution provides for the issuance of additional Bonds that will be on a parity with the Offered Bonds and will be equally and ratably secured under the Bond Resolution. Additionally, the Bond Resolution permits the issuance of additional Bonds and the creation of funds and accounts that are pledged solely to such additional Bonds. The Bond Resolution also allows the issuance of Subordinate Bonds, which are not on a parity with other Bonds. No Subordinate Bonds are Outstanding under the Bond Resolution. The prior Series of Housing Revenue Bonds and the Offered Bonds, together with any additional Bonds issued under the Bond Resolution as described above (including any Subordinate Bonds) are referred to collectively as the “Bonds.”

Use of Proceeds of Offered Bonds

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance loans, to refund Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, to pay any Development cost (including, without limitation, capitalized interest and Bond issuance costs), to fund reserves, or to achieve any other of the Administration’s purposes. Loans financed under the Bond Resolution, including, without limitation, the loan described under the heading “THE OFFERED BONDS” below and in APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS” to this Official Statement, are referred to at various times as either the “Loans” or the “Loan” as appropriate. The Loans finance various types of housing developments, including, without limitation, multi-family residential rental facilities, single family residences and Group Homes (collectively, the “Developments”) within the State which promote sound community development and provide housing for occupancy, in substantial part, by persons or families of limited income. The Loans must also meet the requirements set forth in the Resolutions as more fully described in APPENDIX C under “THE PROGRAM — Loan Provisions.” None of the Loans financed with proceeds of, or attributable to, Bonds issued prior to the Offered Bonds are in default.

The Offered Bonds. The Resolutions authorize the issuance of the Offered Bonds to provide the funds being used to refund the Refunded Bonds (as hereinafter defined). The Administration expects to apply the proceeds of the Offered Bonds to refund the Administration’s Housing Revenue Bonds, Series 1999 A, Series 2001 B and Series 2003 D (collectively, the “Refunded Bonds”). See APPENDIX E — “OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION.” The Refunded Bonds were issued to finance the Sunridge, Glen Creek Apartments, Great Hope Apartments, Windsor Valley III Apartments and Parkland Village Apartments Developments. See Table D-1 of APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS.” The Loans financed with the proceeds of the Refunded Bonds will remain outstanding, will continue to secure the Bonds and are subject to prepayment at any time. In the event of a prepayment of a Loan financed with proceeds of the Refunded Bonds, the Administration may, pursuant to the Bond Resolution, apply the proceeds thereof to: (1) the redemption of the Offered Bonds; (2) the redemption of any other series of Bonds; or (3) the financing of new Loans. See clause (1) under “THE OFFERED BONDS — Redemption Provisions — Special Optional Redemption” and Table D-1 of APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS” herein.

Interest on the Offered Bonds. The Offered Bonds will bear interest as described herein from the date of delivery at a rate determined weekly (the “Weekly Mode”), unless conversion to a different interest rate setting mode (a “Mode”), occurs as described herein. **THIS OFFICIAL STATEMENT IS ONLY INTENDED TO DESCRIBE THE OFFERED BONDS WHEN IN THE WEEKLY MODE AND SUPPORTED BY THE INITIAL LIQUIDITY FACILITY (AS HEREINAFTER DEFINED).** Except as otherwise provided herein, so long as the Offered Bonds are in Weekly Mode, the owners of

any Offered Bonds are entitled to demand purchase of such Offered Bonds at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase, upon satisfaction of the terms and conditions described herein. See “THE OFFERED BONDS – Optional Tender of the Offered Bonds” herein. The Offered Bonds are also subject to mandatory tender for purchase under certain circumstances. See “THE OFFERED BONDS – Mandatory Tender of the Offered Bonds” herein.

The Administration will provide a liquidity facility (the “Liquidity Facility”) to be in effect until the date, if any, when all Offered Bonds have been converted from a Weekly Mode to another Mode not requiring a Liquidity Facility, subject to terms and conditions set forth in the 2013 E Series Resolution. The initial Liquidity Facility with respect to the Offered Bonds will be a Standby Bond Purchase Agreement (Series 2013 E) (the “Initial Liquidity Facility”) among the Administration, the Trustee, Royal Bank of Canada (the “Bank”) and Manufacturers and Traders Trust Company, as tender agent (the “Tender Agent”). The Initial Liquidity Facility will be effective as of the date of delivery of the Offered Bonds and will provide for the purchase by the Bank on the terms and conditions specified therein of tendered Offered Bonds which are not remarketed as provided for in the Resolutions. If the Initial Liquidity Facility is to expire or terminate according to its terms and will not be renewed or replaced with an Alternate Liquidity Facility, the related Offered Bonds will be subject to mandatory tender.

RBC Capital Markets, LLC, the Underwriter, will also act as the remarketing agent (the “Remarketing Agent”) for the Offered Bonds. The Bank is the parent company of RBC Capital Markets, LLC.

This Official Statement is intended to provide information to prospective owners of Offered Bonds while the Offered Bonds are in the Weekly Mode and to provide information concerning the Initial Liquidity Facility and the Bank, and is not intended to be relied upon by prospective owners of Offered Bonds with respect to which a Mode Change, an Unenhanced Variable Rate Bond Change or any Conversion (each as herein defined) has occurred or upon the expiration or earlier termination of the Initial Liquidity Facility. A condition of any Mode Change, any Unenhanced Variable Rate Bond Change or any Conversion and the related remarketing of Offered Bonds is the delivery of an updated disclosure document.

Security and Sources of Payment

Security for the Bonds. The Bonds are secured by a pledge of and lien on: (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of bonds), (2) the Loans made or purchased from Bond proceeds, (3) revenues from Loans (primarily payments of principal and interest on Loans), (4) Prepayments, Recovery Payments and Acquired Development Receipts, and (5) all moneys, investments and other assets held in Funds and Accounts established by or pursuant to the Bond Resolution and the earnings thereon. The Administration may direct the release of amounts from such Funds and Accounts free and clear of such pledge and security interest after satisfying the then current requirements for all Funds and Accounts and certain other conditions as provided in the Resolutions. See “SECURITY FOR THE BONDS – Provisions of the Bond Resolution.”

Parity Bonds. **All Bonds (other than Subordinate Bonds and any Bonds the security for which is excluded from or limited with respect to the pledge of the Bond Resolution to the extent provided in the series resolution authorizing such Bonds) are equally and ratably secured in the manner described under “INTRODUCTION — Security and Sources of Payment — Security for the Bonds” above; and accordingly (i) the Loans secure all Bonds as well as the Offered Bonds and (ii) the Offered Bonds are secured by the Loans made or purchased with the proceeds of any Series of Bonds. The Offered Bonds may be redeemed from Recovery Payments from Loans financed with the proceeds of any Series of Bonds. See “THE OFFERED BONDS — Redemption**

Provisions” below. In addition, the long-term ratings on the Offered Bonds are based upon the performance of the aggregate Loan portfolio and, accordingly, the long-term ratings on the Offered Bonds could be downgraded even if principal of and interest on the Loans are paid when due.

Loans. The Bond Resolution does *not* require that Loans be credit enhanced. Credit Enhancement of the Loans is described in APPENDIX D and APPENDIX F hereto. The Bond Resolution does *not* require that a Loan be secured by a mortgage. If a Loan is secured by a mortgage, the mortgage lien need *not* be a first lien.

A portion of the Loans is insured by the Maryland Housing Fund (“MHF”), a mortgage insurance fund which is a unit of the Division of Credit Assurance of the Department. See APPENDIX F — “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE MHF INSURANCE PROGRAM.” For information about MHF’s financial condition, see APPENDIX J — “FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND.”

Debt Service Reserve Fund. Pursuant to the Bond Resolution, upon the issuance of any Series of Bonds, there must be deposited in the Debt Service Reserve Fund monies or Cash Equivalents in an amount sufficient to satisfy the Debt Service Reserve Requirement. No amount is required to be deposited to the Debt Service Reserve Fund with respect to the Offered Bonds. The Debt Service Reserve Requirement for other Series of Bonds, if any, shall be as set forth in the series resolution authorizing such Series. See “SECURITY FOR THE BONDS – Debt Service Reserve Fund” herein.

Limited Obligation of Administration

The Bonds are special obligations of the Administration payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution.

The Administration has no taxing power. The Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department. In addition, payment of principal of, and interest and redemption premium, if any, on the Bonds is not guaranteed by the State, the Department, the Administration, Government National Mortgage Association (“GNMA”), FHA, Fannie Mae or any other party.

Additional Information

Certain capitalized terms used herein are defined in APPENDIX A-1 — “DEFINITIONS FROM THE RESOLUTIONS” and APPENDIX A-2 — “DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS.” Capitalized terms not otherwise defined herein are used as defined in the Resolutions.

Brief descriptions of the Offered Bonds and the security for the Offered Bonds are included in this Official Statement. Descriptions of the Department and the Administration, the Administration’s program of financing Loans under the Bond Resolution (the “Program”), and the Loans and the Developments can be found in APPENDICES B, C and D, respectively. APPENDIX E contains a description of the outstanding indebtedness of the Administration. APPENDIX F summarizes certain mortgage insurance and guaranty programs of FHA, the Federal Home Loan Mortgage Corporation (“FHLMC”), GNMA, Fannie Mae and MHF, while APPENDIX G summarizes certain federal housing subsidy programs. Certain provisions of the Bond Resolution are summarized in APPENDIX H. The financial statements of the Administration’s Housing Revenue Bonds and MHF are included in APPENDICES I and J, respectively. A description of DTC’s Book Entry System is provided in APPENDIX K. The proposed form of the opinion of Bond Counsel is included as APPENDIX L. A form

of the Initial Liquidity Facility is included as APPENDIX M. Certain information with respect to the Bank is provided in APPENDIX N.

This Introduction is only a brief description of the matters described herein. Prospective purchasers of the Offered Bonds should read this entire Official Statement, including the appendices hereto, in order to make an informed investment decision. **The appendices to and footnotes in this Official Statement constitute a part of this Official Statement and contain information that any potential investor should read in conjunction with the other parts of this Official Statement in order to make an informed investment decision.** This Official Statement speaks only as of its date and the information contained herein is subject to change.

All references herein to the Resolutions and other documents and agreements are qualified in their entirety by reference to such Resolutions, documents and agreements, and references herein to the Offered Bonds are qualified in their entirety by reference to the forms thereof, copies of which are available for inspection at the offices of the Administration located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

THE OFFERED BONDS

General Description

The Offered Bonds will be dated and will accrue interest from and including their date of delivery (the “Delivery Date”). The Offered Bonds will be delivered only as fully registered bonds in book entry form in denominations of \$100,000, or any integral multiple of \$5,000 in excess thereof. The Offered Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Offered Bonds. The Offered Bonds will mature in the year and amount set forth on the inside cover page of this Official Statement and will bear interest from the Delivery Date, payable semiannually on January 1 and July 1 of each year, commencing January 1, 2014, and at maturity or earlier redemption, at the Effective Rate determined by the Remarketing Agent. If any such dates are not Business Days, then payments will be made on the next Business Day. Initially, the Offered Bonds will bear interest at the Weekly Rate. Interest will be paid to the owner of record of the Offered Bonds in the Weekly Mode as of the Business Day immediately prior to the applicable Interest Payment Date. Interest on the Offered Bonds prior to a Conversion Date will be calculated on the basis of a 365-day year or a 366-day year, as applicable, for the number of days actually elapsed. **THIS OFFICIAL STATEMENT IS ONLY INTENDED TO DESCRIBE THE OFFERED BONDS WHEN IN THE WEEKLY MODE AND SUPPORTED BY THE INITIAL LIQUIDITY FACILITY.**

Application of Offered Bond Proceeds

The proceeds of the sale of the Offered Bonds will be applied to refund the Refunded Bonds. See “INTRODUCTION — Use of Proceeds of Offered Bonds.” Costs of issuance will be paid from funds of the Administration.

Redemption Provisions

Optional Redemption. The Offered Bonds in the Weekly Mode are subject to redemption, at the option of the Administration, in whole or in part, from any source of funds, at any time, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption.

Special Optional Redemption. All Offered Bonds are subject to special redemption without premium at the principal amount thereof, plus accrued interest thereon, and at the option of the Administration, as a whole or in part, at any time, from:

(1) Recovery Payments relating to Loans financed by any Series of Bonds, including, but not limited to, voluntary prepayments, condemnation proceeds, mortgage insurance payments, hazard insurance proceeds, foreclosure proceeds, prepayments of Guaranteed Securities resulting from HUD's override of prepayment restrictions in a mortgage insured by FHA in accordance with HUD's policies and procedures, payments accepted by the Administration in order to refinance Developments which are in default or would have been in default but for the forbearance of the Administration, and any payments drawn from under any Credit Enhancement as a result of any of the events described above;

(2) amounts on deposit in the Revenue Fund in excess of accrued Debt Service on all outstanding Bonds and any account funding requirements as of the date of transfer;

(3) amounts resulting from any reduction of the amount on deposit in the Debt Service Reserve Fund; and

(4) proceeds of the Offered Bonds not used to refund the Refunded Bonds.

As a result of the special redemption provisions described above, the Administration can make no assurance that a particular Offered Bond will not be redeemed prior to its maturity. The Administration cannot accurately predict the volume of Recovery Payments, including Prepayments, or other moneys which will be available for the special redemption of Bonds in the future.

Transferred Loans and Group Home Loans. Many of the Loans that are pledged to secure the payment of the Bonds are loans that were initially financed with proceeds of bonds issued under earlier resolutions of the Administration that no longer have outstanding bonds. Such Loans, constituting the Transferred Loans, were acquired with the proceeds of the Administration's Series 1996 A Bonds and are currently subject to prepayment at the option of their respective Borrowers at any time without payment of any premium. In addition, Group Home Loans financed with the proceeds of the Series 1996 B Bonds are subject to prepayment at any time without penalty or premium. See "SECURITY FOR THE BONDS — Single Family and Group Home Loans."

Section 8. Bonds may be redeemed in the event the Administration receives an insurance claim payment in connection with the restructuring of a Loan for a Development receiving Section 8 assistance. See also additional information relating to recent developments affecting the Section 8 program under the heading "Section 8 Program — *Expiring HAP Contracts*" in APPENDIX G. The Administration cannot accurately predict when special redemption of Offered Bonds may occur in the future due to potential Prepayments of such Loans. For detailed information regarding all of the Loans, including the Transferred Loans and the Group Home Loans, see APPENDIX D — "DESCRIPTION OF LOANS AND DEVELOPMENTS."

General Provisions Regarding Optional and Special Redemptions. To the extent the Administration determines to call any of the Offered Bonds for optional or special redemption, the Administration shall redeem all outstanding Bank Bonds (as defined herein) prior to redeeming any other Offered Bond. Any redemption of less than all of the Offered Bonds outstanding shall be made in such a manner that all Offered Bonds outstanding after such redemption are in Authorized Denominations. The Offered Bonds may be called for optional or special redemption by the Trustee upon receipt by the Trustee of a written request of the Administration within the time and in the manner set forth in the Bond Resolution. In addition to the information required by the Bond Resolution, such written request of the

Administration shall also specify the principal amount of the Offered Bonds (and if such Offered Bonds within the Weekly Mode bear interest at differing rates, the principal amount of Offered Bonds bearing interest at each rate) to be called for redemption.

The Offered Bonds are not subject to mandatory redemption prior to maturity.

Selection of Bonds to be Purchased or Redeemed

Any Bonds to be purchased or redeemed, except by a Sinking Fund Installment, will be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an Authorized Officer which sets forth the following:

- (1) the Series of Bonds to be purchased or redeemed;
- (2) the maturities within such Series from which Bonds are to be purchased or redeemed;
- (3) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed; and
- (4) if any of the Bonds to be purchased or redeemed are Term Bonds, the years in which the applicable Sinking Fund Installments are to be reduced.

If fewer than all of the Bonds of a Series having the same maturity are called for redemption, the particular Bonds or portions of Bonds to be redeemed are to be selected by the Trustee by lot or in such random manner of selection as the Trustee shall determine. All Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered Outstanding under the Bond Resolution, provided that funds sufficient for the redemption of those Bonds are deposited with the Trustee. Upon presentation and surrender of Bonds called for redemption at the place or places of payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such Bonds are to be paid and redeemed.

Purchase of Bonds

The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedures as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

Notice of Redemption

Notice of redemption of the Offered Bonds is to be given not less than 30 days before the date fixed for redemption, as provided in the 2013 E Series Resolution. Failure to give any such notice, however, will not affect the validity of any proceedings for redemption of other Bonds of such Series.

DTC and Book Entry

The Offered Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership interests in the Offered Bonds will only be available in book entry form. Purchasers of beneficial ownership interests in the Offered Bonds will not receive certificates representing their interests in the Offered Bonds purchased. See APPENDIX K — “BOOK ENTRY SYSTEM.”

Principal of, premium, if any, and interest on the Offered Bonds are payable, so long as the Offered Bonds are in book entry form, through a securities depository as described in APPENDIX K.

Offered Bonds in the Weekly Mode

The Offered Bonds (other than Bank Bonds) will bear interest at a rate determined weekly (the “Weekly Rate”) that will take effect on each Thursday (the “Effective Rate Date”) and remain in effect until the day before the next Effective Rate Date (the “Weekly Mode”). The Weekly Rate will be determined by the Remarketing Agent by 4:00 p.m. New York time on the first Business Day preceding the applicable Effective Rate Date (each a “Rate Determination Date”). In no event will the Offered Bonds (other than Bank Bonds) bear interest at a rate in excess of 12% (the “Maximum Rate”). The Trustee will provide monthly statements to DTC setting forth the Weekly Rates for the prior month within seven Business Days of the end of each calendar month.

The Weekly Rate will be that rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Offered Bonds on the Effective Rate Date being 100% of the principal amount thereof and is less than or equal to the Maximum Rate. In determining the Weekly Rate for any Offered Bonds, the Remarketing Agent will take into account to the extent applicable (1) market interest rates for comparable securities held by taxable money market funds; (2) other financial market rates and indices that may have a bearing on the Weekly Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, and the London Interbank Offered Rate (LIBOR)); (3) general financial market conditions; and (4) factors particular to the Administration and the Offered Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by any Offered Bonds (other than Bank Bonds) will be conclusive and binding on the holders of the Offered Bonds. Failure by the Remarketing Agent or the Trustee to give any notice required under the 2013 E Series Resolution, or any defect in such notice, will not affect the rights of the Bondholders thereof.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the rate on the Offered Bonds shall be the interest rate as determined or caused to be determined, at the expense of the Administration, by the Trustee weekly to be the lesser of (A) the One-Month LIBOR plus 0.25%, and (B) the Maximum Rate.

Bank Bonds will bear interest as set forth in the Initial Liquidity Facility.

Mode Changes Relating to the Offered Bonds

The Mode Period from the Delivery Date until further designation by the Administration shall be a Weekly Mode Period. The Administration may elect (1) to change the intervals at which the interest rate is calculated with respect to all or part of the Offered Bonds (each such change is a “Mode Change” with respect to the Offered Bonds to which such Mode Change applies, and the date on which each such Mode Change is effective is a “Mode Change Date”), (2) to change all or part of the Offered Bonds to

become variable rate bonds not required to be supported by a Liquidity Facility (each such change an “Unenhanced Variable Rate Bond Change” with respect to the Offered Bonds to which it applies, and the date of each such change, an “Unenhanced Variable Rate Bond Change Date”) or (3) to convert all or part of the Offered Bonds to bear interest based upon an index or at fixed rates to their maturity (with respect to the Offered Bonds to which such conversion applies, a “Conversion,” and the date on which such a Conversion is effective, a “Conversion Date”). The Administration will provide notice to the Remarketing Agent, the Trustee, the Bank and any other Liquidity Facility Provider, the Tender Agent and the Rating Agencies then rating the Offered Bonds not less than 20 days before the applicable Mode Change Date or Conversion Date and not less than 60 days before the applicable Unenhanced Variable Rate Bond Change Date. The Trustee will provide notice to DTC of a Mode Change or a Conversion not less than 15 days before the applicable Mode Change Date or Conversion Date, and of an Unenhanced Variable Rate Bond Change not less than 30 days before the applicable Unenhanced Variable Rate Bond Change Date. On each Mode Change Date, Unenhanced Variable Rate Bond Change Date, or Conversion Date, the Offered Bonds to which such Mode Change, Unenhanced Variable Rate Bond Change, or Conversion applies will be subject to mandatory tender for purchase.

Optional Tender of the Offered Bonds

Holders of Offered Bonds in the Weekly Mode may elect to tender their Offered Bonds for purchase, by providing notice to the Trustee not later than 5:00 p.m. Eastern time on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in the tender notice. Such Offered Bonds will be purchased on the purchase date specified in the tender notice at a price equal to 100% of the principal amount thereof plus accrued interest; provided, however, that if the Purchase Date for any Offered Bond is also an Interest Payment Date for such Offered Bond, the Purchase Price for such Offered Bond will not include accrued but unpaid interest on such Offered Bond (the “Purchase Price”). Such notice of optional tender for purchase of Offered Bonds delivered by the Bondholders thereof will be irrevocable once such notice is given to the Remarketing Agent. If there shall have occurred and there continues to be an Immediate Suspension Event (as described in the Initial Liquidity Facility), holders of Offered Bonds shall not have the election to tender their Offered Bonds.

Mandatory Tender of the Offered Bonds

The Offered Bonds or any portion thereof are subject to mandatory tender for purchase (with no right to retain) (1) on any Mode Change Date and Unenhanced Variable Rate Bond Change Date, (2) upon scheduled expiration or termination by the Administration of the Initial Liquidity Facility or an Alternate Liquidity Facility (defined below) (a “Liquidity Expiration Event”) for such Bonds, on a date not less than 5 days prior to the scheduled expiration or earlier termination of the Initial Liquidity Facility or an Alternate Liquidity Facility, (3) on any Conversion Date, and (4) upon receipt of a Notice of Termination Date (as described in the Initial Liquidity Facility) by the Trustee on a date not less than 5 days prior to the date on which the Initial Liquidity Facility will terminate (each a “Mandatory Tender Date”), at the Purchase Price. Upon any such event, the Trustee will deliver a notice of mandatory tender to Bondholders, at least 15 days prior to the Mandatory Tender Date, stating the reason for the mandatory tender and that all Bondholders of Offered Bonds subject to such mandatory tender will be deemed to have tendered their Offered Bonds on such date.

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its Offered Bond certificates. Any Offered Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date for which there have been irrevocably deposited in trust with the Trustee the Purchase Price equal to the principal amount of such Offered Bonds plus accrued interest will be deemed

to have been tendered and purchased on such Mandatory Tender Date. Bondholders will not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Offered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Bondholders will no longer be entitled to the benefits of the Resolutions, except for the purpose of payment of the Purchase Price. Replacement Offered Bonds will be issued in place of such untendered Offered Bonds pursuant to the Resolutions and, after the issuance of the replacement Offered Bonds, such Bonds will be deemed purchased, canceled, and no longer Outstanding under the Resolutions.

Payment of Tendered Offered Bonds

Offered Bonds that are tendered or deemed tendered shall be purchased by the Tender Agent, at the Purchase Price, upon surrender of such Offered Bonds, but only from the sources listed below, from the Bondholders thereof by 4:30 p.m., New York City time, on the date such Bonds are required to be purchased. Funds for the payment of such Purchase Price shall be derived from the following sources in the order of priority indicated: (a) the proceeds of the sale of Offered Bonds furnished to the Remarketing Agent by the purchasers thereof from a remarketing pursuant to the 2013 E Series Resolution, and (b) moneys furnished to the Tender Agent pursuant to the 2013 E Series Resolution representing the proceeds of a draw under the Initial Liquidity Facility.

Liquidity Facility

Pursuant to the 2013 E Series Resolution, the Administration will deliver the Initial Liquidity Facility simultaneously with the authentication and delivery of the Offered Bonds and will provide an Alternate Liquidity Facility, a Non-Conforming Liquidity Facility or Self Liquidity upon the expiration or termination of the Initial Liquidity Facility or the replacement of the Bank so long as any Offered Bonds are Liquidity Facility Bonds. Any Liquidity Facility shall provide for the Liquidity Facility Provider to provide funds for the purchase of Liquidity Facility Bonds that have been tendered and not remarketed subject to certain conditions as described in the 2013 E Series Resolution and therein. If the Bank is replaced by multiple liquidity providers, the obligations of such providers to provide such funds may be several and need not be joint obligations.

The Administration shall not enter into any Liquidity Facility unless such Liquidity Facility provides that (A) any expiration or termination thereof (as set forth in the two succeeding paragraphs) that gives rise to a mandatory tender of the Offered Bonds shall occur not less than 30 days following the date of notice by the Liquidity Facility Provider to the Trustee of termination of the Liquidity Facility or (B) within 45 days prior to the then current expiration date of the Liquidity Facility, the Bank shall notify (or be deemed to have notified, pursuant to the Initial Liquidity Facility) the Administration of whether it will renew or extend the Liquidity Facility following a request to extend delivered by the Administration pursuant to the Liquidity Facility. Such Mandatory Tender Date shall be not less than 5 days prior to the date that the Liquidity Facility expires or terminates.

Promptly upon receipt by the Trustee and the Administration of a written notice of termination of the Initial Liquidity Facility by the Bank, which termination shall not occur less than 30 days following receipt by the Trustee of such written notice, the Trustee shall give notice to the holders of the Offered Bonds which are Liquidity Facility Bonds that such Liquidity Facility Bonds will be subject to mandatory tender for purchase, with no right to retain, at the Purchase Price (payable by the Bank in accordance with the Initial Liquidity Facility to the extent remarketing proceeds are insufficient) on the date set forth for purchase in such notice.

Unless the Trustee shall have received (A) written notice from the Bank that it elects to extend or renew the Initial Liquidity Facility at least 45 days prior to the Expiration Date or (B) written notice from the Administration that it has determined to provide or cause to be provided an Alternate Liquidity Facility at least 45 days prior to the Expiration Date (in which case Offered Bonds which are Liquidity Facility Bonds will be subject to mandatory tender as described), the Trustee shall give notice to the holders of the Offered Bonds which are Liquidity Facility Bonds that such Liquidity Facility Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 15 days from the date of such notice to such holders, at the Purchase Price (payable by the Bank in accordance with the Initial Liquidity Facility to the extent remarketing proceeds are insufficient) on the date set forth for purchase in such notice.

The Trustee shall provide immediate notice to holders of the Offered Bonds of an Immediate Termination Event or an Immediate Suspension Event under the Initial Liquidity Facility upon receipt of notice thereof from the Administration.

Requirements for Delivery of an Alternate Liquidity Facility

At least 45 days prior to the date of expiration of the Initial Liquidity Facility (as the same may be extended in accordance therewith) or at least 45 days prior to any date upon which the Administration intends to deliver an Alternate Liquidity Facility to the Trustee, the Administration shall notify the Administration, the Remarketing Agent, the Bank, the Tender Agent and the Trustee of its intent to deliver an Alternate Liquidity Facility, and the Trustee shall promptly thereafter notify the holders of the Offered Bonds, that the Administration shall provide for delivery to the Trustee an Alternate Liquidity Facility as permitted by the 2013 E Series Resolution. The Administration shall deliver such Alternate Liquidity Facility to the Trustee on or before the date that the Trustee provides such notice to the holders of the Offered Bonds. In the event that the Administration gives such notice as provided above, such notice shall specify the name of the entity providing the Alternate Liquidity Facility and shall advise that the Initial Liquidity Facility will terminate on the date stated in such notice, and that the Offered Bonds shall be subject to mandatory tender (with no right to retain) not less than five days prior to the termination of the Initial Liquidity Facility at the Purchase Price by the Bank, in accordance with the Initial Liquidity Facility to the extent remarketing proceeds are insufficient) on such date.

Self Liquidity; Non-Conforming Liquidity Facility

Notwithstanding any other provision of the 2013 E Series Resolution, the Administration may elect to provide liquidity support for purchases of Offered Bonds from its own funds (“Self Liquidity”) or through a facility which does not satisfy the requirements of the 2013 E Series Resolution for an Alternate Liquidity Facility (a “Non-Conforming Liquidity Facility”), provided that the following provisions of the 2013 E Series Resolution are satisfied:

At least 45 days prior to any date upon which the Administration intends to deliver Self Liquidity or a Non-Conforming Liquidity Facility to the Trustee, the Administration shall notify the Administration, the Remarketing Agent, the Bank, the Tender Agent and the Trustee and each Rating Agency then rating the Offered Bonds of its intent to deliver such Self Liquidity or Non-Conforming Liquidity Facility, and the Trustee shall promptly thereafter notify the holders of the Offered Bonds, that the Administration shall provide for delivery to the Trustee of such Self Liquidity or Non-Conforming Liquidity Facility as permitted by the 2013 E Series Resolution. The Administration shall deliver such Self Liquidity or Non-Conforming Liquidity Facility to the Trustee on or before the date specified therefor in the notice described in the preceding sentence. In the event that the Administration gives such notice as provided above, such notice shall specify the name of the entity providing the Non-Conforming Liquidity Facility, if any, and the effective date thereof or of Self Liquidity and shall advise that the Initial

Liquidity Facility (or applicable portion thereof) will terminate on such effective date and that the affected Offered Bonds shall be subject to mandatory tender (with no right to retain) and the date of such mandatory tender (which shall be not later than the fifth day prior to the last date on which the Initial Liquidity Facility shall remain in effect) at the Purchase Price (payable by the Bank in accordance with the Initial Liquidity Facility to the extent remarketing proceeds are insufficient) on such date.

Sources of Funds for the Purchase of Tendered Bonds

The Tender Agent shall only make such payments called for under the 2013 E Series Resolution from funds transferred to it or directed by it for payment pursuant to the 2013 E Series Resolution and the Liquidity Facility, which funds are immediately available to the Tender Agent for purposes of making such payments. Under no circumstances shall the Tender Agent be obligated to expend any of its own funds in connection with the 2013 E Series Resolution or the performance of its duties thereunder. The Tender Agent shall have no liability for interest on any moneys received or held by it.

On each Purchase Date, in the event that any Liquidity Facility Bonds tendered for purchase on such date are unable to be remarketed, the Tender Agent shall, by no later than 11:00 a.m. New York City time, give the Bank electronic notice or telecopy notice, in either case, with receipt confirmed telephonically, of the aggregate Purchase Price of the tendered Offered Bonds required to be purchased by the Tender Agent pursuant to the Initial Liquidity Facility, and the amount of principal and interest, respectively, comprising such Purchase Price. As soon as the Bank makes such funds available to the Tender Agent for purchase of such Offered Bonds, but in any event such funds shall be made available not later than 2:00 p.m., New York City time, the Tender Agent is required to purchase therewith, for the account of the Bank, that portion of the tendered Offered Bonds for which immediately available funds are not otherwise then available for such purchases under the 2013 E Series Resolution.

The Remarketing Agent shall deliver notice to the Bank, the Tender Agent and the Trustee by not later than 4:00 p.m., New York City time, on the day prior to each Purchase Date, of the aggregate principal amount of tendered Offered Bonds that it has remarketed on such date. If the Remarketing Agent fails for any reason to deliver notice of the remarketing of the Offered Bonds, then the Tender Agent shall direct the Bank to make available, in immediately available funds, an amount equal to the Purchase Price of all Offered Bonds tendered on such Purchase Date. Such moneys shall be held, used for purchase and remitted as necessary as described in the 2013 E Series Resolution.

Any Offered Bonds which are purchased by the Bank shall bear interest at the Bank Interest Rate, shall be payable at the times and in the amounts and shall be subject to the terms and provisions set forth in the Initial Liquidity Facility. Unless the Bank otherwise directs, any Bonds purchased by the Bank shall be immediately registered in the name of the Bank as Holder (unless held through a securities depository, in which case the Liquidity Facility Bonds shall be transferred in accordance with the procedures established by the securities depository) and the Bank shall have all rights of a Holder of Offered Bonds except that such Offered Bonds purchased by the Bank shall bear interest at the Bank Interest Rate and shall not be eligible for tender for purchase pursuant to the Initial Liquidity Facility.

Remarketing and Sale of Tendered Bonds

On any Purchase Date, the Remarketing Agent shall offer for sale and use its best efforts to remarket all such Offered Bonds tendered or deemed tendered at a price equal to the principal amount thereof plus accrued interest. The Offered Bonds so sold shall bear interest from the date of sale at the Effective Rate. The Remarketing Agent shall, at the time specified under “THE OFFERED BONDS – Sources of Funds for the Purchase of Tendered Bonds,” provide notice to the Tender Agent of the aggregate principal amount of the Offered Bonds that have been sold and the aggregate principal amount

of Offered Bonds that will be tendered but have not been sold and that the Remarketing Agent commits to deliver to the Tender Agent the amount specified in such notice as having been sold, by 2:30 p.m., New York City time, on the Purchase Date, as described under “THE OFFERED BONDS – Application of Proceeds from Sale of Tendered Bonds” herein.

Application of Proceeds from Sale of Tendered Bonds

The proceeds of sale of any Offered Bonds sold by the Remarketing Agent pursuant to the 2013 E Series Resolution shall be transferred, by no later than 2:30 p.m., New York City time, on the Purchase Date of such Bonds, by or at the direction of the Remarketing Agent by wire transfer in immediately available funds to DTC for the account of the Tender Agent for distribution to the accounts established thereunder for beneficial owners of such Offered Bonds. Transfers of ownership interests in such Offered Bonds, while such Bonds are book entry bonds, are to be accomplished by entries made on the books of The Depository Trust Company Participants acting on behalf of beneficial owners of the Offered Bonds.

Remarketing of the Offered Bonds

On each date on which Offered Bonds are required to be purchased, the Remarketing Agent will use its best efforts to sell the Offered Bonds at an Effective Rate that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket any of the Offered Bonds so tendered while the Initial Liquidity Facility is in effect, the Bank will purchase the Offered Bonds in accordance with the Initial Liquidity Facility (such Offered Bonds so purchased, “Bank Bonds”). The Remarketing Agent will not be required to remarket the Offered Bonds (1) after the occurrence of an Event of Default under the Resolutions; (2) after the occurrence of an Immediate Termination Event or an Immediate Suspension Event under the Initial Liquidity Facility and the Bank’s termination or suspension of its commitment to purchase the Offered Bonds thereunder (as described in APPENDIX M — “INITIAL LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS” hereto) or (3) if the Bank breaches its obligation under the Liquidity Facility to purchase Offered Bonds tendered and not remarketed. The Administration will enter into a Remarketing Agreement with the Remarketing Agent pursuant to which the Remarketing Agent will undertake the duties of Remarketing Agent, including remarketing of tendered Offered Bonds and determination of interest rates. The Remarketing Agreement will provide that the Remarketing Agent may suspend its activities under certain circumstances. The Remarketing Agent may resign and be discharged of its duties and obligations under the Remarketing Agreement by giving 30 days’ written notice to the Administration, the Remarketing Agent, the Bank, the Tender Agent and the Trustee; provided, however, if a successor Remarketing Agent has not been appointed by the end of such 30 days, the existing Remarketing Agent shall continue to perform its obligations under the Remarketing Agreement until the earlier of (i) 60 days following the giving of its original written notice of resignation or (ii) the appointment of a successor Remarketing Agent by the Administration. The Administration may remove the Remarketing Agent upon 30 days’ written notice; provided, however, the Administration shall not remove the Remarketing Agent until it has appointed a successor Remarketing Agent.

The Remarketing Agent is Paid by the Administration

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Offered Bonds that are optionally or mandatorily tendered by the owners thereof (subject in each case to the terms of the Remarketing Agreement and the Resolutions), all as further described in this Official Statement. The Remarketing Agent is appointed by the Administration and is paid by the Administration for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Offered Bonds.

The Remarketing Agent May Purchase Bonds for its Own Account

The Remarketing Agent is permitted, but not obligated, to purchase tendered Offered Bonds for its own account. The Remarketing Agent, in its sole discretion, may acquire tendered Offered Bonds for its own inventory in order to achieve a successful remarketing of the Offered Bonds (e.g., because there otherwise are not enough buyers to purchase the Offered Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase the Offered Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Offered Bonds by purchasing and selling Offered Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Offered Bonds. If the Remarketing Agent purchases Offered Bonds for its own account, it may offer those Offered Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Offered Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Offered Bonds. The purchase of Offered Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Offered Bonds in the market than is actually the case. The practices described above also may reduce the supply of Offered Bonds that may be tendered in a remarketing.

Offered Bonds May Be Offered at Different Prices on Any Date

The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Offered Bonds at par plus accrued interest, if any, on the Effective Rate Date. The interest rate will reflect, among other factors, the level of market demand for such Offered Bonds (including whether the Remarketing Agent is willing to purchase Offered Bonds for its own account). The Remarketing Agreement will require that the Remarketing Agent use its best efforts to sell Tendered Bonds at par, plus accrued interest. There may or may not be Offered Bonds tendered and remarketed on a Rate Determination Date. As an owner of Offered Bonds, the Remarketing Agent may sell Offered Bonds at varying prices, including at a discount to par, to different investors on a Rate Determination Date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Offered Bonds at the remarketing price.

The Ability to Sell the Offered Bonds Other Than Through Tender Process May Be Limited

While the Remarketing Agent may buy and sell Offered Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Offered Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Offered Bonds other than by tendering through the Tender Agent in accordance with the tender process.

Under certain circumstances set forth in the Initial Liquidity Facility, the Bank is not obligated to purchase tendered Offered Bonds. (See APPENDIX M — “INITIAL LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS” hereto.) In addition, the Bank may fail to purchase Tendered Bonds even when it is obligated to do so. In both cases, tendered Offered Bonds would be returned to the holders thereof and bear interest on a weekly basis at the lesser of (1) the rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Offered Bonds being 100% of the principal amount thereof or (2) the Maximum Rate. No assurance can be provided that there will be a secondary market for the Offered Bonds in the event the Bank is not obligated, or fails, to purchase the Offered Bonds. Bondholders will not have the ability to tender their Offered Bonds during such period and may be required to hold their Offered Bonds to their maturity or prior redemption.

Limitation upon Defeasance of Offered Bonds

Notwithstanding the provisions of the Bond Resolution relating to the defeasance of the Offered Bonds, the defeasance of Offered Bonds that are Variable Rate Bonds shall be conditioned upon: (i) receipt by the Trustee of written evidence from each Rating Agency currently rating the Offered Bonds that the defeasance of the Offered Bonds will not result in a lower rating than the then current long term rating on the Bonds, and (ii) payment or provision for payment of any fees due to the Bank.

Administration Not Responsible to Bondholders for Bank's Failure to Purchase Offered Bonds

Under the terms and provisions of the 2013 E Series Resolution and the Initial Liquidity Facility, the Purchase Price of Offered Bonds will be payable from moneys furnished in connection with the remarketing of the Offered Bonds or from the Initial Liquidity Facility. Upon the occurrence of an Immediate Termination Event or Immediate Suspension Event (as each is defined in APPENDIX M — “INITIAL LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS” hereto) under the Initial Liquidity Facility, the Bank's obligation to purchase Offered Bonds under the Initial Liquidity Facility will immediately terminate or be suspended, as applicable, without notice or other action on the part of the Bank. See APPENDIX M — “INITIAL LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS” hereto. The Administration is not responsible to Bondholders for any failure by the Bank to purchase Offered Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the 2013 E Series Resolution.

If the Bank does not purchase any Offered Bonds tendered or deemed tendered for purchase by the Bondholders thereof and not remarketed, such Offered Bonds would be returned to the holders thereof and bear interest on a weekly basis at the lesser of (1) the rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Offered Bonds being 100% of the principal amount thereof or (2) the Maximum Rate. Bondholders will not have the ability to optionally tender their Offered Bonds during such period and may be required to hold their Offered Bonds to their maturity or prior redemption.

Liquidity Facility Relating to the Offered Bonds

For the form of the Initial Liquidity Facility, see APPENDIX M — “INITIAL LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS” hereto. Investors should review the Initial Liquidity Facility in full in order to understand all of the terms of that document.

The Bank

Royal Bank of Canada is providing the Initial Liquidity Facility. APPENDIX N — “CERTAIN INFORMATION WITH RESPECT TO ROYAL BANK OF CANADA” hereto contains a summary of certain financial information regarding the Bank. The Administration does not make any representation concerning, nor does the Administration assume any responsibility for, the adequacy, accuracy or timeliness of the information in APPENDIX N of this Official Statement regarding the Bank.

Relationship of Parties

Royal Bank of Canada, the provider of the Initial Liquidity Facility, is the parent company of RBC Capital Markets, LLC, the Underwriter and the Remarketing Agent for the Offered Bonds.

The description of the Offered Bonds contained in this Official Statement is intended to provide information to prospective owners of Offered Bonds while Offered Bonds are in the

Weekly Mode and to provide information concerning the Initial Liquidity Facility and the Bank and is not intended to be relied upon by prospective owners of Offered Bonds with respect to which any Mode Change, any Unenhanced Variable Rate Bond Change or any Conversion has occurred or upon the expiration or earlier termination of the Initial Liquidity Facility. A condition of any Mode Change, any Unenhanced Variable Rate Bond Change or any Conversion and the related remarketing of Offered Bonds is the delivery of an updated disclosure document.

SECURITY FOR THE BONDS

Provisions of the Bond Resolution

Pursuant to the Bond Resolution, the security for the Bonds (including the Offered Bonds) is a pledge of and lien on:

- (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds);
- (2) Loans made, purchased or otherwise financed from such proceeds;
- (3) Revenues (primarily payments of principal and interest on Loans);
- (4) Recovery Payments (which include Prepayments) and Acquired Development Receipts;
- (5) all money, investments and other assets held in the funds and accounts established by or pursuant to the Bond Resolution and the earnings thereon, except for any money, investments, assets or income held in any fund or account created by a series resolution or a supplemental resolution which provides that such fund or account shall not be subject to the lien of the Bond Resolution; and
- (6) any and all other property of every description and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred to the Trustee as and for additional security under the Bond Resolution by the Administration or by anyone on its behalf or with its written consent.

The pledge and security interest are subject to: (i) the power of the Administration to direct the withdrawal of amounts from such funds and accounts free and clear of such pledge and security interest upon the conditions provided in the Resolutions, (ii) other specific limitations set forth in the Bond Resolution, and (iii) with respect to one or more Series of Bonds, the power of the Administration to grant a lien on the same property and rights (or any portion thereof) on a parity with or subordinate to the lien granted to the Trustee for the benefit of the owners of Bonds and the Parties (provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider shall be available to the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider only after it has made payment under the Credit Enhancement, Credit Facility or Qualified Hedge, as appropriate) and to exclude all moneys deposited into any fund or account with respect thereto from the pledge to the Trustee securing payment of Bonds or to limit such pledge, all as provided in the series resolution executed in connection with the issuance of such Series of Bonds. Moneys necessary to pay arbitrage rebate, if any, to the United States are administered outside of, and are not subject to the lien of, the Bond Resolution. For a description of the provisions of the Bond Resolution for releasing of moneys or other assets from the lien of the Bond Resolution, see “SECURITY FOR THE BONDS — Cash Flow Statements and Certificates.”

The pledge made and security interests granted by the Bond Resolution and the covenants and agreements therein set forth are for the equal benefit, protection and security of holders of all Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other except as expressly provided or permitted therein. Subordinate Bonds need not be of equal rank with other Bonds and shall be entitled to the preferences and priorities provided in the series resolution authorizing the issuance of Subordinate Bonds. See “SECURITY FOR THE BONDS — Additional Bonds; Subordinate Bonds.”

The Bonds are special obligations of the Administration payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution. The Administration has no taxing power. The Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

The Series 2013 E Bond Purchase Account

Pursuant to the 2013 E Series Resolution, there is established an Account within the Revenue Fund designated as the “Housing Revenue Bond Resolution, Series 2013 E Bond Purchase Account” within which are established the subaccounts set forth in the next sentence. Moneys, as and when received from the following sources, shall be deposited and credited to the respective subaccounts of the Series 2013 E Bond Purchase Account as follows: (i) into the Series 2013 E Bond Purchase Account – Remarketing Proceeds Subaccount, all proceeds of the remarketing of Offered Bonds; (ii) into the Series 2013 E Bond Purchase Account – Liquidity Facility Subaccount, all amounts received under a Liquidity Facility; and (iii) into the Series 2013 E Bond Purchase Account – Administration Purchase Payments Subaccount, all payments made directly by the Administration with respect to the purchase of Offered Bonds in accordance with the 2013 E Series Resolution.

Except as provided in this paragraph and in the fourth paragraph under “SECURITY FOR THE BONDS – The Series 2013 E Bond Purchase Account,” money in the Series 2013 E Bond Purchase Account shall be used solely for the payment of the Purchase Price of Offered Bonds to be purchased pursuant to the 2013 E Series Resolution. On each optional and mandatory tender date, the Tender Agent shall transfer from the Series 2013 E Bond Purchase Account sufficient money to pay the Purchase Price of all Offered Bonds to be so purchased. Moneys in the Series 2013 E Bond Purchase Account shall be used to pay the Purchase Price of Offered Bonds priority described under “THE OFFERED BONDS – Payment of Tendered Offered Bonds.”

All money paid to the Tender Agent for the account of the Series 2013 E Bond Purchase Account shall be held (subject to the provisions of the fourth paragraph under “SECURITY FOR THE BONDS – The Series 2013 E Bond Purchase Account”) by the Tender Agent in trust solely for the benefit of the Holders of the Offered Bonds entitled to be paid from the Series 2013 E Bond Purchase Account. Notwithstanding any other provision of the Resolutions to the contrary, moneys on hand in the Series 2013 E Bond Purchase Account shall be held uninvested.

All money held by the Tender Agent in the Series 2013 E Bond Purchase Account which represent the proceeds of the remarketing of Offered Bonds, all amounts received from the Administration for the purchase of Offered Bonds and all amounts received under a Liquidity Facility shall be retained by the Tender Agent exclusively for the benefit of the Holders of Offered Bonds not yet presented for payment of the Purchase Price thereof until paid to such Holders, and such money shall not, under any circumstances or at any time whatsoever, be paid to the Administration or to the Bank, or to any Person other than the Holders of Offered Bonds entitled thereto (except as otherwise set forth above), and such Holders shall look only to such money for the payment of the Purchase Price of such Offered

Bonds; provided, however, that any money remaining in the Series 2013 E Bond Purchase Account on any optional or mandatory tender date in excess of the amounts necessary to pay the Purchase Price of all Offered Bonds to be purchased on such date (including the Purchase Price of undelivered Offered Bonds) and after any required payment is made to the Bank of money received under the Initial Liquidity Facility, the balance shall be paid to the Administration upon request of the Administration.

Notwithstanding any other provision in the Resolutions to the contrary, all money and investments thereof set aside and held in trust in the Series 2013 E Bond Purchase Account for the payment of the Purchase Price of Offered Bonds shall be applied to and used solely for the payment of the Purchase Price (including reimbursement of the Bank for amounts paid with respect to such Purchase Price under the Liquidity Facility) of Offered Bonds with respect to which such money or investments have been so set aside in trust.

Loans Securing the Refunded Bonds

The proceeds of the Offered Bonds will be applied to refund the Administration's Housing Revenue Bonds, Series 1999 A, Series 2001 B and Series 2003 D (collectively, the "Refunded Bonds"). See APPENDIX E — "OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION." The Refunded Bonds were issued to finance the Sunridge, Glen Creek Apartments, Great Hope Apartments, Windsor Valley III Apartments and Parkland Village Apartments Developments. See Table D-1 of APPENDIX D — "DESCRIPTION OF LOANS AND DEVELOPMENTS." The Loans that were financed with the proceeds of the Refunded Bonds will remain outstanding, will continue to secure the Bonds and are subject to prepayment at any time. In the event of a prepayment of a Loan financed with proceeds of the Refunded Bonds, the Administration may, pursuant to the Bond Resolution, apply the proceeds thereof to: (1) the redemption of the Offered Bonds; (2) the redemption of any other series of Bonds; or (3) the financing of new Loans. See clause (1) under "THE OFFERED BONDS — Redemption Provisions — Special Optional Redemption" and Table D-1 of APPENDIX D — "DESCRIPTION OF LOANS AND DEVELOPMENTS" herein.

Credit Enhancement of Rental Housing Loans

As of June 30, 2013, the Loans financing rental housing developments (“Rental Housing Loans”) were insured or credit enhanced as follows:

<u>Insurer or Guarantor</u>	<u>Number of Loans</u>	<u>Number of Units</u>	<u>Percentage of Total Units</u>	<u>Outstanding Loan Amount³</u>	<u>Percent of Outstanding Loan Amount</u>
FHLMC ²	3	256	3.30%	\$ 2,869,129	0.82%
Fannie Mae	4	341	4.39	10,054,528	2.89
GNMA	25	4,799	61.79	270,146,781	77.53
Letter of Credit ⁶	1	-	0.00	1,005,000	0.29
MHF	10	823	10.60	5,354,192	1.54
Other ⁷	1	88	1.13	4,609,475	1.32
FHA Risk-Sharing Program ¹	10	1,232	15.86	52,848,452	15.17
Uninsured ⁵	3	228	2.94	1,567,031	0.45
Totals:⁴	57	7,767	100.00%	\$348,454,588	100.00%

1 These Loans are insured under the FHA Risk-Sharing Program. Upon payments of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration will receive a payment from MHF on the amount of any payment made to FHA. For more information on the FHA Risk-Sharing Program please refer to Appendix F. For more information on these Developments please refer to Appendix D, Table D-1. Sierra Woods Apartments is financed under one deed of trust note with 2 tranches: Tranche A is insured under the FHA Risk-Sharing Program and subsidized under HUD’s Section 8 program and tranche B is insured under the FHA Risk-Sharing Program and subsidized under HUD’s Section 236 program.

2 Loans insured by MHF and reinsured by FHLMC. See “FHLMC Reinsurance Agreement.”

3 The “Outstanding Loan Amount” represents amortized principal balances and bond proceeds disbursed as of June 30, 2013.

4 Amounts and percentages may not total exactly due to rounding.

5 Hickory Ridge was financed with two Loans. One Loan is credit enhanced by GNMA and the other Loan is uninsured. Units in the Hickory Ridge project are included in the GNMA totals. Oak Grove was financed with two Loans and both Loans are uninsured.

6 Units are included under “FHA Risk-Sharing Program.”

7 The underlying short term Bonds and Loans on these projects are 100% cash collateralized at all times during the construction period while such short term Bonds are outstanding.

Pursuant to the Bond Resolution, the Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

FHA Mortgage Insurance. Certain of the Loans are insured under multi-family mortgage insurance programs administered by HUD, acting through FHA, as established pursuant to Sections 221(d)(3), 221(d)(4) and 223(f) of Title II of the National Housing Act and the regulations thereunder (the “FHA Loans”). The Administration, as an FHA-approved mortgagee for the FHA Loans, is eligible to receive FHA insurance benefits in the event of a default under the FHA Loans. A mortgagee is entitled to receive the benefits of the mortgage insurance after the mortgagor has defaulted and such default (as defined in the FHA regulations) has continued for a period of thirty (30) days subject to certain requirements. FHA insurance benefits received in the event of any claim under the FHA insurance contract will be subject to certain deductions. In particular, the Administration is entitled to settlement of an FHA insurance claim in an amount equal to 99% of the amount of the principal balance of the defaulted FHA Loan outstanding as of the date of default, after adjustment for certain expenses and for deposits or assets held by the Administration for the benefit of the related Development and not assigned to FHA. Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest that accrued in the month preceding the date of default and that was due and payable on such date. In addition, processing claims

for FHA insurance benefits involves certain time delays. Deductions in addition to those described above, processing delays and the procedures, all of which must be followed in filing and perfecting a claim for FHA insurance benefits, are described in APPENDIX F under the caption “THE FHA INSURANCE PROGRAM.”

FHA Risk-Sharing Program. The FHA Risk-Sharing Program is administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992 (the “Risk Sharing Act”) and applicable HUD Regulations found at 24 C.F.R. Part 266. The Risk Sharing Act authorizes the Secretary of HUD (“HUD Secretary”) to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible developments. Under this program, FHA endorses mortgages on qualified multi-family projects for insurance. HUD delegates to the HFA certain loan underwriting, loan management and property disposition functions. Upon default of an insured loan, FHA is required to make an initial payment in the amount of the unpaid principal and interest due to the date of claim. The HFA is required to reimburse HUD an agreed percentage of any loss resulting upon disposition of the property (but in any event within five years, subject to extension in the discretion of HUD).

The Administration has received designation as a Level I participant and a Level II participant in the FHA Risk-Sharing Program. The Administration received an initial allocation of 475 affordable multifamily housing units eligible for insurance. The Administration applies for an additional allocation of multi-family units in an amount sufficient to insure units under the FHA Risk-Sharing Program that will be financed by a Loan. As a Level I participant, the Administration assumes 50% or more of the liability for any losses incurred by HUD upon payment under its insurance following disposition of the property, the exact percentage being determined separately with respect to each project. As a Level II participant, the Administration assumes (i) 25% of the liability for such losses with respect to projects having a loan to value or loan to replacement cost ratio greater than or equal to 75%, or (ii) 10% of such liability with respect to projects having a loan to value or loan to replacement cost ratio less than 75%.

The Administration currently expects that its participation in the FHA Risk-Sharing Program will be in connection with new Loans financed by Bonds on a case-by-case basis. MHF is expected to reimburse the Administration for the Administration’s share of any loss incurred under the FHA Risk-Sharing Program.

MHF Multi-Family Mortgage Insurance. Certain of the Loans are insured by MHF, a unit of the Division of Credit Assurance of the Department, pursuant to State law (the “MHF Loans”). For more information relating to the financial condition of MHF, see APPENDIX F — “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE MHF INSURANCE PROGRAM” and APPENDIX J — “FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND.”

The Administration, as an MHF-approved mortgagee for the MHF Loans, is eligible to receive MHF insurance benefits in the event of a default under the MHF Loans. The standard coverage for public agency mortgagees, such as the Administration, is up to 100% of the loan amount. When a public agency of the State is mortgagee, it may upon default and with MHF’s consent assign the mortgage and its rights thereunder to MHF, which shall pay the appropriate claim amount upon recordation of the assignment and upon the assignment to MHF of all claims of the mortgagee against the mortgagor. After the mortgagor has been in default for six months, either MHF or the mortgagee, without the other’s consent, may require the assignment of the mortgage to MHF. In certain cases, however, it has been the practice of MHF to defer payment of claims to the Administration pending resolution of defaults. MHF, upon such assignment, has all rights of the mortgagee to pursue the mortgagor for any deficiency, loss, or periodic payments. In those instances where the mortgagee is a public agency, if the mortgage is not assigned to

MHF upon the default, MHF is obligated to make such periodic payments as are due under the terms of the insured mortgage with the exception of late charges and mortgage insurance premiums. Such periodic payments continue until the default is cured or the loan is foreclosed upon or assigned to MHF. See APPENDIX F — “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE MHF INSURANCE PROGRAM — Multi-Family Information — Certain Additional Expected Multi-Family Claims.”

The financial statements of MHF are contained in APPENDIX J. The financial statements of MHF are reported on a consolidated basis combining results of operations for MHF’s Multi-Family, Single Family, Revitalization and Home and Energy Mortgage Insurance Programs. An insurance claim under MHF’s Multi-Family Program is payable only from the Multi-Family Reserve, MHF operating funds and the Unallocated Reserve, and not from any other funds, assets or reserves of MHF as may be identified in the financial statements.

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody’s that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration’s outstanding parity debt, including the Bonds, MHF transferred \$10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006 or 2007. Legislation was enacted during the 2008 legislative session requiring another \$10 million to be transferred and beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than \$10 million, be transferred to the Department’s revolving housing loan funds. For the fiscal years ending on June 30, 2009, 2010, 2011 and 2012, MHF transferred \$5.7 million, \$2.7 million, \$2.1 million and 2.05 million, respectively, from the Unallocated Reserve to the Department’s revolving housing loan funds. For more information about the MHF Reserves, see APPENDIX F — “MORTGAGE INSURANCE AND GUARANTY PROGRAMS — THE MHF INSURANCE PROGRAM — Management’s Presentation of the MHF Program — Income and Reserves.”

FHLMC Reinsurance Agreement. On December 28, 1994, MHF, the Department and the Administration entered into a Reinsurance Agreement with the Federal Home Loan Mortgage Corporation (“FHLMC”), a corporation chartered by Congress under the laws of the United States, for the purpose of ceding to and fully reinsuring with FHLMC the mortgage insurance obligations of MHF for certain multi-family loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure loans without any contingent liability for MHF. For additional information about the FHLMC Reinsurance Agreement, see “MORTGAGE INSURANCE AND GUARANTY PROGRAMS — THE MHF INSURANCE PROGRAM — Multi-Family Information — FHLMC Reinsurance Agreement” in APPENDIX F.

GNMA Mortgage-Backed Securities. GNMA is a wholly-owned corporate instrumentality of the United States within HUD with its principal office in Washington, D.C. A security guaranteed by GNMA (a “Guaranteed Security”) is a “fully modified pass through” mortgage-backed security which requires monthly payments by an FHA-approved lender, as the issuer of the Guaranteed Security (the “Lender”), to the registered holder of the Guaranteed Security of principal of and interest on such Guaranteed Security when due, whether or not the Lender receives payments on the mortgage note underlying such Guaranteed Security, plus any prepayments of principal of the mortgage note received by the Lender. GNMA guarantees timely payment of principal of and interest on Guaranteed Securities. Section 306(g) of Title III of the National Housing Act provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” See “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE GNMA GUARANTY PROGRAM” in APPENDIX F.

Fannie Mae Stand-by Guaranty Program. A description of this program is provided in “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE FANNIE MAE STAND-BY GUARANTY PROGRAM” in APPENDIX F hereto.

See APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS” for a description of the Credit Enhancement applicable to each Loan. See APPENDIX F for additional information concerning mortgage insurance and credit enhancement. **Neither MHF, FHA, GNMA, Fannie Mae, FHLMC nor any other Credit Enhancer insures or guarantees the Bonds. The assets of MHF, FHA, GNMA, Fannie Mae, FHLMC or other Credit Enhancers are not available to the Administration or the Trustee to satisfy obligations to the holders of the Bonds. The obligations of MHF, FHA, GNMA, Fannie Mae, FHLMC and other Credit Enhancers are limited to the payment of mortgage insurance claims, credit enhancement or guaranties as described herein.**

Housing Subsidy Payments for Rental Housing Developments

As of June 30, 2013, the multi-family rental housing developments financed by Rental Housing Loans (“Rental Housing Developments”) received federal housing subsidy payments under the Section 8 and Section 236 programs as follows:

Housing Subsidy Program	Number of Rental Housing Developments	Number of Units	Subsidized Units	Percentage of Subsidized Units	Outstanding Loan Amount	Percentage of Outstanding Loan Amount
None	27	4,170	0	0.00%	\$226,109,785	64.89%
Section 8 ^{1, 2, 4, 5}	18	1,982	1,870	94.35	76,579,862	21.98
Section 236	4	677	677	100.00	8,854,657	2.54
Sections 236 & 8	5	938	936	99.79	36,910,284	10.59
Total: ³	54	7,767	3,483	44.84%	\$348,454,588	100.00%

¹The following four Developments have Section 8 contracts which expire before the maturity of their related Rental Housing Loans.

<u>Name</u>	<u>Current Balance</u>	<u>Credit Enhancement</u>
Air Park Apartments	\$ 9,808,665	GNMA
College Parkway Apartments	9,858,542	GNMA
Foxwell Memorial Apartment	3,051,288	GNMA
Mount Clare Overlook	6,382,728	GNMA

²Air Park Apartments has an outstanding Loan balance of \$9,808,665 and has a Section 8 contract covering less than 100% of the units in the related Rental Housing Development. Air Park Apartments is backed by GNMA securities.

³Amounts and percentages may not total exactly due to rounding.

⁴Stevens Forest Apartments has a Section 8 contract covering less than 100% of the units. Total units are 108 and 96 are subsidized.

⁵Weinberg Manor West Apartments has a Section 8 contract which has to be renewed every year.

Section 8 Program. Under the Section 8 housing assistance payments program, housing assistance payments are disbursed by the Administration, as HUD’s agent, through payment of a “Contract Rent” for each assisted dwelling unit. The Contract Rent is generally limited by the “fair market rents” established by HUD and published in the Federal Register and by the rents of unassisted units of similar age, design, location and amenities. The Contract Rent for the assisted dwelling units in each development is adjusted by HUD annually pursuant to an adjustment factor established by HUD.

The subsidy contracts usually provide for the payment of the Section 8 subsidy for an initial term automatically renewable for additional terms of not more than five years each; however, some contracts are for terms that expire before maturity of the Loan for the related Development. **There is no assurance that a Housing Assistance Payment Contract (“HAP Contract”) will be renewed upon its expiration or that HUD will extend the term of any Section 8 subsidy for the term of or in amounts sufficient to pay the related Loan.** Payments received under the subsidy contracts constitute a primary source of revenues for many of the Rental Housing Developments receiving such assistance. Therefore, the termination of, or the reduction of payments under, a subsidy contract may have a material adverse impact on the ability of the related Rental Housing Development to generate revenues sufficient to pay the principal of and interest on a Loan.

The Department is the contract administrator under the HAP Contracts. In such capacity, the Department may be required by its responsibilities under the HAP Contracts to reduce or terminate payments under such contracts, or impose other sanctions, upon a Borrower if the Borrower fails to comply with the requirements of the Section 8 program. Any such action by the Department could adversely affect the availability of revenues to pay debt service on the related Loan.

Additional information about the Section 8 program and recent legislation regarding renewals of HAP Contracts appears in APPENDIX G — “FEDERAL HOUSING SUBSIDY PROGRAMS — Section 8 Program.”

Section 236 Program. Pursuant to Section 236(b) of the National Housing Act, the HUD Secretary may enter into Section 236 contracts for certain Rental Housing Developments (the “Section 236 Developments”) to make periodic interest reduction payments to the Administration on behalf of the mortgagors of the Section 236 Developments which were designed for occupancy by persons and families of low income. HUD’s interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal, interest and a mortgage insurance premium which a mortgagor is obligated to pay under its Loan and the monthly payment for principal and interest which a mortgagor would be obligated to pay if its Loan were to bear interest at the rate of one per centum (1%) per annum. HUD is obligated to make payments under a Section 236 contract and may not terminate or reduce such payments except under certain circumstances, including, but not limited to, certain foreclosure actions instituted by the Administration. The funds for payment of interest reduction payments under the Section 236 contracts have been appropriated by Congress but are subject to rescission by legislation. Additional information about the Section 236 program appears in APPENDIX G — “FEDERAL HOUSING SUBSIDY PROGRAMS — Section 236 Program.”

See APPENDIX G — “FEDERAL HOUSING SUBSIDY PROGRAMS” for detailed information about federal housing subsidy programs.

Single Family and Group Home Loans

In addition to the Rental Housing Loans described above, the Administration acquired or financed Loans with the proceeds of prior Series of Bonds for the following single family residences and various group housing facilities for special needs populations, including developmentally disabled individuals (“Group Homes”):

<u>Type of Development</u>	<u>Number of Loans</u>	<u>Number of Units¹</u>	<u>Type of Credit Enhancement</u>	<u>No. of Loans Credit Enhanced</u>	<u>Percentage of Total Units Credit Enhanced</u>	<u>Outstanding Loan Amount as of June 30, 2013</u>
Single Family Residences	12	12	MHF	12	100%	\$ 119,244
Group Homes	53	169	MHF	53	100%	8,299,155
Total	65	181		65	100%	\$8,418,399

1 In the case of single family residences, “units” refers to number of residences; in the case of Group Homes, “units” refers to number of individuals served.

Refer to Table D-3 of APPENDIX D for information on delinquencies.

Pursuant to the Bond Resolution, the Administration may, in its discretion, cancel or release the Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such cancellation or release into account and a certificate of an Authorized Officer to the effect that any such cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

Single Family Residences. The single family residences originally were financed with mortgage loans (“Single Family Loans”) funded from the proceeds of bonds issued by the Administration in 1977. The Single Family Loans financed single family residences in the late 1970s within the Counties of Anne Arundel, Howard, Montgomery and Prince George’s. Each Single Family Loan is secured by a first lien mortgage and insured by MHF. MHF insurance provides coverage for up to 100% of outstanding principal amount of each Single Family Loan. Any MHF mortgage insurance claims related to such Single Family Loans are payable only from MHF’s Multi-Family Reserve, MHF operating funds and certain unallocated reserves. Each Single Family Loan is subject to prepayment at any time, without premium, by its respective Borrower.

Group Homes. Certain proceeds of the Series 1996 B, Series 2006 C, and Series 2008 A Bonds financed Group Home Loans. Group Home Loans are originated pursuant to the Administration’s Special Housing Opportunities Program. Each Group Home Loan is secured by a first lien mortgage and insured by MHF. MHF insurance provides coverage for up to 100% of the outstanding principal amount of each Group Home Loan. Any MHF mortgage insurance claims related to such Group Home Loans are payable only from MHF’s Multi-Family Reserves, MHF operating funds and certain unallocated reserves. Each Group Home Loan is subject to prepayment at any time, without premium, by its respective Borrower. Currently, the Department offers a limited program whereby MHF insures Group Home Loans. Additional information about the Group Homes program appears in APPENDIX C — “THE PROGRAM — Description of Types of Loans Under the Program — *Group Home Loans.*” See APPENDIX F for information about the MHF Multi-Family Insurance Program.

See APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS” for a description of mortgage insurance, Credit Enhancement and housing subsidies applicable to each Development. See APPENDIX F — “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS” for detailed information about mortgage insurance and Credit Enhancement. See APPENDIX G — “FEDERAL HOUSING SUBSIDY PROGRAMS” for detailed information about federal housing subsidy programs.

Debt Service Reserve Fund

The Debt Service Reserve Requirement, as of any date of calculation, is the aggregate of the amounts specified for each Series of Bonds in the applicable series resolution. As of the date of delivery of the Offered Bonds, the Debt Service Reserve Requirement is calculated to be \$4,308,471.05. The available balance in the Debt Service Reserve Fund as of June 30, 2013, was \$8,792,491, of which \$1,146,430 were cash equivalents. The fair value of investments as of June 30, 2013 was \$7,646,061, of which \$5,493,230 was the book value of investments and \$2,152,831 was the increase in fair value. No amount is required to be deposited to the Debt Service Reserve Fund with respect to the Offered Bonds.

If moneys in the Revenue Fund are insufficient to provide for the payment when due of any Principal Installment, interest on the Bonds or any Sinking Fund Installment, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Revenue Fund the amount of the deficiency then remaining. If any such withdrawal results in the balance in the Debt Service Reserve Fund falling below the amount of the Debt Service Reserve Requirement, any such deficiency shall be replenished from amounts available in the Revenue Fund following payment of Principal Installments, Sinking Fund Installments, redemption premium (if any) and interest on the Bonds. The failure of the Administration to maintain the Debt Service Reserve Requirement will not, in and of itself, constitute an Event of Default under the Bond Resolution.

The Trustee may, at the direction of an Authorized Officer, withdraw any amount in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, and any amount anticipated to be withdrawn in connection with the purchase or redemption of Bonds, and credit such amount to the Revenue Fund. The Debt Service Reserve Requirement may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction and a certificate from an Authorized Officer to the effect that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. The Debt Service Reserve Fund and the Debt Service Reserve Requirement may be funded with moneys or Cash Equivalents, in accordance with the requirements of the Bond Resolution and any Supplemental Resolution, or as determined to be deposited therein by the Administration. If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility or Credit Enhancement are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Debt Service Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider or Credit Enhancer for the amounts so obtained, all in accordance with such Supplemental Resolution.

Investment of Funds

Pending application to the purposes of each fund or account, moneys held in the various funds and accounts under the Bond Resolution will be invested in Permitted Investments. As of September 30, 2013, the amount of \$17,646,323.84 (representing the proceeds of the Administration's Housing Revenue Bonds, Series 2012 B, Series 2012 D, Series 2013 A, Series 2013 B and Series 2013 D, issued on August 30, 2012, November 7, 2012, February 28, 2013, July 25, 2013 and September 19, 2013, respectively) was on deposit in the Bond Proceeds Fund. Funds held in the Revenue Fund and the Debt Service Reserve Fund are invested in Permitted Investments. In general, it is the Administration's policy to invest such monies in U.S. Treasury securities, investment contracts collateralized by Permitted Investments, accounts with financial institutions, and securities of other institutions created by the U.S. Government. As of June 30, 2013, all moneys in the Revenue Fund and the Debt Service Reserve Fund were invested in either the Federated Prime Cash Obligations Fund Institutional Capital Shares or Guaranteed Securities guaranteed as to timely payment of principal and interest by GNMA.

Any Permitted Investments described in subparagraphs (4), (5) and (8) of the definition of “Permitted Investments,” i.e., U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances, commercial paper and investment agreements, as set forth and more fully described in APPENDIX A-1 — “DEFINITIONS FROM THE RESOLUTIONS” and APPENDIX A-2 — “DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS” to this Official Statement, purchased by the Trustee must, as of the date of such purchase, be rated by any Rating Agency then rating the Bonds in a long-term rating category at least equal to the long-term rating of the Bonds (other than Subordinate Bonds) and a short-term rating in the highest short-term rating category (unless the Permitted Investment has a remaining term of less than one year, in which case it need only have a short-term rating in the highest short-term rating category); provided, however, that the Trustee may purchase Permitted Investments that do not meet the requirements set forth in this paragraph, so long as the purchase of such Permitted Investments does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any Rating Agency then rating the Bonds. If the rating of any Permitted Investment purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Permitted Investment. If a Rating Agency were to downgrade or withdraw the rating on any Permitted Investment previously purchased by the Trustee, the rating on the Bonds could be negatively affected. See “RATINGS” herein.

General Bond Reserve Fund

As an additional source of funds available under certain circumstances for the payment of principal of and interest on any bonds and notes issued or to be issued by the Administration, including the Offered Bonds, the Administration has established the General Bond Reserve Fund (the “General Bond Reserve Fund”) pursuant to a General Bond Reserve Fund Trust Indenture, originally adopted as of June 29, 1984, as amended and restated as of February 1, 2008 (the “GBRF Indenture”), by and between the Administration and Manufacturers and Traders Trust Company, as trustee. Amounts on deposit in the General Bond Reserve Fund, to the extent available, may be used to pay the principal of and interest on bonds and notes of the Administration in the event that revenues and assets specifically pledged to such bonds and notes are not sufficient for the payment of principal of and interest on such bonds or notes. In addition, the Administration uses moneys in the General Bond Reserve Fund to reimburse costs of operation of the Administration.

As of June 30, 2013, the available balance in the General Bond Reserve Fund was \$36,669,076, of which \$29,294,202 was cash equivalents. The fair value of investments was \$7,374,874, of which \$5,560,171 was the book value of investments and \$1,814,703 was the increase in fair value of the investments. The Administration may withdraw funds from the General Bond Reserve Fund, or may pledge such funds to specific obligations, at any time for any purposes under the Act.

The Administration has restricted approximately \$626,000 on deposit in the General Bond Reserve Fund in order to provide a reserve fund for mortgage insurance for single family program mortgage loans.

On May 19, 1997, the Director of the Administration adopted a determination, approved by the Secretary (the “Determination”), stating the Administration’s intent to use funds from the General Bond Reserve Fund to compensate for any deficiency in funds available to meet the Administration’s obligations to the holders of its Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) if MHF becomes unable to or otherwise fails to pay a claim due to the Administration. The Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) have been defeased and are no longer outstanding. Notwithstanding the foregoing, the Determination states that it is the policy of the Administration to maintain a total amount of cash, Investment Obligations and loans under the

Administration's special housing opportunities program for financing Group Homes (the "Available Balance") in the General Bond Reserve Fund, as of July 1 of each year, of not less than \$20,000,000. The Determination also provides that the Administration shall provide Moody's with written notice: (i) if, as of July 1 of any year, the Available Balance in the General Bond Reserve Fund falls below \$20,000,000, such notice to be given no later than July 31 for unaudited amounts, and no later than September 30, for audited amounts; and (ii) of any event pursuant to which the Administration places or causes to be placed any lien or restriction upon all or any part of the funds held in the General Bond Reserve Fund (other than liens established in connection with the payment of principal of or interest on any of the Administration's bonds from the General Bond Reserve Fund).

Unless a default has occurred with respect to payment of any principal (or, if applicable, any redemption premium) of the Bonds or other bonds issued by the Administration, the Administration may, subject to any limitations set forth in the preceding paragraph, withdraw amounts in the General Bond Reserve Fund or may pledge amounts in the General Bond Reserve Fund to specific obligations at any time for any purposes under the Act. Upon the occurrence of an event of default with respect to any bonds secured by the General Bond Reserve Fund, the trustee for the defaulted bonds may file a claim against the General Bond Reserve Fund in an amount equal to the amount in default, and upon filing such a claim will have a lien on the General Bond Reserve Fund in the amount of such claim. In the event of multiple defaults, claims against the General Bond Reserve Fund are given priority based upon time of receipt by the General Bond Reserve Fund trustee. There can be no assurance that moneys will be available in the General Bond Reserve Fund for the payment of principal of or interest on the Bonds. The Trustee is also the trustee for the General Bond Reserve Fund.

Cash Flow Statements and Certificates

The Administration is required to file with the Trustee a current Cash Flow Statement whenever any Series of Bonds is issued, unless such filing is not required by a Rating Agency.

The Administration is also required to file with the Trustee a current Cash Flow Certificate:

(i) upon purchase or redemption of Bonds of a Series in a manner other than (a) as contemplated in the most recent Cash Flow Statement filed by the Administration with the Trustee, or (b) on a basis whereby the Bonds of each maturity of such Series are purchased or redeemed in the proportion that the amount Outstanding of such maturity bears to the total amount of all Outstanding Bonds of such Series, with respect to purchases or redemptions to be made from Recovery Payments;

(ii) prior to withdrawing moneys from the Revenue Fund for payment to the Administration free and clear of the pledge and lien of the Bond Resolution, in an amount in excess of the amounts determined to be available for such purpose in the most recent Cash Flow Statement filed with the Trustee;

(iii) prior to selling Loans not in default;

(iv) prior to (a) the initial financing of a Loan whose terms are materially inconsistent with the most recent Cash Flow Statement, or (b) subsequently materially modifying, amending or altering the terms or provisions of any Loan or releasing, altering or modifying materially the security therefor (including, without limitation, Credit Enhancement, if any);

(v) except as provided in Section 6.07(c) of the Bond Resolution (summarized in APPENDIX H), prior to the releasing of any Loan from the pledge and lien of the Bond Resolution at less than the amount specified in Section 6.06 of the Bond Resolution (summarized in APPENDIX H) for Prepayment of such Loan;

(vi) prior to the application of a Recovery Payment to any use other than the purchase or redemption of Bonds;

(vii) prior to the purchase of Bonds at a price in excess of the then applicable Redemption Price plus accrued interest to the date of purchase; or

(viii) prior to effecting any reduction in the Debt Service Reserve Requirement.

A Cash Flow Statement shall consist of a certification and calculation made by or for the Administration and signed by an Authorized Officer giving effect to the action proposed to be taken and demonstrating that:

(i) the Revenues derived with respect to each Loan, together with any other payments on such Loans;

(ii) interest and other income estimated by the Administration to be derived from the investment or deposit of money available for payment of the Bonds in any fund or account created by or pursuant to the Bond Resolution (which estimate shall be based upon the investments or deposits in any fund or account at the rate of return thereon or, in the case of future investments or investments or deposits expected to be made at the time of such certificate, at an assumed rate or reinvestment rate reasonably determined by the Administration compounded no more frequently than monthly);

(iii) any fees charged by the Administration and any other available revenues; and

(iv) any other moneys or funds pledged to the payment of the Bonds,

will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds described in the calculation in the current Bond Year and in each succeeding Bond Year. A Cash Flow Statement shall include all Outstanding Bonds, together with one or more Series of Bonds to be issued by the Administration, all as may be required by the Bond Resolution, and may exclude any or all Subordinate Bonds. To the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account when preparing a Cash Flow Statement.

In addition, the Cash Flow Statement shall demonstrate that: (1) the amount of moneys and Permitted Investments held in the Bond Proceeds Fund, the Redemption Fund, the Revenue Fund and the Debt Service Reserve Fund (valued at their cost to the Administration, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, (2) the outstanding principal balance of Loans, together with accrued but unpaid interest thereon, and (3) any other assets, valued at their realizable value, pledged for the payment of the Bonds, will equal or exceed the aggregate principal amount of and accrued but unpaid interest on Outstanding Bonds; provided that in the event a series resolution specifies that, for purposes of the requirements of this paragraph, the Loans financed by such Series of Bonds shall be valued at other than their outstanding principal balance, then, with respect to such Loans, such other value shall be used in the calculations required by this paragraph.

A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Administration to the effect of one of the following: (1) the proposed action is consistent with the assumptions set forth in the most recent Cash Flow Statement; or (2) after giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the amounts described in clauses (i) through (iv) above will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds described in the calculation, except that to the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow Certificate; or (3) the proposed action will not in and of itself materially adversely affect the amounts described in clauses (i) through (iv) above, except with respect to such funds or accounts which may be specified in such Supplemental Resolution to not be taken into account in connection with such Cash Flow Certificate. The Administration, at its option, may file a Cash Flow Statement in lieu of a Cash Flow Certificate in any instance when it is required to file a Cash Flow Certificate.

Cash Flow Statements and Cash Flow Certificates are prepared based upon certain assumptions of and information available to the Administration at the time such a statement or certificate is prepared. Such assumptions and information are subject to change, which may materially affect the conclusions expressed in the statement or certificate. Accordingly, Bondholders should be aware that the existence of a Cash Flow Statement or Cash Flow Certificate does not assure that the conclusions expressed therein will accurately reflect future revenues or events. See APPENDIX H — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION — Cash Flow Statements and Certificates.”

Credit Facilities

Under the Bond Resolution, payment of the principal or redemption or purchase price of and interest on each Series of Bonds issued thereunder may be, but is not required to be, secured by a Credit Facility. In connection with obtaining any such credit or liquidity facility, the Administration may under the Bond Resolution pledge to the provider thereof its interests in the Loans and the accounts created under the Bond Resolution and applicable series resolution relating to such Loans.

A Credit Facility may be: (i) an unconditional and irrevocable letter of credit in form and drawn on a bank or banks acceptable to the Administration (which bank or banks must be rated by any Rating Agency in a category at least equal to the rating category of the Bonds (other than Subordinate Bonds) or “A-1+” or “P-1,” as applicable, if the Credit Facility has a remaining term at the time it is provided not exceeding one year); provided that such letter of credit may be provided by a bank or banks whose rating is lower than that set forth above, so long as the provision of such letter of credit does not, as of the date it is provided, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any of the Rating Agencies, (ii) cash, (iii) a certified or bank check, (iv) Permitted Investments or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond, or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds.

Additional Bonds; Subordinate Bonds

The Resolutions permit the issuance of additional Bonds for one or more of the following purposes: (1) to finance or refinance Qualified Loans (including, without limitation, Qualified Loans in default); (2) to refund any or all Outstanding Bonds or any other bonds, notes or other obligations; (3) to pay any “Development Cost” as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, and fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted

by the Act; (4) to fund reserves; or (5) to achieve any of the Administration's purposes. Prior to the issuance of any Series of additional Bonds, the Administration will file with the Trustee: (i) a Cash Flow Statement, and (ii) either (a) if the additional Bonds are not Subordinate Bonds, confirmation that the rating on such Series of Bonds shall not be lower than the rating on the Bonds in effect immediately prior to the issuance of such Series of Bonds, or (b) if the additional Bonds are Subordinate Bonds, confirmation that the issuance of such Series of Subordinate Bonds will not, in and of itself, result in a downgrade of the rating on any outstanding Series of Bonds which are not Subordinate Bonds in effect immediately prior to the issuance of such Series of Subordinate Bonds, unless a more restrictive requirement is established under any series resolution. The Offered Bonds and any additional Bonds issued under the Bond Resolution (except for Subordinate Bonds and any Bonds the security for which is excluded from or limited with respect to the pledge of the Bond Resolution to the extent provided in the series resolution securing such Bonds, including, without limitation, the Additional Housing Revenue Bonds) will be on a parity and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Administration may issue Bonds to be secured by the Bond Resolution on a subordinated basis. Payment of the principal or redemption price of and interest on, and the purchase price of, each Series of Subordinate Bonds, may be secured by the pledge of funds and accounts under the Bond Resolution to the extent specified in the series resolution, which pledge is subordinate, however, to the pledge securing the Bonds which were not issued as Subordinate Bonds, and upon such terms and conditions set forth in the series resolution authorizing such Subordinate Bonds. A Series of Subordinate Bonds may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to the Bonds which are not Subordinate Bonds and with respect to any Subordinate Bonds having a higher priority to payment from such Revenues. No Subordinate Bonds are Outstanding under the Bond Resolution.

TAX MATTERS

General Matters

Bond Counsel is of the opinion that interest on the Offered Bonds is included in gross income for federal income tax purposes. The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Offered Bonds under the Code and the regulations thereunder, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Offered Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Offered Bonds.

In general, interest paid on the Offered Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Offered Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Tax Exemption — State of Maryland Taxation

In the opinion of Bond Counsel, under existing law of the State, the Offered Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, will be exempt from taxation within the State by the State or by any of its political

subdivisions, municipal corporations, or public agencies; however, the law of the State does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied or assessed directly on the Offered Bonds, their transfer, or the income therefrom.

Bond Premium

An investor that acquires an Offered Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Offered Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount

An investor that acquires an Offered Bond for a price less than the adjusted issue price of such bond (or an investor who purchases an Offered Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the regulations, "market discount" means (a) in the case of an Offered Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of an Offered Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such an Offered Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of an Offered Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of an Offered Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Offered Bond for the days during the taxable year

on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Offered Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8 percent of the lesser of (a) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business and certain other listed items of gross income), or (b) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Offered Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Offered Bonds and to gain on the sale of an Offered Bond.

Sales or Other Dispositions

If an owner of an Offered Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner’s basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of an Offered Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of an Offered Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance

The legal defeasance of the Offered Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Offered Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding

An owner of an Offered Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Offered Bonds, if such owner, upon issuance of the Offered Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors

An owner of an Offered Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of an Offered Bond will generally not be subject to United States income or withholding tax in respect of a payment on an Offered Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Offered Bonds owned by foreign investors. In those instances in which payments of interest on the Offered Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Offered Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning an Offered Bond.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of an Offered Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of an Offered Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Offered Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Offered Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Administration or any dealer of the Offered Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Offered Bonds are acquired by such plans or arrangements with respect to which the Administration or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Offered Bonds. The sale of the Offered Bonds to a plan is in no respect a representation by the Administration or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Offered Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Treasury Circular 230 Disclosure

Any federal tax advice contained in this Official Statement was written to support the marketing of the Offered Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayers’ particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Changes in Federal and State Tax Law

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

FINANCIAL STATEMENTS

The financial statements for the fiscal years ended June 30, 2013 and June 30, 2012 of the Housing Revenue Bonds and the financial statements for the fiscal years ended June 30, 2013 and June 30, 2012 of MHF (collectively, the “Financial Statements”) have been audited by Reznick Group, P.C. (the “Auditors”), as described in each Independent Auditor’s Report of Reznick Group, P.C. accompanying the Financial Statements in APPENDIX I and APPENDIX J, respectively, of this Official Statement. As indicated in the reports of the Auditors, such Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States. The Auditors are independent certified public accountants, as indicated in their report with respect to the Financial Statements, and the Financial Statements are included herein in reliance upon the authority of such firm as an expert in giving such reports.

The Administration’s Financial Statements report financial information as of June 30, 2013. Under the terms of the Bond Resolution, the Administration may withdraw moneys and assets from the Bond Resolution at any time subject to certain limitations. See “SECURITY FOR THE BONDS — Cash Flow Statements and Certificates.”

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale and delivery of any of the Offered Bonds or in any way contesting or affecting the validity of any of the Offered Bonds, the Bond Resolution or other proceedings of the Secretary taken with respect to the authorization, issuance, sale and delivery of any of the Offered Bonds, or the pledge or application of any moneys under the Bond Resolution, or the existence or powers of the Administration.

LEGAL MATTERS

The authorization, issuance and delivery of the Offered Bonds are subject to receipt of the opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in APPENDIX L. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York. Certain legal matters will be passed upon for the Bank by its counsel, Kutak Rock LLP, Atlanta, Georgia.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LEGALITY FOR INVESTMENT

Under the Act, the Bonds are securities in which all public officers and public units of the State and its political subdivisions and all State banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business, all insurance companies, insurance associations, and others carrying on an insurance business, all State personal representatives, guardians, trustees, and other fiduciaries and all other persons, may legally and properly invest funds, including

capital in their control or belonging to them. The Bonds are securities which properly and legally may be deposited with and received by any State or municipal officer or any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

UNDERWRITING

The Offered Bonds are being purchased on a negotiated basis by RBC Capital Markets, LLC (the “Underwriter”). The Underwriter has agreed to purchase the Offered Bonds at the price or prices set forth on the inside cover page hereof. The Underwriter will receive a fee of \$90,695.15 relating to its purchase of the Offered Bonds. The Underwriter is not acting as financial advisor to the Administration. The bond purchase agreement with respect to the Offered Bonds between the Administration and the Underwriter (the “Bond Purchase Agreement”) provides that the Underwriter will purchase all but not less than all of the Offered Bonds. The Underwriter’s obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, without limitation, the approval of certain legal matters by counsel and certain other conditions. The initial public offering price of the Offered Bonds may be changed, from time to time, by the Underwriter.

The Underwriter may offer and sell any of the Offered Bonds to certain dealers (including dealers depositing such Offered Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage civilities. The Underwriter and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Administration for which it received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the Administration.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISORS

Caine Mitter & Associates Incorporated and Strategic Solutions Center, LLC (collectively, the “Financial Advisors”) have served as Financial Advisors to the Administration in connection with the sale of the Offered Bonds.

RATINGS

Fitch Ratings, Inc. (“Fitch”) has assigned its bond rating of AA+/F1+ to the Offered Bonds. Moody’s Investors Service (“Moody’s”) has assigned its bond rating of Aa2/VMIG 1 to the Offered Bonds. Explanations of the significance of such ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004 and from Moody’s at 7 World Trade Center, New York, New York

10007. The Administration has not applied for any other rating in respect of any of the Offered Bonds. Fitch and Moody's may have been provided with information regarding the Administration and its financial condition and operations which is not included in this Official Statement. There is no assurance that such ratings, once assigned, will continue for any period of time or that such ratings will not be revised, reduced or withdrawn. The Administration has not agreed to maintain such ratings, to notify the owners of the Bonds of any proposed or threatened change or withdrawal of such ratings (other than actual material rating changes within the scope of the Administration's continuing disclosure undertaking described below) or to oppose any proposed or threatened change or withdrawal of such ratings. Any reduction or withdrawal of such ratings would have an adverse effect upon the market price of the Bonds.

CONTINUING DISCLOSURE

The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule"), adopted by the Securities and Exchange Commission (the "Commission") under the Securities and Exchange Act of 1934, as amended, to provide to the Municipal Securities Rulemaking Board or to any other entity designated or authorized by the Commission to receive reports pursuant to the Rule (in either case, the "MSRB") (until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>), within 120 days of the end of each fiscal year, the following annual financial information and operating data (commencing with the fiscal year ended June 30, 2014):

- (i) annual financial statements of the Housing Revenue Bonds and of MHF; and
- (ii) information in this Official Statement, as follows:
 - (a) the description of the charts which are located under the headings "SECURITY FOR THE BONDS — Credit Enhancement of Rental Housing Loans," "— Housing Subsidy Payments for Rental Housing Developments" and "— Single Family and Group Home Loans;"
 - (b) the balances in the Debt Service Reserve Fund and the General Bond Reserve Fund;
 - (c) in APPENDIX C — "THE PROGRAM," the chart describing geographical distributions of Loans under the subheading "Factors Affecting the Mortgage Loans;"
 - (d) APPENDIX D — "DESCRIPTION OF LOANS AND DEVELOPMENTS;"
 - (e) APPENDIX E — "OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION;" and
 - (f) if more than 20% of the aggregate outstanding principal amount of Loans is insured by the MHF, in APPENDIX F — "MORTGAGE INSURANCE AND GUARANTY PROGRAMS — MHF INSURANCE PROGRAM — Multi-Family Information," information under the subheadings "Multi-Family Insurance in Force and Available Reserves," "Certain Additional Expected Multi-Family Claims" and "Multi-Family Claims Experience."

The Administration has reserved the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Administration; provided that the Administration has agreed that any such

modification will be done in a manner consistent with the Rule. The Administration may, at its option, satisfy this obligation by providing an official statement or other offering circular for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously.

In the event audited financial statements are not available within 120 days of the end of a fiscal year, the Administration will provide unaudited financial statement by such date, and will thereafter provide audited financial statements when they are available.

The Administration also has agreed to provide, in a timely manner, not in excess of ten (10) business days after the occurrence of such event, to the MSRB, notice of the occurrence of any of the following events with respect to any of the Offered Bonds:

- (i) principal and interest payment delinquencies,
- (ii) non-payment related defaults, if material,
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties,
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties,
- (v) substitution of credit or liquidity providers or their failure to perform,
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds,
- (vii) modifications to rights of Bondholders, if material,
- (viii) bond calls, if material, and tender offers,
- (ix) defeasances,
- (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material,
- (xi) rating changes,
- (xii) bankruptcy, insolvency, receivership or similar event of the Administration,*

* For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Administration 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 Administration, 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 Administration.

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

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In a timely manner, the Administration will give to the MSRB notice of any failure by the Administration to provide any information as described and in the manner set forth above.

During the previous five years, there have been instances where the Administration has not complied in all material respects with previous undertakings related to the Bonds and with undertakings related to other bonds issued by the Administration. In a single instance, the Administration failed to timely file required annual financial information relating to its Local Government Infrastructure Bonds issued in 2010. In all other instances, the Administration timely filed the required annual financial information on EMMA; however, the Administration failed to properly associate such annual financial information with the CUSIP for the related bonds. The Administration now has filed all required annual financial information and has properly associated all CUSIPs with the related bonds. The Administration has implemented procedures intended to ensure that similar instances will not occur in the future.

The Administration has reserved the right to terminate its obligation to provide financial information and notices of listed events, as described above, as to any Series of Bonds or the owners thereof if and when the Administration no longer remains an obligated person with respect to such Series of Bonds within the meaning of the Rule.

The Administration will agree that its undertaking pursuant to the Rule described herein is intended to be for the benefit of any holder or beneficial owner of any of the Offered Bonds. Such holder's and beneficial owner's right to enforce the provisions of the Administration's undertaking is limited to a right to obtain specific enforcement of the Administration's obligation with respect thereto. Any failure by the Administration to comply with the provisions of its undertaking will not be an event of default with respect to the Offered Bonds or any other Bonds issued under the Bond Resolution or under any related series resolution.

The provisions of the undertaking may be amended, without the consent of the holders or any beneficial owners of any of the Offered Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date of the undertaking.

MISCELLANEOUS

Summaries and Descriptions in Official Statement

The summaries and explanation of, or references to, the Act, the program documents, the Resolutions and the Offered Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the office of the Administration. The descriptions of MHF and mortgage insurance and credit enhancement programs do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

Selection and Compensation of Professionals

The Administration selects the Auditors through a competitive process in accordance with State procurement law. Compensation of the Auditors is not contingent on the sale and delivery of the Offered Bonds. The Financial Advisors are selected by the Administration periodically through a competitive process in accordance with State procurement law. Compensation of the Financial Advisors is not contingent on the sale and delivery of the Offered Bonds. Bond Counsel was selected by the Office of the Attorney General of the State through a process of review of responses to a request for proposals. Compensation of Bond Counsel is not contingent on the sale and delivery of the Offered Bonds. Underwriters are selected by the Administration periodically through a process of solicitation of proposals. Compensation of the Underwriter and its counsel is contingent on the sale and delivery of the Offered Bonds.

This Official Statement is not to be construed as a contract or agreement between the Administration and the owners of any of the Offered Bonds.

* * * * *

The execution and delivery of this Official Statement and the incorporation of the Appendices hereto by the Administration have been duly authorized by the Secretary of Housing and Community Development.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/Frank B. Coakley
Frank B. Coakley, Director
Community Development Administration

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APPENDIX A-1

DEFINITIONS FROM THE RESOLUTIONS

Certain of the terms used in this Official Statement, including the appendices hereto, are defined in the Resolutions. Certain terms used in this Official Statement are defined elsewhere in this Official Statement. In addition, the following terms from the Resolutions have the following respective meanings in this Official Statement, unless a different meaning clearly appears from the context:

“Accountant’s Report” means an opinion signed by any nationally recognized certified public accountant or firm of certified public accountants (who may be the accountant or firm that regularly audits the books and accounts of the Administration) from time to time selected by the Administration.

“Accounts” means the accounts established pursuant to the Bond Resolution or any Supplemental Resolution.

“Accreted Amount” means, as of any Interest Payment Date, with respect to Capital Appreciation Bonds and Deferred Income and Appreciation Bonds, such amounts as are set forth in the Series Resolution authorizing such Capital Appreciation Bonds and/or Deferred Income and Appreciation Bonds. “Accreted Amount” means, as of any date other than an Interest Payment Date, the sum of (a) the Accreted Amount on the preceding Interest Payment Date and (b) the product of: (x) a fraction, the numerator of which is the number of days having elapsed from the preceding Interest Payment Date and the denominator of which is the number of days from such preceding Interest Payment Date to the next succeeding Interest Payment Date, and (y) the difference between the Accreted Amounts for such Interest Payment Dates.

“Acquired Development” means a Development constructed, owned, operated or administered by reason of the Administration’s obtaining possession thereof when the Mortgage with respect thereto is in default under its terms.

“Acquired Development Expense Requirement” means such amount of money as may, from time to time, by resolution of the Administration, with the approval of the Secretary, be determined to be necessary for the payment or as a reserve for the payment of any costs and expenses incurred in connection with the operation or ownership of an Acquired Development.

“Acquired Development Expenses” means any and all costs and expenses incurred in connection with the operation or ownership of an Acquired Development as the Administration determines from time to time to be necessary and appropriate in carrying out the rights and duties of the Administration under the Bond Resolution with respect to an Acquired Development.

“Acquired Development Receipts” means all money received by the Administration in connection with its acquisition, ownership or operation of an Acquired Development.

“Alternate Liquidity Facility” means any standby purchase agreement or similar agreement (not including a Non-Conforming Liquidity Facility or Self Liquidity) providing liquidity for the Liquidity Facility Bonds, delivered by the Administration in connection with a Mode Change or in substitution for an existing Liquidity Facility pursuant to the terms of the 2013 E Series Resolution; provided, however, that in connection with the delivery of an Alternate Liquidity Facility, there shall be delivered to the Trustee rating letters from each Rating Agency then rating the Offered Bonds evidencing a short term

rating of the Variable Rate Bonds of not less than the then existing short term rating on the Offered Bonds.

“Authorized Denomination” or “Authorized Denominations” means the denomination or denominations for each Series of Bonds set forth in the Series Resolution for each Series of Bonds or Subseries thereof.

“Authorized Officer” means the Secretary, the Deputy Secretary of the Department, the Director, either Deputy Director, any Director of any program or division of the Administration or any other person duly authorized by the Secretary to perform such act or discharge such duty.

“Bank” means (i) with respect to the Initial Liquidity Facility for the Offered Bonds, Royal Bank of Canada, together with its successors and assigns; (ii) with respect to an Alternate Liquidity Facility or a Non-Conforming Liquidity Facility, the provider thereof, together with its successors and assigns; and (iii) with respect to Self Liquidity, the Administration, together with its successors and assigns.

“Bank Bonds” means Offered Bonds purchased with funds provided by the Bank pursuant to a Liquidity Facility.

“Bond Counsel” means nationally recognized bond counsel who is either currently under contract to provide such services to the Administration or is acceptable to the Administration and the Trustee.

“Bond Year” means the year which begins on January 2 of any year during which Bonds are outstanding and ends on January 1 of the next succeeding year.

“Borrower” means the obligor under a Loan, which may include the Administration.

“Business Day” means any day other than a Saturday or Sunday on which: (i) banks are not required or authorized to remain closed (a) in the city in which the designated corporate trust office of the Trustee is located, (b) in the city in which the office of the Bank at which demands for payment under the Liquidity Facility are to be honored is located, (c) in the city in which the designated corporate trust office of the Tender Agent at which the Bonds may be tendered for purchase by the holders thereof is located, or (d) in the city in which the principal office of the Remarketing Agent is located, (ii) the offices of the Administration are generally open for business, (iii) The New York Stock Exchange is not closed, and (iv) banks located in the New York, New York or Baltimore, Maryland, are not authorized to be closed for regular business.

“Capital Appreciation Bonds” means any non-current interest paying Bonds as designated in the applicable Supplemental Resolution.

“Cash Equivalent” means a letter of credit, insurance policy, surety, guaranty or other security arrangement (each as provided for in a Series Resolution or a Supplemental Resolution), provided by an institution which has received a rating of its claims paying ability from each Rating Agency at least equal to the then existing rating on the Bonds (other than Subordinate Bonds) or whose unsecured long-term debt securities are rated in a category at least equal to the then existing long-term rating on the Bonds (other than Subordinate Bonds) and the highest short-term rating category by each Rating Agency; provided that a Cash Equivalent may be provided by an institution which has received a rating of its claims paying ability which is lower than that set forth above or whose unsecured long-term (or short-term) debt securities are rated lower than that set forth above, so long as the providing of such Cash Equivalent does not, as of the date it is provided, in and of itself, result in the reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by each Rating Agency.

“Cash Flow Certificate” means the certification and calculation (if required) made by or for the Administration pursuant to the Bond Resolution.

“Code” means the applicable sections of the Internal Revenue Code of 1954 (the “1954 Code”) or the Internal Revenue Code of 1986 (the “1986 Code”), and any applicable regulations promulgated thereunder.

“Collateral Reserve Fund” means the fund so designated which is established by the Bond Resolution.

“Collateral Reserve Requirement” means, as of any date of calculation, the aggregate of the amounts (if any) specified as the Collateral Reserve Requirement for each Series of Bonds or generally in the applicable Series Resolution or Supplemental Resolution, to be deposited into the Collateral Reserve Fund in connection with the issuance of a Series of Bonds or generally; provided that: (i) a Series Resolution or Supplemental Resolution may provide that the Collateral Reserve Requirement may be funded, in whole or in part, through Cash Equivalents and such method of funding shall be deemed to satisfy all provisions of the Bond Resolution with respect to the Collateral Reserve Requirement and the amounts required to be on deposit in the Collateral Reserve Fund, and (ii) a Series Resolution or Supplemental Resolution may provide for a reduction in the Collateral Reserve Requirement, either as to a Series of Bonds or on an aggregate basis, provided that such reduction will not, in and of itself, result in a reduction of the rating of the Bonds as in effect immediately before any such reduction in the Collateral Reserve Requirement and a Cash Flow Certificate taking such reduction into account is filed with the Trustee.

“Conversion Date” means the Business Day on which the interest rate on any of the Offered Bonds is Converted to a Fixed Interest Rate or an Indexed Rate.

“Convert,” “Converted” or “Conversion,” as appropriate, means the conversion of the interest rate on any of the Offered Bonds to a Fixed Interest Rate or an Indexed Rate pursuant to the 2013 E Series Resolution.

“Cost of Issuance” means all items of expense payable or reimbursable directly or indirectly by the Administration and related to the authorization, sale and issuance of Bonds and the making, purchasing and otherwise financing of Loans.

“Credit Enhancement” means any credit enhancement, insurance, guaranty, risk-sharing arrangement or any other form of credit support for a Loan (or any portion thereof) as provided in any Series Resolution or Supplemental Resolution.

“Credit Enhancer” means the issuer or provider of any Credit Enhancement, which term includes, without limitation: (a) the Maryland Housing Fund, a unit of the Department in the Division of Credit Assurance; (b) any agency or instrumentality of the United States of America guaranteeing, insuring or providing credit enhancement for (including without limitation HUD, the Federal Housing Administration of HUD, and its successors and assigns, the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation); (c) any bank, financial institution, government chartered corporation or other person; or (d) any agency, instrumentality or department of the State.

“Credit Facility” means (i) an unconditional and irrevocable letter of credit (or confirmation of a letter of credit) in form and drawn on a bank or banks acceptable to the Administration, (ii) cash, (iii) a certified or bank check, (iv) Permitted Investments, or (v) any other credit facility similar to the above in

purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds, or Parity Obligation or a Subordinate Contract Obligation.

“Credit Facility Provider” means the issuer of or obligor under a Credit Facility.

“Daily Mode Period” means the period of time during which any of the Offered Bonds bear interest at a Daily Rate.

“Daily Rate” means the rate of interest to be borne by the Offered Bonds as described in the 2013 E Series Resolution.

“Debt Service” means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installments and Sinking Fund Installments of such Bonds during such Bond Year.

“Debt Service Reserve Requirement” means, as of any date of calculation, the aggregate of the amounts specified as the Debt Service Reserve Requirement for each Series of Bonds in the applicable Series Resolution; provided that: (i) a Series Resolution may provide that the Debt Service Reserve Requirement for the Series of Bonds authorized thereunder may be funded, in whole or in part, through Cash Equivalents, and such method of funding shall be deemed to satisfy all provisions of the Bond Resolution with respect to the Debt Service Reserve Requirement, and (ii) a Series Resolution or Supplemental Resolution may provide for a reduction in the Debt Service Reserve Requirement, either as to a Series of Bonds or on an aggregate basis, provided that such reduction will not, in and of itself, result in a reduction of the rating of the Bonds as in effect immediately before any such reduction in the Debt Service Reserve Requirement and a Cash Flow Certificate taking such reduction into account is filed with the Trustee.

“Deferred Income and Appreciation Bonds” means any non-current interest paying Bonds which, on a specified date, convert to current interest paying Bonds, as designated in the applicable Series Resolution.

“Development” means any project, facility, undertaking or purpose which the Administration is authorized to undertake or finance pursuant to the Act as now or hereafter in effect, including, without limitation, any undertaking or project, or portion thereof, which is defined as a “community development project,” a “public purpose project,” an “energy conservation project,” a “home improvement project,” an “infrastructure project” or a “special housing facility” by the Act, and shall include, without limitation, single-family, multi-family and group housing.

“Effective Rate” means the rate of interest (which rate shall be less than or equal to the Maximum Rate) payable on any of the Offered Bonds prior to Conversion, as determined for each Effective Rate Period pursuant to the terms of this Resolution.

“Effective Rate Date” means each date on which any of the Offered Bonds begin to bear interest at the applicable Effective Rate described in the 2013 E Series Resolution.

“Effective Rate Period” means, with respect to any Offered Bonds, each period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date with respect to such Offered Bonds.

“Escrow Payment” means any payment made to obtain or maintain mortgage insurance and fire and other hazard insurance, including payments for any federal, state, local or private program intended to assist in providing Loans, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Borrower customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Loan.

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

“Federal Obligations” means direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America.

“FHA” means the Federal Housing Administration or its successors.

“Fiscal Year” means the period of twelve calendar months commencing on July 1 in any calendar year and ending on June 30 in the following calendar year or such other period of twelve calendar months as determined by the Administration.

“Fixed Interest Rate” means a long term interest rate fixed to maturity of any Offered Bond, established in accordance with the 2013 E Series Resolution.

“Fixed Rate Bonds” means Offered Bonds which bear interest at a Fixed Interest Rate.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder-owned, government-sponsored enterprise organized and existing under the laws of the United States.

“GNMA” means the Government National Mortgage Association, a government-sponsored enterprise organized and existing under the laws of the United States.

“Group Home Loans” means Loans made to non-profit organizations to finance group housing facilities for special needs populations, including developmentally disabled individuals.

“Hedge Receipt” means, if and to the extent designated as such pursuant to the Series Resolution or Supplemental Resolution authorizing the related Qualified Hedge, the amount required to be paid to the Administration under a Qualified Hedge.

“Index” means, with respect to any Offered Bonds, the interest rate index (SIFMA or, upon receipt of written confirmation from each Rating Agency that the rating on the Offered Bonds has not been withdrawn, reduced or suspended, Three-Month LIBOR) specified by the Administration in connection with the Conversion of such Bonds to be used in the Index Rate Determination Method with respect to such Bonds.

“Index Accrual Period” means, with respect to any Offered Bonds bearing interest at an Indexed Rate (i) determined in accordance with the 2013 E Series Resolution, the period commencing on the Conversion Date of such Bonds to but excluding the day occurring one week thereafter and each one-week period thereafter and (ii) determined in accordance with the 2013 E Series Resolution, the period commencing on each January 1, April 1, July 1 and October 1 to and including the following December

31, March 31, June 30 and September 30, respectively; provided that the initial Index Accrual Period shall be the period commencing on the Conversion Date of such Bonds and ending on the immediately succeeding December 31, March 31, June 30 or September 30, whichever occurs first.

“Index Adjustment Factor” means, with respect to any Offered Bonds bearing interest at an Indexed Rate determined in accordance with the 2013 E Series Resolution, the per annum spread to the related Index (expressed in basis points) established on the Index Determination Date immediately preceding the Conversion Date for such Bonds in accordance with the 2013 E Series Resolution.

“Index Determination Date” means, with respect to any Index Accrual Period, the second Business Day preceding the beginning of such Index Accrual Period.

“Index Percentage” means, with respect to Offered Bonds bearing interest at an Indexed Rate determined in accordance with the 2013 E Series Resolution, the percentage of the related Index established on the Conversion Date for such Bonds in accordance with the 2013 E Series Resolution.

“Index Rate Determination Method” means, with respect to any Offered Bonds, the method for determining the Indexed Rate for such Bonds for each Index Accrual Period, as selected by the Administration in accordance with the 2013 E Series Resolution.

“Indexed Rate” means, with respect to any Index Accrual Period and any Offered Bonds, a per annum rate determined in accordance with the Index Rate Determination Method specified upon the Conversion of such Bonds, provided that the Indexed Rate for any Index Accrual Period shall not exceed the Maximum Rate.

“Indexed Rate Bonds” means Offered Bonds which bear interest at an Indexed Rate.

“Interest Requirement” means, as of any particular date of computation, the sum of the unpaid interest then past due, if any, plus the interest to become due on all Outstanding Bonds on the next Interest Payment Date (if such computation is made on an Interest Payment Date for one or more Series of Bonds before the interest then due on such Interest Payment Date is paid, such Interest Payment Date shall be treated as the next Interest Payment Date for such Series).

“Investment Obligations” shall mean any of the following which at the time are legal investments under the laws of the State for moneys held under the Bond Resolution which are then proposed to be invested therein:

(1) direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(2) bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; Government National Mortgage Association; Federal Financing Bank; Small Business Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

(3) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, and temporary

notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(4) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any financial institution (including the Trustee or any other Fiduciary) provided that (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation, the proceeds of which insurance are timely available, or (ii) such financial institution has combined capital and surplus of at least \$10,000,000 and such deposits, certificates and other arrangements are fully secured by obligations described in clauses (1) through (3), inclusive, of this definition, or a combination thereof, or (iii) such financial institution has combined capital and surplus of at least \$25,000,000;

(5) interest-bearing notes issued by a bank holding company having combined capital and surplus of at least \$500,000,000 whose senior debt is rated in one of the two highest rating categories of Moody's or Standard & Poor's Corporation;

(6) contracts for the purchase and sale of obligations described in clauses (1) through (5) of this definition, provided that if the parties with which such contracts are made are not members of the Federal Reserve System or if such parties (including members of the Federal Reserve System) are not required to set aside and otherwise identify, obligations described in clauses (1) through (5) above to such contracts as security or reserve therefor in an amount at least equal to 100% of the face value of each such contract, such obligations shall be delivered to and held by a fiduciary during the term of such contracts; and

(7) any other investment now or hereafter a legal investment for funds of the Administration under the laws of the State.

"Loan" means: (1) a loan, made or purchased or otherwise financed by the Administration and evidenced by a promissory note, (2) a portion of, or participation in, a loan made or purchased or otherwise financed by the Administration and evidenced by a promissory note, provided, to the extent required by the Act, that such portion or participation is secured by a lien at least equal in priority to the lien securing any other portion of or participation in the loan made or purchased or otherwise financed from sources other than the proceeds of Bonds, but need not be identical as to interest rate, time or rate of amortization or otherwise, and provided further, that any such portion or participation shall be governed by an agreement between the participants which gives the Administration authority to deal with the Loan as if it were owned solely by the Administration, or (3) a security, certificate or other evidence of ownership of an interest in a loan purchased or otherwise financed by the Administration, which may (but is not required to) be subject to Credit Enhancement. A Loan may or may not be secured by a Mortgage, to the extent permitted by the Act.

"Liquidity Facility" means any instrument or agreement delivered pursuant to the terms of the 2013 E Series Resolution which provides liquidity support for the purchase of Liquidity Facility Bonds in accordance with the terms of the 2013 E Series Resolution, including the Initial Liquidity Facility and any Alternate Liquidity Facility, Non-Conforming Liquidity Facility or Self Liquidity.

"Liquidity Facility Bonds" means Variable Rate Bonds (other than Unenhanced Variable Rate Bonds) which are required pursuant to the 2013 E Series Resolution to be covered by a Liquidity Facility.

"Liquidity Facility Provider" means (i) with respect to the Initial Liquidity Facility for the Offered Bonds, the Bank, together with its successors and assigns, (ii) with respect to an Alternate

Liquidity Facility or a Non-Conforming Liquidity Facility, the provider thereof, together with its successors and assigns, and (iii) with respect to Self Liquidity, the Administration, together with its successors and assigns.

“Mandatory Tender Date” means each date on which any of the Offered Bonds are subject to mandatory tender pursuant to the 2013 E Series Resolution.

“Maximum Rate” (i) with respect to the Offered Bonds, means 12% per annum, unless the Administration directs in writing that such rate be increased to a higher rate and delivers to the Trustee an Opinion of Bond Counsel (as defined in the 2013 E Series Resolution) and a rating confirmation; and (ii) with respect to Bank Bonds, has the meaning ascribed to such term in the Liquidity Facility; provided, however, that in no event shall the Maximum Rate with respect to clause (i) exceed the lesser of (x) 12% and (y) the maximum rate permitted by applicable law, anything in the 2013 E Series Resolution to the contrary notwithstanding, nor shall the Maximum Rate with respect to clause (ii) exceed the maximum rate permitted by applicable law, anything in the 2013 E Series Resolution to the contrary notwithstanding.

“Mode” means the manner in which the interest rate on any of the Offered Bonds is determined, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate or Semiannual Rate.

“Mode Change” means a change in Mode Period.

“Mode Change Date” means the date of effectiveness of a Mode Change.

“Mode Period” means each period beginning on the first Effective Rate Date for any of the Offered Bonds, or the first Effective Rate Date following a change from one Mode to another, and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode with respect to such Offered Bonds.

“Monthly Mode Period” means each period of time during which any of the Offered Bonds bear interest at a Monthly Rate.

“Monthly Rate” means the rate of interest to be borne by any of the Offered Bonds as described in the 2013 E Series Resolution.

“Mortgage” means a mortgage deed, deed of trust or other instrument securing a Loan.

“Multi-Family Housing Revenue Bonds” means the Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) issued by the Administration pursuant to the 1982 Resolution.

“1982 Resolution” means the Administration’s Resolution Providing for the Issuance of Multi-Family Housing Revenue Bonds (Insured Mortgage Loans), originally adopted as of May 1, 1982, and amended and restated as of January 1, 1994.

“Non-Conforming Liquidity Facility” has the meaning assigned in the 2013 E Series Resolution.

“One-Month LIBOR” means the rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market which is published daily by Thompson Reuters 11:00 a.m., London, England time, on the second Business Day immediately preceding the beginning of each Daily Mode Period, Weekly Mode Period or Monthly Mode Period for Unenhanced Variable Rate Bonds. If no rate is published as specified

above, then such other service selected by the Trustee shall be used; provided, however, that if such service selected by the Trustee as aforesaid is not quoting as mentioned in this definition, then One-Month LIBOR will be the One-Month LIBOR in effect for the immediately preceding Daily Mode Period, Weekly Mode Period or Monthly Mode Period, as applicable.

“Operating Expenses” means the Administration’s operating expenses and all other expenses of carrying out and administering its powers, duties and functions under the Program and the Bond Resolution, and shall include, without limiting the generality of the foregoing: (1) salaries, supplies, utilities, moving, labor, materials, office rent, maintenance, furnishings, equipment; (2) machinery, insurance premiums, legal, accounting, management, consulting, banking and trust services and expenses; (3) Costs of Issuance not paid from proceeds of Bonds; and (4) payments for pension, retirement, health, hospitalization and other benefits.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been delivered under the Bond Resolution, except:

(a) Bonds surrendered to the Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds (or portions thereof) for the payment or redemption of which cash, Federal Obligations, Pre-Refunded Municipal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(c) Bonds in lieu of which other Bonds have been transferred, exchanged, executed, authenticated and delivered, unless proof satisfactory to the Trustee is presented that such bond is held by a bona fide holder in due course.

“Parity Bonds” means Bonds which have a first priority pledge of, lien on, and security interest in, the trust estate established by the granting clauses of the Bond Resolution.

“Parity Hedge Obligation” means the Administration’s obligation to pay any amount under any Qualified Hedge secured by a pledge of, and a lien on, Revenues on a parity with the lien securing the Parity Obligations. Parity Hedge Obligations do not include any payments of any termination fees (including Termination Payments) or other fees, expenses, indemnification or other similar obligations to a Party to a Qualified Hedge, which payments shall be Subordinate Contract Obligations.

“Parity Interest” means interest on Parity Bonds, those portions of Parity Reimbursement Obligations that are related to interest payments on Parity Principal, and Parity Hedge Obligations.

“Parity Obligation Instrument” means an instrument or other contractual arrangement, including Bonds, evidencing the Administration’s obligation to pay Parity Obligations.

“Parity Obligations” means Parity Bonds and Parity Hedge Obligations.

“Parity Principal” means principal of Parity Bonds and those portions of Parity Reimbursement Obligations that are related to principal.

“Parity Reimbursement Obligation” means a Reimbursement Obligation secured by a pledge of, and a lien on, the trust estate established by the granting clauses of the Bond Resolution on a parity with the lien securing the Parity Bonds, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirement for the related Bonds, without acceleration (unless either a Cash Flow Statement is delivered at the time of execution of the Credit Facility incorporating a different principal amortization schedule with respect to such Parity Reimbursement Obligation or the effectiveness of such different amortization schedule is conditioned on the delivery of such Cash Flow Statement), as determined by the Administration in the applicable Series Resolution or Supplemental Resolution. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such issuer, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which accelerated payments shall be Subordinated Contract Obligations.

“Parties” or “Party” means any person(s), other than the Administration, that is a/are party(ies) to a Parity Obligation Instrument or Subordinate Contract Obligation other than Bonds.

“Permitted Investments” means any of the following investments which at the time are legal investments for moneys of the Administration which are then proposed to be invested therein, subject to the terms of the applicable Series Resolution:

- (1) Federal Obligations;
- (2) Bonds, debentures, notes or other evidences of indebtedness issued by any federal agency, instrumentality or public corporation the obligations of which represent or are guaranteed by the full faith and credit of the United States of America, including (without limitation): Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, and U.S. Department of Housing & Urban Development;
- (3) Bonds, notes or other evidences of indebtedness having a rating at least equal to the Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase at least equal to the Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (5) Commercial paper which is rated at the time of purchase at least equal to the Rating Agency’s existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency and which matures not more than 270 days after the date of purchase;
- (6) Investments in a money market fund having a rating at least equal to the Rating Agency’s highest possible rating category or the comparable rating of any other nationally recognized rating agency;

(7) Pre-Refunded Municipal Obligations having a rating at least equal to the Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect;

(8) Investment agreements with any financial institution or other entity with debt rated at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect;

(9) Contracts for the purchase and sale of obligations described in clauses (1) through (7) of this definition, provided that: (i) if the parties with which such contracts are made are not members of the Federal Reserve System or if such parties (including members of the Federal Reserve System) are not required to set aside and otherwise identify obligations described in clauses (1) through (7) above to such contracts as security or reserve therefor, such obligations shall be delivered to and held by a fiduciary during the term of such contracts, (ii) such obligations shall be continuously maintained at a market value at least equal to 100% of the face value of each such contract, and (iii) the provider of such contract will not adversely affect the rating on the Bonds then in effect;

(10) Investments in any mutual fund the portfolio of which is limited to Permitted Investments, including any proprietary mutual fund of the Trustee for which the Trustee or an affiliate is investment advisor or provides other services to such mutual fund and receives reasonable compensation for such services (and if such mutual fund consists solely of Federal Obligations, then such fund shall constitute "Federal Obligations" for the purposes of the Bond Resolution);

(11) With respect to the Offered Bonds, repurchase agreements with any financial institution or other entity with debt rated at least equal to (a) the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or (b) the comparable rating of any other nationally recognized rating agency which will not adversely affect the rating on the Bonds then in effect, which agreement is secured by any one or more of the securities described in clauses 1, 2 or 3 of this definition of Permitted Investments, which securities shall at all times (x) have a market value of not less than the full amount invested pursuant to the repurchase agreement and (y) be delivered to another financial institution or entity, as custodian; and

(12) Any investments authorized in a Series Resolution authorizing the issuance of Bonds.

For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation of a government. Any reference in this definition to the highest rating of short-term obligations shall be without regard to any refinement or gradation such as "+" or "-."

The definition of Permitted Investments may be amended and additional obligations or investments included pursuant to a Supplemental Resolution or a Series Resolution, provided such amendments will not in and of themselves cause a reduction in the rating of the Bonds as in effect immediately before such amendment;

"Prepayment" means any money received from a payment of principal on a Loan in excess of the scheduled payments of principal then due or from the sale, assignment or other disposition of a Loan.

“Pre-Refunded Municipal Obligations” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of any nationally recognized rating agency; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Principal” or “principal” means: (i) as such term references the principal amount of any Capital Appreciation Bonds or Deferred Income and Appreciation Bonds, the Accreted Amount thereof (the excess of the stated maturity amount of a Capital Appreciation Bond or Deferred Income and Appreciation Bond above the Accreted Amount thereof being deemed unearned interest on such Bond), except as used in the Bond Resolution or the Series Resolution in connection with the authorization and issuance of Bonds and in the order of priority of payments on Bonds after default, in which cases the term “principal” shall mean the initial principal amount of a Capital Appreciation Bond or Deferred Income and Appreciation Bond, and the difference between the Accreted Amount of such Capital Appreciation Bond or Deferred Income and Appreciation Bond and the initial principal amount thereof shall be deemed to be interest, and (ii) as such term references the principal amount of any other Bond, the principal amount at maturity of such Bond.

“Principal Installment” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Bond Resolution of Sinking Fund Installments payable before such future date plus (ii) the unsatisfied balance of any Sinking Fund Installments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Installments in a principal amount equal to said unsatisfied balance.

“Purchase Date” means any date that Offered Bonds are to be purchased as described in this Official Statement under “THE OFFERED BONDS – Optional Tender of the Offered Bonds” and under “THE OFFERED BONDS — Mandatory Tender of the Offered Bonds.”

“Purchase Price” means an amount equal to the principal amount of any Offered Bond tendered or deemed tendered for purchase as provided in the 2013 E Series Resolution, plus accrued interest from the previous Interest Payment Date to the day preceding the Purchase Date; provided, however, that if the Purchase Date for any Offered Bond is also an Interest Payment Date for such Offered Bond, the Purchase Price for such Offered Bond will not include accrued but unpaid interest on such Offered Bond.

“Qualified Hedge” means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Administration with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to a principal amount, or a notional principal amount relating to all or a portion of the principal amount, of Bonds or Loans as set forth in the authorizing Series Resolution or Supplemental Resolution); asset, index, price or market-linked transaction or agreement; other interest rate exchange or rate protection transaction agreement; other

similar transaction (however designated); or any combination thereof; or any option with respect thereto; or any similar arrangement; (iii) which is executed by the Administration for the purpose of debt management, including managing interest rate fluctuations on Bonds and/or Loans, but not for purposes of speculation, after the Administration has analyzed applicable risks and benefits of the Qualified Hedge; and (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge.

“Qualified Hedge Provider” means an entity that each Rating Agency has confirmed would not result in a negative impact on the then-current rating of the Bonds.

“Quarterly Mode Period” means each period of time during which any of the Offered Bonds bears interest at a Quarterly Rate.

“Quarterly Rate” means the rate of interest to be borne by any of the Offered Bonds as described in the 2013 E Series Resolution.

“Rate Determination Date” means the date on which the Effective Rate is determined for the Effective Rate Period following each such Rate Determination Date, as described in the 2013 E Series Resolution.

“Rating Agency” means any nationally recognized rating agency then rating the Bonds at the request of the Administration.

“Recovery Payment” means any money representing principal of a Loan and any premium or penalty with respect thereto received or recovered by the Administration, in excess of any expenses necessarily incurred by the Administration in collection thereof, from (i) the sale or other disposition of a Development, (ii) Prepayments, (iii) condemnation of a Development or part thereof, to the extent not needed to improve or repair the Development, (iv) other proceedings taken in the event of default by the Borrower, (v) the sale or other disposition of a Loan and Mortgage in default for the purpose of realizing on the mortgagee’s interest therein, (vi) to the extent not needed to improve or repair the Development, hazard insurance, or (vii) the payment of principal of a Loan by a Credit Enhancer as a result of any of the events described in the preceding clauses (ii) through (vi) with respect to a Loan subject to Credit Enhancement.

“Redemption Price” means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Refunding Bonds” means any bonds issued by the Administration to refund one or more Series of Bonds or any portion thereof. Bonds issued for the purpose of refunding bonds, notes or other obligations, whether issued by the Administration or any other person, under any authorizing or issuing document, resolution, certificate or indenture other than the Bond Resolution are not Refunding Bonds under the Bond Resolution.

“Remarketing Agent” means the remarketing agent appointed, from time to time, by the Administration in accordance with the 2013 E Series Resolution and pursuant to the Remarketing Agreement for the remarketing of the Offered Bonds.

“Revenues” means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including, without limitation, the payments of principal of and interest on Loans (whether paid by or on behalf of the Borrower), including the payments of principal of and interest on Loans subject to Credit Enhancement, and investment income

from all funds and accounts subject to the lien of the Bond Resolution, and Hedge Receipts and Termination Payments but not including Recovery Payments, Escrow Payments, Service Charges or Acquired Development Receipts, and not including any fees received by the Administration for its own account pursuant to annual contribution contracts between the Administration and HUD, if any, with respect to Developments financed by Loans, or financing, commitment or similar fees or charges of the Administration at or prior to the time of making, purchasing or otherwise financing a Loan. Any arbitrage rebate payable to the United States are not Revenues and are not subject to the lien of the Bond Resolution.

“Review Committee” means the Department’s Housing Finance Review Committee established by the Act. Further information about the Review Committee is set forth in APPENDIX B — “THE DEPARTMENT AND THE ADMINISTRATION — General Information.”

“Self Liquidity” has the meaning assigned in the 2013 E Series Resolution.

“Semiannual Mode Period” means each period of time during which any of the Offered Bonds bear interest at a Semiannual Rate.

“Semiannual Rate” means the rate of interest to be borne by any of the Offered Bonds as described in the 2013 E Series Resolution.

“Series 1996 A Bonds” means the Administration’s Housing Revenue Bonds, Series 1996 A.

“Servicer” means the Administration or any other public or private institution (including the Trustee) with which the Administration shall execute a contractual agreement for the servicing of a Loan, including the collection and deposit of payments and proper application of Escrow Payments.

“SIFMA” means, with respect to any Index Accrual Period, the per annum rate equal to the Securities Industry and Financial Markets Association Municipal Swap Index (formerly the Bond Market Association Index/PSA Municipal Swap Index) (“SIFMA Swap Index”) in effect on the applicable Index Determination Date; provided, however, that if the SIFMA Swap Index becomes unavailable, the SIFMA Swap Index shall be deemed to be the Kenny Index (as defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), and provided further that if the Kenny Index becomes unavailable, the SIFMA Swap Index shall be a comparable index selected by the Remarketing Agent prior to the Conversion of Offered Bonds to an Indexed Rate. The SIFMA Swap Index is an index based on the weekly interest rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association.

“Sinking Fund Installment” means any amount of money required by or pursuant to a Series Resolution to be paid on a specified date by the Administration toward the retirement of any particular Term Bonds before maturity.

“Six-Month LIBOR” means the rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of six months are offered to prime banks in the London interbank market which is published daily by Thompson Reuters as of approximately 11:00 a.m., London, England time, on the second Business Day immediately preceding the beginning of each Semiannual Mode Period for Unenhanced Variable Rate Bonds. If no rate is published as specified above, then such other service selected by the Trustee shall be used; provided, however, that if such service selected by the Trustee as aforesaid is not quoting as mentioned in this definition, then Six-Month LIBOR will be the Six-Month LIBOR in effect for the immediately preceding Semiannual Mode Period.

“Subordinate Bonds” means Bonds secured by the Bond Resolution on a subordinated basis and issued pursuant to Section 2.05 thereof.

“Subordinate Contract Obligation” means (a) Subordinate Bonds, (b) any payment obligation of the Administration (other than a payment obligation constituting a Parity Obligation) arising under any Qualified Hedge, or portion of a Qualified Hedge, which has been designated as constituting a “Subordinate Contract Obligation” pursuant to the Series Resolution or Supplemental Resolution authorizing such Qualified Hedge, and (c) any other contract, agreement or other obligation authorized by a Series Resolution or Supplemental Resolution and designated as constituting a “Subordinate Contract Obligation” in such authorizing Series Resolution or Supplemental Resolution. Each Subordinate Contract Obligation shall be payable from Revenues subject and subordinate to the payments to be made with respect to the Parity Obligations, and shall be secured by a lien on and pledge of Revenues junior and inferior to the lien on and pledge of the Revenues created under the Bond Resolution for the payment of the Parity Obligations.

“Tender Agent” means, initially, Manufacturers and Traders Trust Company, as appointed pursuant to and whose duties are specified in, the 2013 E Series Resolution.

“Tendered Bond” means a Offered Bond tendered by the Owner thereof as described in this Official Statement under “THE OFFERED BONDS – Optional Tender of the Offered Bonds” and under “THE OFFERED BONDS — Mandatory Tender of the Offered Bonds.”

“Termination Payment” means, with respect to a Qualified Hedge, an amount required to be paid by the Administration to a Qualified Hedge Provider as a result of the termination of the related Qualified Hedge or required to be paid by the Administration into a collateral account as a source of payment of any termination payments, provided that Termination Payments shall always be Subordinate Contract Obligations.

“Termination Receipt” means an amount required to be paid to the Administration under a Qualified Hedge by the Qualified Hedge Provider as a result of the termination of such a Qualified Hedge.

“Three-Month LIBOR” means, with respect to any Index Accrual Period or Quarterly Mode Period for Unenhanced Variable Rate Bonds, the per annum rate (rounded, if necessary, to the nearest one hundredth of one percent) for deposits in United States dollars for three months which is published by Thompson Reuters as of 11:00 a.m., London, England time, on the second Business Day preceding the beginning of each Index Accrual Period or Quarterly Mode Period for Unenhanced Variable Rate Bonds, as applicable, in each case a “LIBOR Determination Date.” If no rate is published as specified above, then such other service selected by the Trustee shall be used; provided, however, that if such service selected by the Trustee as aforesaid is not quoting as mentioned in this definition, then the Three-Month LIBOR will be the Three-Month LIBOR in effect for the immediately preceding Quarterly Mode Period.

“Transferred Loans” means the Loans acquired with the proceeds of the Series 1996 A Bonds.

“Unenhanced Variable Rate Bonds” means Variable Rate Bonds that are not required to be covered by a Liquidity Facility.

“Unenhanced Variable Rate Bonds Change Date” means the effective date of a change from Liquidity Facility Bonds to Unenhanced Variable Rate Bonds, or a change from Unenhanced Variable Rate Bonds to Liquidity Facility Bonds.

“Unenhanced Variable Rate Bonds Default Rate” means, in respect of any Mode Period, 500% of the One-Month LIBOR determined on the Mode Change Date next preceding the first day of such Mode Period; provided, however, that in no event shall the Unenhanced Variable Rate Bonds Default Rate with respect to such Bonds exceed 12% per annum.

“Unenhanced Variable Rate Bonds Minimum Rate” has the meaning set forth in the 2013 E Series Resolution.

“Unenhanced Variable Rate Bonds Minimum Rate Determination Date” has the meaning set forth in the 2013 E Series Resolution.

“Unenhanced Variable Rate Bonds Non-Remarketed Rate” means the rate per annum equal to the product of the Applicable Percentage (as defined in the 2013 E Series Resolution) in effect at such time and (a) in the case of Unenhanced Variable Rate Bonds bearing interest at a Daily Rate, Weekly Rate or Monthly Rate, the One-Month LIBOR; (b)(i) in the case of Unenhanced Variable Rate Bonds bearing interest at a Quarterly Rate, Three-Month LIBOR; and (c) in the case of Unenhanced Variable Rate Bonds bearing interest at a Semiannual Rate, Six-Month LIBOR.

“Variable Rate Bonds” means the Offered Bonds during a Daily Mode Period, a Weekly Mode Period, a Monthly Mode Period, a Quarterly Mode Period or a Semiannual Mode Period (whether or not in each case such Offered Bonds are Liquidity Facility Bonds or Unenhanced Variable Rate Bonds).

“Weekly Mode Period” means each period of time during which any of the Offered Bonds bear interest at a Weekly Rate.

“Weekly Rate” means the rate of interest to be borne by any of the Offered Bonds as described in this Official Statement under “THE OFFERED BONDS – Offered Bonds in the Weekly Mode.”

APPENDIX A-2

DEFINITIONS FROM FANNIE MAE SERIES RESOLUTIONS

Certain of the terms used in this Official Statement are defined in the Resolutions. Certain terms are defined elsewhere in this Official Statement. In addition, the following terms from Fannie Mae Series Resolutions or applicable to the financing of Fannie Mae Enhanced Loans have the following respective meanings in this Official Statement, unless a different meaning clearly appears from the context:

“Annual Fee” means, (i) as to the Administration, the Administration’s annual fee equal to 0.25% of the outstanding principal balance of a Fannie Mae Enhanced Loan payable by the applicable Borrower in advance semiannually on each Interest Payment Date and in accordance with the applicable Financing Agreement, and (ii) as to the Trustee, the annual ongoing trust administrative fee of the Trustee plus expenses payable as provided in the applicable Financing Agreement.

“Approved Plans” means the plans initially approved by the applicable Fannie Mae Construction Lender and the Fannie Mae Loan Servicer, as such plans are changed, modified or amended with the approval of the Fannie Mae Construction Lender and, if required pursuant to the Construction Phase Financing Agreement, the Fannie Mae Loan Servicer.

“Architectural Consultant” means the architect or engineer retained by the Fannie Mae Loan Servicer on its own behalf and on behalf of Fannie Mae to (i) approve the plans, drawings, sketches, specifications, reports, modifications and change orders prepared by the Project Consultants; (ii) inspect the applicable Fannie Mae Enhanced Development through the Construction Phase; (iii) certify that such Fannie Mae Enhanced Development has been completed in accordance with the Approved Plans; and (iv) perform other architectural and inspection services on behalf of Fannie Mae and the Fannie Mae Loan Servicer.

“Conditions to Conversion” means the following conditions:

(i) the Fannie Mae Loan Servicer has issued the applicable Preliminary Notice of Conversion;

(ii) the applicable Permanent Phase Loan Amount is equal to or greater than the outstanding principal amount of the applicable Fannie Mae Enhanced Loan, or, if, prior to the Conversion Date, the Permanent Phase Loan Amount had been less than the outstanding principal amount of such Fannie Mae Enhanced Loan, the applicable Borrower has made a Pre-Conversion Loan Equalization Payment in the amount of the difference between the outstanding principal balance of the applicable Fannie Mae Enhanced Loan (and, therefore, the principal amount of Bonds outstanding) and the Permanent Phase Loan Amount and such payment was derived from a source of funds, whether debt or equity, acceptable to Fannie Mae. If such Borrower incurred additional debt to cover such difference referenced in the prior sentence, the Borrower has provided the Fannie Mae Loan Servicer with evidence satisfactory to the Fannie Mae Loan Servicer that (i) the additional debt is subordinated to the applicable Fannie Mae Enhanced Loan, (ii) the terms, conditions and documentation of the additional debt meet the requirements for subordinate financing as set forth in the DUS Guide and (iii) the applicable Borrower and the holder of the subordinate debt have entered into a subordination agreement with Fannie Mae in the form prescribed in the DUS Guide;

(iii) any gap or bridge financing provided by the Fannie Mae Construction Lender to the applicable Borrower is paid in full;

(iv) the Fannie Mae Loan Servicer has received an original executed Title Policy Endorsement, in full force and effect, in form and content as required by the approved pro forma Title Policy Endorsement received by the Fannie Mae Loan Servicer as a condition to the issuance of the Preliminary Notice of Conversion; and

(v) no event has occurred and is continuing, or would result from the conversion to the Permanent Phase, which constitutes an Event of Default under the applicable Reimbursement Agreement (as defined therein) or any Approved Subordinate Financing or would constitute an Event of Default under such Reimbursement Agreement or any Approved Subordinate Financing but for the requirement that notice be given or time elapse or both.

“Construction Phase” means, as to each Fannie Mae Enhanced Development, the period beginning on the Closing Date and ending upon the applicable Conversion Date.

“Construction Phase Financing Agreement” means each Construction Phase Financing Agreement, by and among Fannie Mae, the Fannie Mae Loan Servicer and the Fannie Mae Construction Lender, as such agreement may be amended, modified, supplemented or restated from time to time.

“Construction Reimbursement Agreement” means the Reimbursement Agreement between the Fannie Mae Construction Lender and the applicable Borrower, as amended, supplemented or restated from time to time.

“Conversion Date” means the date specified as such by the Fannie Mae Loan Servicer in the applicable Preliminary Notice of Conversion.

“Credit Facility” means a Fannie Mae Credit Enhancement Instrument.

“Credit Facility Agreement” means, individually or collectively, the applicable Reimbursement Agreement and all other agreements and documents securing Fannie Mae or otherwise relating to the provision of the applicable Fannie Mae Credit Enhancement Instrument, as any such agreement may be amended, modified, supplemented or restated from time to time.

“DUS Guide” means the Fannie Mae Delegated Underwriting and Servicing Guide in its present form and as amended, supplemented or reissued from time to time.

“Fannie Mae Construction Lender” means the Construction Lender under the applicable Construction Phase Financing Agreement.

“Fannie Mae Construction Lender Mortgage” means the mortgage granting the Fannie Mae Construction Lender a lien on and a security interest in the applicable Mortgaged Property to secure repayment of any amounts drawn by Fannie Mae (in the event Fannie Mae is required to pay amounts under the related Fannie Mae Credit Enhancement Instrument) or otherwise owing to the Fannie Mae Construction Lender under the applicable Construction Reimbursement Agreement together with a security agreement granting a security interest in the partnership/membership interests of the partners/members in the applicable Borrower and certain rights of such Borrower and such partners/members in and to low income housing tax credits applicable to such Mortgaged Property.

“Fannie Mae Credit Enhancement Instrument” means a Standby Credit Enhancement Instrument, related to a Fannie Mae Enhanced Loan, issued by Fannie Mae to the Trustee, or any Replacement Credit Facility.

“Fannie Mae Enhanced Development” means a Development financed by a Fannie Mae Enhanced Loan.

“Fannie Mae Enhanced Loan” means a Loan as to which Fannie Mae provides Credit Enhancement.

“Fannie Mae Loan Servicer” means each applicable servicer of a Fannie Mae Enhanced Loan, and any successor servicer appointed by Fannie Mae.

“Fannie Mae Series Resolution” means a Series Resolution under which a Series of Bonds which finances a Fannie Mae Enhanced Loan is issued.

“Final Notice of Conversion” means a written notice by the Fannie Mae Loan Servicer to the Administration, the Trustee, the applicable Borrower, the Fannie Mae Construction Lender and Fannie Mae given on or before the Termination Date (a) stating that the Conditions to Conversion have been satisfied on or before the Termination Date or, if any Condition to Conversion has not been satisfied on or before the Termination Date, stating that such Condition to Conversion has been waived in writing by Fannie Mae on or before the Termination Date, and (b) stating that Conversion has occurred.

“Financing Agreement” means each Financing Agreement between the Administration, the Trustee and the applicable Borrower.

“Initial Debt Service Deposit” means the deposit to be made by the applicable Borrower with the Trustee on the Closing Date, as required by the applicable Financing Agreement and deposited by the Trustee into the Revenue Fund.

“Interest Payment Date” means the interest payment date for the applicable Bonds set forth in the applicable Fannie Mae Series Resolution.

“Investment” means any Permitted Investment and any other investment held under the applicable Fannie Mae Series Resolutions that does not constitute a Permitted Investment.

“Mortgage Loan Documents” means, collectively, the applicable Mortgage Note, the Security Instrument, the Reimbursement Agreement, and all other agreements, documents and instruments evidencing, securing or otherwise relating to the applicable Fannie Mae Enhanced Loan, including all amendments, modifications, supplements and restatements of such agreements, documents and instruments, but excluding the Financing Agreement and the Tax Regulatory Agreement.

“Mortgage Loan Payments Interest” means, with respect to the Mortgage Loan, the right of the Trustee to receive and retain all payments due and owing under the Mortgage Note, other than (a) Set Rate Interest, comprising the Facility Fee and the Servicing Fee, (b) late charges, (c) default interest, (d) payments for reserves and any payments pursuant to any Completion/Repair and Security Agreement, (e) escrows for taxes, insurance and other impositions, (f) any amount due pursuant to any Mortgage Loan Document (including all fees due to the Credit Provider, e.g., without limitation, the Activity Fee (as defined in the Reimbursement Agreement) due to the Credit Provider) and (g) other amounts which do not constitute principal or interest at the Pass-Through Rate.

“Mortgage Loan Rights” means, with respect to the Mortgage Loan, without limitation (a) all of the rights, and interests, power and authority under the Mortgage Loan Documents and the Financing Agreement to direct actions, grant consents, grant extensions, grant waivers, grant requests, give approvals, give directions, exercise and enforce remedies, exercise forbearance, give releases, make appointments, make decisions, take actions, apply partial payments, apply late charges, receive and apply default interest, receive and apply escrow payments for reserves, taxes, insurance and other impositions, receive and apply funds received pursuant to any Mortgage Loan Document, and, subject to the exclusion set forth below, do all other things that may be done under the Mortgage Loan Documents and (b) the right, power and authority to, and the right, power and authority to assign or delegate the right, power and authority to, enter into and/or receive or accept delivery of and/or be a party to all Mortgage Loan Documents (other than the Mortgage Note and the Security Instrument which are executed and delivered by the Borrower to the Administration), to be executed and delivered in connection with the Mortgage Loan, and which are not entered into and/or received or accepted by the Administration, or to which the Administration is not a party, including, but not limited to, any agreements, documents and instruments ancillary to or otherwise relating to the Mortgage Loan, including agreements with respect to the servicing of the Mortgage Loan and the establishment of custodial and other accounts for the deposit of funds payable by the Borrower under the Mortgage Loan Documents and collected by the Loan Servicer, and to vest in any assignee or delegatee, including the Loan Servicer, such rights, powers and authority as may be necessary to implement any of the foregoing; “Mortgage Loan Rights” also means, and expressly includes, with respect to the Mortgage Loan, custody of, and exclusive dominion and control over, each Mortgage Loan Document, except, prior to the Conversion Date, the Mortgage Note and the Security Instrument. “Mortgage Loan Rights” does not mean, and expressly excludes, the Mortgage Loan Payments Interest which is assigned by the Administration to the Trustee.

“Mortgage Note” means each Multifamily Note executed by the applicable Borrower in favor of the Administration, evidencing a Fannie Mae Enhanced Loan.

“Permanent Phase” means the permanent phase of the applicable Fannie Mae Enhanced Loan commencing on the applicable Conversion Date.

“Permanent Phase Loan Amount” means the Permanent Phase Loan Amount as determined in accordance with the applicable Construction Phase Financing Agreement.

“Preliminary Notice of Conversion” means a written notice by the Fannie Mae Loan Servicer to the Administration, the Trustee, the applicable Borrower, the Fannie Mae Construction Lender and Fannie Mae (i) stating that the conditions to the delivery of the Preliminary Notice of Conversion set out in the applicable Construction Phase Financing Agreement have been satisfied or, if any such condition has not been so satisfied, specifying each such condition that has been waived in writing by Fannie Mae and (ii) specifying the Conversion Date.

“Project Consultant” means and includes all architects (excluding only the Architectural Consultant), landscape architects, structural engineers, civil engineers, environmental engineers, mechanical engineers, electrical engineers and other architects, designers, engineers, consultants and professionals engaged to provide services with respect to the applicable Fannie Mae Enhanced Development.

“Redemption Date” means any date upon which Bonds are to be redeemed pursuant to the applicable Fannie Mae Series Resolution.

“Reimbursement Agreement” means each Reimbursement Agreement between Fannie Mae and the applicable Borrower under a Fannie Mae Enhanced Loan.

“Replacement Credit Facility” means a new Fannie Mae Credit Enhancement Instrument provided at the request of Fannie Mae, provided that such exchange shall not adversely affect the rating then in effect for the related Bonds.

“Reserved Rights” means (i) those certain rights of the Administration under the Financing Agreements to indemnification and to payment or reimbursement of fees and expenses of the Administration, 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 applicable Borrowers and of the applicable Fannie Mae Enhanced Developments, its right to collect attorneys’ fees and related expenses, its right to specifically enforce applicable Borrower’s covenant to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the Administration, if any), and its rights to give or withhold consent to amendments, changes, modifications and alterations to the Financing Agreements and the Tax Regulatory Agreement and (ii) the rights and obligations of the Administration as the “public agency” under any applicable IRP Agreement.

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

“Security Instrument” means the applicable Multifamily Deed of Trust, Security Agreement and Assignment of Rents securing a Mortgage Note and the related Reimbursement Agreement.

“Series Account” means the account relating to and named for a specific series of Bonds, as the context requires, within the Bond Proceeds Fund.

“Tax Certificate” means a Federal Tax Certificate dated the Closing Date, executed and delivered by the Administration and the applicable Borrower.

“Tax Regulatory Agreement” means the Regulatory Agreement and Agreement and Declaration of Covenants and Restrictions entered into by the Administration and the applicable Borrower with respect to Bonds financing a Fannie Mae Enhanced Loan.

“Termination Date” means the Termination Date provided for in the applicable Construction Phase Financing Agreement.

“Title Policy” means the title policy issued in connection with the applicable Fannie Mae Enhanced Loan for the benefit of the Trustee and Fannie Mae, as their interests may appear.

“Title Policy Endorsement” means a pro forma of an endorsement to the Title Policy containing (i) affirmative insurance against mechanics’ liens, (ii) reflecting the deletion of the Fannie Mae Construction Lender Mortgage and any other lien for the benefit of the Fannie Mae Construction Lender and the lien of any other subordinate financing required pursuant to the special conditions set forth in the Construction Phase Financing Agreement, to be released of record on or before the Conversion Date, and (iii) evidence that all contractors, subcontractors, materialmen, the Architectural Consultant, each Project Consultant and other parties who have supplied labor, materials or services for the construction of the Project, or who otherwise might be entitled to claim a contractual, statutory or constitutional lien on the Project have executed lien waivers relating to all costs of construction other than those items included on the minor punch list not yet completed. The endorsement to the Title Policy may not contain any exception other than (A) as were contained in the original Title Policy (but subject to clause (ii) of the prior sentence), (B) as permitted by the Security Instrument or any of the other Mortgage Loan Documents or (C) any exception which has been approved in writing by Fannie Mae or the Fannie Mae Loan Servicer.

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APPENDIX B

THE DEPARTMENT AND THE ADMINISTRATION

General Information

The Administration was created in 1970 as a division of the Department of Economic and Community Development to meet the shortage of adequate, safe and sanitary housing in the State, particularly for persons or families of limited incomes. Chapter 311 of the Acts of Maryland 1987, effective July 1, 1987, abolished the Department of Economic and Community Development, created the Department and assigned the Administration as a unit of the Division of Development Finance of the Department.

The Secretary is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of five divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, and the Division of Information Technology. A chart showing the organization of the Department, its divisions, the Administration and MHF is included at the end of this Appendix.

The Division of Development Finance is the lending and bond issuing division of the Department, originating loans under the Department's various lending programs and providing underwriting services for loans to the Department and its other divisions and agencies. The Administration is a unit of the Division of Development Finance.

The Secretary, with the approval of the Governor, appoints the Director of the Administration, and the Director of the Administration, with the approval of the Secretary, appoints the Deputy Directors of the Administration and the other senior staff members of the Administration. The Act establishes the Review Committee which has the responsibility to review and to give recommendations to the Secretary regarding loans or categories of loans and the investment and project financing policies of the Administration. The Review Committee consists of seven members appointed by the Governor, including three members of the public and three members of the Department and one member of the Executive Branch not employed by the Department. When urgent action is required, the Secretary may approve a specific loan request without receiving the recommendation of the Review Committee.

The Division of Credit Assurance, the insuring division of the Department, provides certain asset management, monitoring and workout related services to the Department and its divisions and agencies, including the Administration. MHF is a unit of the Department assigned to the Division of Credit Assurance. Certain additional information about MHF is set forth in APPENDIX F — "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE MHF INSURANCE PROGRAM."

The Division of Finance and Administration provides budget, accounting, auditing and administrative services to the Department. In addition, the Administration has a finance office which handles finance and accounting for lending and bond activities and insurance activities. The Administration's finance office reports directly to the Director of the Administration. MHF's finance function is a part of the Division of Finance and Administration.

The Division of Information Technology develops and maintains information systems and trains Departmental staff in the use of computer resources.

The Division of Neighborhood Revitalization provides state and federal financial assistance including loans, grants, guaranties and state tax credits to Maryland's sustainable communities; provides technical assistance programs to local governments, nonprofit organizations and small businesses to reinvest in these communities; and provides financial assistance to enable foreclosure prevention/mitigation housing and legal counseling.

The Department has established a Revenue Bond Advisory Board (the "Board"). The Board provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board), one other representative of the Department, two representatives of other agencies of State government (one from an agency which issues revenue bonds), one representative of the State Treasurer's Office, and two members of the public. The Board reviews and makes recommendations to the Secretary with respect to each issuance of bonds. The Secretary has the final authority to approve each issuance after receipt of the Board's recommendation. When urgent action is required, the Secretary may approve an issuance of bonds without action by the Board or may vary the terms of the Board's recommendation. In addition, the Board advises the Department on procedures for issuing bonds and on selection and performance of financial advisors, underwriters, and accountants.

The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by the Bond Resolution and other bond indentures of the Administration in excess of the amounts required to pay principal of and interest on its bonds and notes.

The office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

Principal Executive Officers

Certain principal executive officers of the Department and the Administration are briefly described below.

Raymond A. Skinner was appointed by the Governor as Secretary of the Department effective February 12, 2007. From January 2003 until his current appointment as Secretary, Mr. Skinner was President of The Skinner Group, LLC, a consulting firm providing services in housing policy analysis, community revitalization, and economic development. Mr. Skinner previously served as Secretary of the Department between December 1998 and January 2003, and as Deputy Secretary from January 1995 until his earlier appointment as Secretary. From January 1991, until his appointment as Deputy Secretary, Mr. Skinner served as the Director of the Department of Housing and Community Development of Prince George's County, Maryland, and as Executive Secretary to the Board of Commissioners of the Housing Authority of Prince George's County. Previously, he was the Executive Director of the District of Columbia Office of Business and Economic Development. In all, Mr. Skinner has over 30 years of experience in housing and community development, having held positions with the Department of Housing and Urban Development, the City of Philadelphia, Pennsylvania, and the City of Baltimore, Maryland. He holds a Bachelor of Science Degree from the Pennsylvania State University and a Master of City Planning degree from the University of Pennsylvania.

Clarence J. Snuggs was appointed by the Secretary, with the approval of the Governor, effective March 26, 2007, as Deputy Secretary of the Department. Since 2003, Mr. Snuggs served as Director of Enterprise Community Partners' Baltimore office. In that capacity he had overall responsibility for operating the office and its programs, which focused on affordable housing production, capacity building for local community leaders and community-based organizations, public education system reforms and

other community development initiatives. Between 1998 and 2003, Mr. Snuggs was Deputy Executive Director and Corporate Treasurer for the Congressionally-chartered Neighborhood Reinvestment Corporation in Washington, D.C. Prior to Neighborhood Reinvestment, Mr. Snuggs served as Vice President for Community Lending at Maryland National Bank and Signet Bank. Mr. Snuggs has been active in affordable housing and community development for nearly 20 years through his leadership and involvement in a host of regional and local community and civic organizations. He holds a Bachelor of Arts degree from Winston-Salem State University and a Master of Business Administration degree from Howard University.

Stephen D. Silver was appointed on August 26, 2009 as Chief Financial Officer of the Department. From September 2007 to his recent appointment, Mr. Silver served as Vice President of Finance for a private Baltimore real estate development firm. From November 1983 to September 2007, Mr. Silver served in various financial capacities at the Department, including Chief Financial Officer of the Department, the Administration and the MHF; Director of the Department's Division of Finance and Administration; Director of Accounting for the Division of Finance and Administration, and Director of Finance for the MHF. Prior to joining the Department, Mr. Silver worked briefly with a public accounting firm in Baltimore, Maryland. Mr. Silver is a Certified Public Accountant, was granted a Bachelor of Science degree in accounting from Towson University in 1980 and received his Master of Business Administration degree from the University of Baltimore in 1991.

Frank B. Coakley was appointed by the Secretary with the approval of the Governor effective March 26, 2007, as Assistant Secretary of the Department responsible for the Administration and as Director of the Administration. He also previously served as Assistant Secretary and Director of the Administration between 1995 and 2000. Before his recent appointment, Mr. Coakley was Senior Vice President/Branch Administration for Harbor Bank of Maryland. Prior to joining Harbor Bank, Mr. Coakley was the Director of Fannie Mae's Baltimore Partnership office. From 1989 until joining the Administration in 1995, Mr. Coakley served as Executive Vice President of the Baltimore Community Development Financing Corporation. Previously, he served as a manager and Vice President of Maryland National Bank. Mr. Coakley is a graduate of Morgan State University and served as a Loaned Executive to Morgan State as a Senior Adviser assisting the Community Development office on housing and housing related projects.

William F. Ariano, Jr. was appointed by the Secretary with the approval of the Governor effective July 5, 2007, as Deputy Director, Community Development, for the Administration. He previously served as Vice-President of Residential and Consumer Lending and CRA Officer at Chesapeake Bank of Maryland. He served in that capacity at several Baltimore community banks and his responsibilities included secondary marketing, underwriting, and the management of staff, for origination, closing, sales and post-closing of various first mortgage products. Prior to his employment in the private sector, he directed a quasi-public agency for the City of Baltimore which developed, constructed and managed rental and for-sale housing for families with low to moderate incomes, and directed a community based development corporation. Mr. Ariano holds a Bachelor of Science from Mount Saint Mary's University and a Master of Business Administration degree from Loyola University (Baltimore).

Roy A. Westlund was appointed Deputy Director, Bond Finance, for the Administration, effective as of January, 1996. For the previous seven years, he had served as the Administration's Director of Finance. Mr. Westlund has been active in the field of housing finance since 1980, including serving as Manager of Financial Operations for the Wisconsin Housing and Economic Development Authority. Mr. Westlund is a Certified Public Accountant and holds a Bachelor of Business Administration degree from the University of Wisconsin, Madison.

Senior Staff of the Administration

Senior staff members of the Administration are as follows:

Name	Position
Tonna Phelps	Director, Single Family Housing
Patricia Rynn Sylvester	Director, Multi-Family Programs
Susan Traylor	Director, Division of Finance and Administration`
Teresa Renee Smith	Director, CDA Finance

As of June 30, 2013, the staff of the Administration consists of approximately 131 positions and an additional 31 vacancies, including professional and technical staff members with responsibilities in the fields of finance, mortgage loan underwriting, architectural review, construction inspection, rental services and administration. Of the entire staff, 66 are involved in Housing Development Programs in a professional or technical capacity. Certain information relating to the senior staff who have primary responsibilities for finance and housing development programs is briefly described below.

Tonna Phelps was appointed Director of Single Family Housing, effective January 13, 2003. Ms. Phelps has been with the Administration since 1977. For the ten years preceding her appointment as Director, she was the Administrator for Development Assistance Programs under the Administration's Multifamily Programs, managing federal HOME funds, the Maryland Affordable Housing Trust, and other federal and State programs. She has also served as Administrator for Mortgage Purchase under Single Family Housing. In addition, Ms. Phelps currently represents the Administration on various interagency committees throughout State government. Ms. Phelps holds a Bachelor of Science in Business Administration from the University of Baltimore.

Patricia Rynn Sylvester, Director, Multi-Family Family Housing has been with the Department since October 1997. She served as Deputy Director of Multi-family Housing — Housing Development Programs from September 1999 until her appointment as Director of Single Family Housing in August 2002. She returned to Multifamily Housing as Director in January 2003. Prior to joining the Department she worked as an attorney with the Maryland General Assembly and served as an administrative law judge. Ms. Sylvester holds a Juris Doctor from the University of Maryland Law School and a Bachelor of Arts from Johns Hopkins University.

Susan Traylor, Director of the Division of Finance and Administration, has been with the Department since 1998, when she joined as Director of Accounting. Since 2001, she has been the Deputy Director of Finance and Administration. Prior to joining State service, she was the Chief Financial Officer of Macmillan Publishing and the Official Airlines Group. Previously, she held various financial positions with the Maxwell Communications Group and Exxon Corporation. She holds a Bachelor of Arts in Economics from Western Maryland College and a Master of Science in Industrial Administration from Carnegie-Mellon University.

Teresa Renee Smith was appointed Director of CDA Finance, effective March 23, 2011, having served as Acting Director since October 2010. For the fourteen months preceding her appointment as Acting Director, Ms. Smith was the Deputy Director of CDA Finance. From August 2006 to August 2009, Ms. Smith was the Portfolio Research and SEC Compliance Officer for an Annapolis financial planning firm. From July 2004 to August 2006, she served the Department in the CDA Finance division as a Senior Financial Analyst. Prior to joining the Department in 2004, Ms. Smith worked briefly for the Baltimore Housing finance division and in other various financial management and investment capacities. Ms. Smith holds a Bachelor of Business Administration in Finance from the University of Hawaii and a Master of Business Administration from Cameron University in Oklahoma.

Other Housing Programs of the Department

In addition to the Program which is financed with the proceeds of the Bonds (see APPENDIX C — “THE PROGRAM”), the staff of the Administration is also responsible for a broad range of housing and other programs operated by the Department. Proceeds of Bonds and other funds held under the Bond Resolution are not used to support the Department’s other programs. Revenues generated by such other programs are not subject to the lien of the Bond Resolution or available to pay principal of or interest on the Bonds. However, the executive officers of the Department and the Administration and certain senior staff members who are responsible for the Program also are responsible for the Department’s other programs; therefore, under certain circumstances these other programs may compete with the Program for administrative and policy priority.

Single Family Housing. Single Family Programs include the Department’s Homeownership Programs and Special Loan Programs. The Administration’s Single Family Program staff operates the Department’s Homeownership Programs that are funded with State appropriations. These programs, which may or may not be funded at varying levels from year to year, currently provide low-interest mortgages to households of limited income. In addition, the Department may have funding available from time to time for a Downpayment and Settlement Expense Loan Program for loans to eligible borrowers who are also receiving loans under the Program. Finally, Single Family Housing also administers a federally-funded weatherization assistance program.

The Special Loan Programs, which are funded with State appropriations, provide rehabilitation loans for general rehabilitation, installation of indoor plumbing, abatement of asbestos and radon gas, reduction of lead paint, and creation of accessory shared and sheltered housing for households of limited income. Federal HOME funds may also be used to finance rehabilitation loans for households of limited income. These programs also provide loans to nonprofit organizations and individuals to purchase or construct Group Homes. Group Homes may be funded with state appropriations and from Bonds issued under the Bond Resolution.

Multifamily Programs. Multifamily Programs include the Department’s Housing Programs and Rental Service Programs. The Department’s Rental Housing Programs encompass a number of finance programs which support the production, rehabilitation and preservation of affordable rental housing, including the following:

The Administration’s multifamily housing revenue bond program provides financing for development of rental housing developments whose owners are required to set aside certain percentages of available units for families of low or moderate income.

The Rental Housing Fund consists of rental housing finance programs funded with State appropriations and federal HOME funds which provide low-interest mortgages with flexible repayment terms, interest-rate write-downs and operating subsidies to increase the supply of new rental housing and to maintain and rehabilitate existing rental housing for low income elderly and family tenants.

The Partnership Rental Housing Program provides funding from general obligation bonds and potentially other state appropriations to local governments, housing authorities, and partnerships in which these entities are involved, to assist in financing the construction or rehabilitation of low income housing. Additionally, loans are made to private sector entities to provide units for very low income individuals with disabilities. The public entities generally provide the land or funds to acquire the land and participate in the ownership and management of the properties. The properties are intended to remain low income housing in perpetuity, and the State moneys are required to be repaid only if the low income requirements are not enforced.

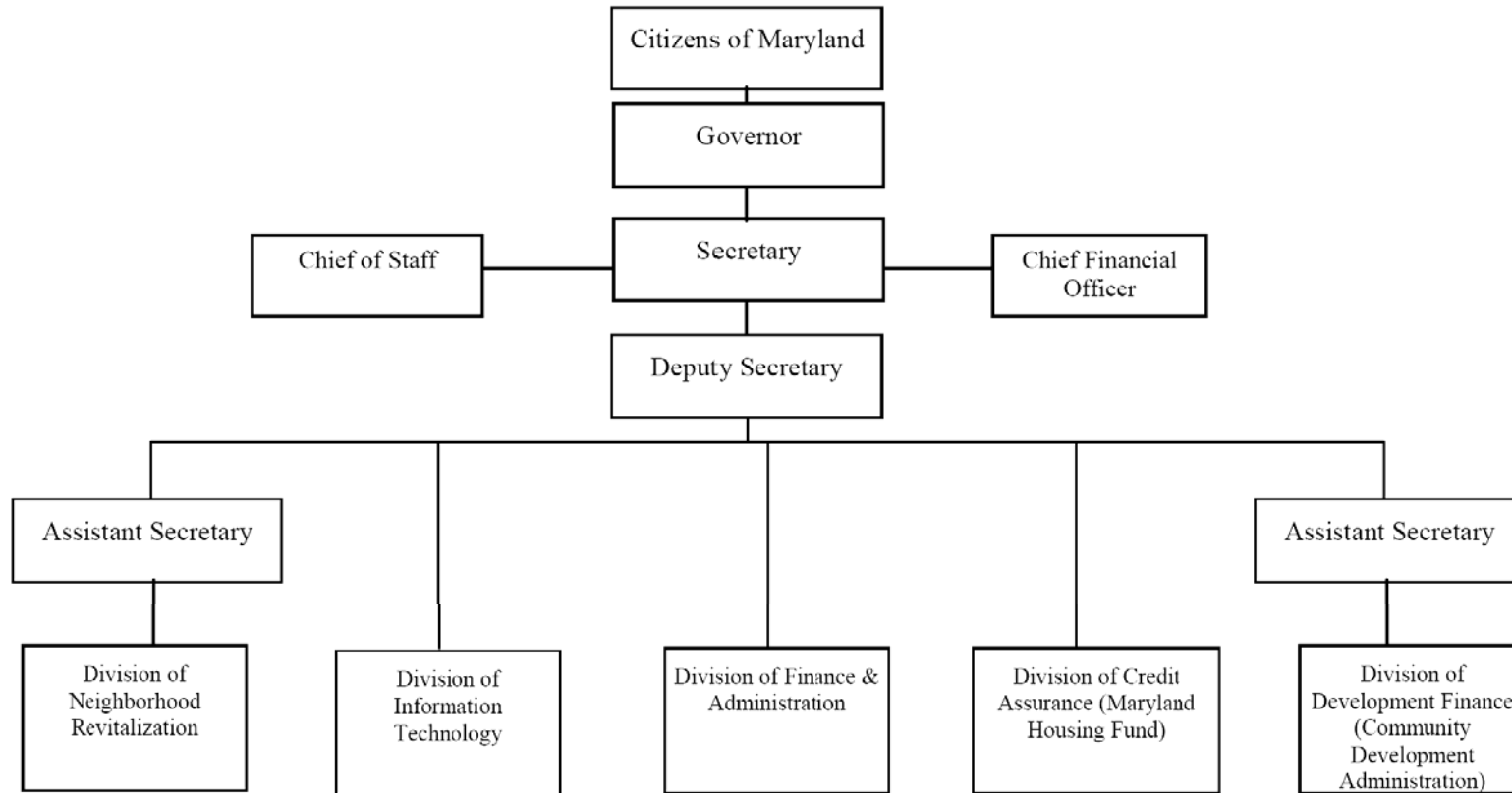
The Department's Rental Service Programs include the Section 8 Housing Choice Voucher program and the Rental Assistance Programs. Under the Section 8 Housing Choice Voucher program, the Department receives federal housing subsidy funds and has authority to serve as a public housing agency in utilizing these funds primarily in Maryland's rural jurisdictions. Under the Rental Assistance Programs, the Administration administers a Rental Allowance Program funded with State appropriations. The Rental Allowance Program is administered through local governments, housing agencies and non-profit organizations and provides fixed monthly housing assistance payments up to twelve months, subject to extension by the Secretary, to lower income households that are homeless or at risk of being homeless.

In addition, the Department was selected by HUD as the Contract Administrator for the Performance-Based Section 8 Housing Assistance Payments ("HAP") Contracts for the State of Maryland. As Contract Administrator, the Department makes payments to property owners under the terms of the HAP Contracts and HUD regulations and requirements.

Infrastructure Financing Programs

The Infrastructure Financing Program was created to provide an additional, accessible and uncomplicated mechanism to finance the essential physical elements that constitute the basis of the public service system operated and maintained by local governments. More information on the Administration's outstanding infrastructure bonds can be found in APPENDIX E. These infrastructure loans and the assets and revenues held under these bond and series resolutions are not subject to the lien of the Bond Resolution and are not available to pay principal of or interest on the Bonds.

Department of Housing and Community Development Organizational Chart



This chart omits subdivisions below the divisional level except for the Maryland Housing Fund and the Community Development Administration. It also omits certain boards and commissions associated with the Department.

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APPENDIX C

THE PROGRAM

Since 1974, the Administration has financed loans for the purpose of providing construction and permanent financing of rental housing developments for persons or families of limited incomes. The financing of rental housing pursuant to the Bond Resolution is the current primary activity of the Program. Other than certain of the Transferred Loans described in Table D-2 of APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS,” the Program does not currently include the financing of single family residences. Other programs of the Administration not financed pursuant to the Bond Resolution are described under APPENDIX B — “THE DEPARTMENT AND THE ADMINISTRATION — Other Housing Programs of the Department.”

Loans Financed with Proceeds of Refunded Bonds

The Refunded Bonds were issued to finance the Sunridge, Glen Creek Apartments, Great Hope Apartments, Windsor Valley III Apartments and Parkland Village Apartments Developments. See Table D-1 of APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS.”

Existing Portfolio

Under the Bond Resolution, as of June 30, 2013, the Administration had outstanding (a) 54 permanent Loans for 57 Rental Housing Developments (excluding Group Home Loans and Single Family Loans), which had a total outstanding principal balance of \$348,454,588, (b) 53 Group Home Loans having an outstanding principal balance of \$8,299,155 and (c) 12 Single Family Loans having an outstanding principal balance of \$119,244. On July 25, 2013, the Administration issued its (a) Housing Revenue Bonds Series 2013 B in the original principal amount of \$11,915,000 to finance three additional multi-family residential rental facilities containing 242 units and (b) Housing Revenue Bonds Series 2013 C in the original principal amount of \$23,270,000 to refund certain Bonds previously issued by the Administration. On September 19, 2013, the Administration issued its Housing Revenue Bonds Series 2013 D in the original principal amount of \$10,790,000 to finance three additional multi-family residential rental facilities containing 104 units.

APPENDIX D sets forth information on each of the Developments currently financed or intended to be financed with the proceeds of Bonds (including the Offered Bonds). See “Description of Types of Loans Under the Program — *Group Home Loans*” herein for a description of the Group Homes financing program. APPENDIX F — “MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE MHF INSURANCE PROGRAM” sets forth information about the MHF and the loans insured by the MHF which are in default. As of June 30, 2013, there were no Rental Housing Developments or Group Home Loans in default. See APPENDIX D, Table D-3.

The Administration may issue additional Bonds from time to time to finance additional Loans.

Description of Types of Loans Under the Program

Rental Housing. Under its rental housing program, the Administration has made Loans or purchased Guaranteed Securities (1) to provide financing for acquisition, rehabilitation, or construction of rental housing Developments, and (2) to provide permanent financing of rental housing Developments.

Group Home Loans. Under its special housing opportunities program, the Administration made Loans to non-profit organizations qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or to governmental entities. Group Home Loans financed acquisition, rehabilitation, new construction or refinancing of Group Homes. At the time the Loan is made, the sponsor of a Group Home must have a contract to receive governmental subsidies for the care of the residents. In addition, a sponsor that is managing the project must generally be licensed by the State and have at least two years of prior experience managing and operating similar facilities. Alternatively, a sponsor can contract with a licensed management agent that has at least two years of prior experience. As is the case with many contracts with the State, a sponsor's contract for governmental subsidies generally has a term of one year, and there can be no assurance that a sponsor's contract will be renewed.

Occupancy of these Group Homes varies from 2 to 12 individuals, with average occupancy of approximately three individuals. Most Group Homes are located in single family residences modified for group housing purposes.

In 2002, the Department re-opened a limited program of MHF insuring Group Home Loans.

Loan Underwriting and Processing

Loans are generally underwritten, processed and closed in accordance with the procedures governing FHA Loans and Guaranteed Securities. The Administration performs most of the underwriting and processing of Loans financed under the FHA Risk-Sharing Program and Loans for Group Homes financed under the SHOP program. Otherwise, the Administration performs a limited independent review.

Loan Provisions

The Bond Resolution requires that each Loan shall conform to the following terms, conditions, provisions and limitations, except to the extent, if any, that a variance therefrom is either pursuant to Credit Enhancement of such Loan or, if the Loan is not Credit Enhanced, required or permitted by the Administration:

Code Requirements. If the Loan is to be funded with the proceeds of Tax-Exempt Bonds, the proceeds of the Loan must be expended solely for payment of costs of a Development, subject, as applicable, to the requirements of Section 103(b)(4)(A) of the 1954 Code, Sections 142(d) or 145 of the 1986 Code, or any other provision of the Code.

Mortgage Lien. If the Loan is secured by a Mortgage, the Mortgage and complementary financing statements, if required by the Administration or any Credit Enhancer, shall be executed, recorded and filed in accordance with law, so as to create and constitute a valid mortgage lien on the real property and improvements constituting the Development for which the Loan is made. Such real property and improvements may be held either as a fee simple or a leasehold interest.

The Bond Resolution does not require that each Loan be secured by a Mortgage.

Title Insurance. The Administration, or the Trustee if the Administration is the Borrower, shall receive evidence of a mortgagee's title insurance policy insuring that the Mortgage is a lien on the Development financed by the Loan (which lien may be subject to prior liens), subject to liens for taxes and assessments and such other liens, encumbrances, reservations and imperfections of title as, in the judgment of the Administration, do not materially impair the use or value of the premises or as to which appropriate steps, in the judgment of the Administration, have been taken to secure the interest of the Administration or the Trustee. **The**

Bond Resolution does not require that the lien of each Loan secured by a Mortgage be a first or prior lien superior to any other mortgage or other liens.

Insurance Coverage. The Administration, or the Trustee if the Administration is the Borrower, shall receive evidence that the Development is insured against loss from fire, casualty and other hazards as the Administration may require.

Credit Enhancement. All or a portion of the Loan may be (but is not required to be) credit enhanced in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds. **The Bond Resolution does not require that each Loan be secured by Credit Enhancement.**

Loan Terms. The Loan shall be in an amount, bear interest at a rate, and amortize over such term, all as provided for such Loan in the most recent Cash Flow Statement (which terms may not be varied by the Administration unless such variance is in accordance with the requirements or assumptions for such Loan as set forth in the most recent Cash Flow Statement).

Prepayment. The Administration may, but is not required to, include in each Loan (other than Group Home Loans) a provision prohibiting the Borrower from prepaying a Loan for a period at least equal to the period during which the Series of Bonds financing such Loan are not subject to optional redemption without the consent of the Administration and the mortgage insurer or Credit Enhancer of the Loan. **Under certain circumstances involving defaulted Loans, FHA may direct the prepayment of the defaulted Loan in order to avoid a mortgage insurance claim.** To the extent a Borrower prepays a Loan, the proceeds of such prepayment shall be applied as permitted by the Bond Resolution. See APPENDIX H — “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION.”

The Transferred Loans acquired with the proceeds of the Series 1996 A Bonds and the Group Home Loans are subject to prepayment at the option of their respective Borrowers at any time and, if so prepaid, the Bonds may be subject to special redemption at any time at the principal amount thereof without penalty or premium.

Developments may have subordinate financing from other programs of the Administration, the federal government or other public or private lenders.

Reserve Fund for Replacements. Under the regulatory agreements for the Rental Housing Loans, each Borrower must deposit a specified monthly amount into a reserve for replacements to fund improvements or repairs to the Development. The Administration’s current policy provides that the minimum annual amount to be deposited into reserve for replacements will be \$250 per unit for new construction and substantial rehabilitation projects and \$300 per unit for moderate rehabilitation projects plus any additional amount required by an engineer’s report. The amount required to be deposited into reserve for replacements may be more or less than the amount specified above, as agreed to by the Borrower, the Administration, and MHF, Fannie Mae or FHA, as may be applicable. These policies and procedures may not be applicable to the Rental Housing Loans that are Transferred Loans. For FHA Loans, the minimum annual amount to be deposited in the reserve for replacements for new construction projects is 6/10ths of 1% of the construction costs of the structures and for substantial rehabilitation projects 4/10ths of 1% of the mortgage amount. For Fannie Mae Enhanced Loans, a reserve for replacement deposits may be determined monthly on a project-by-project basis based on the underwriting of the loan.

Asset Management

Asset management for Developments is provided to the Administration by the Asset Management division of the Division of Credit Assurance (“Asset Management”).

With respect to each Development, Asset Management:

- (1) conducts a pre-occupancy review and conference with each owner to establish reporting requirements and procedures;
- (2) performs an annual physical inspection and on-site management review, including verification of compliance with income restrictions concerning tenants;
- (3) annually reviews audited financial statements and escrow levels;
- (4) reviews operating statements for each Development on a monthly or quarterly basis;
- (5) monitors the status of letters of credit, guarantees, and reserves, including reserves for replacement;
- (6) reviews and acts upon requests for rent increases, changes in developer return on equity, and disbursements from reserves;
- (7) analyzes delinquencies and creates and implements corrective action plans; and
- (8) makes recommendations to the Secretary and implements Departmental decisions on disposition, workout or foreclosure plans.

Asset Management maintains an advisory watch list in order to identify Developments facing potential financial difficulties at an early stage. Regular meetings are held with management of each Development on the advisory watch list in order to develop and implement corrective action.

Income Limits

Department Policy. During the term of a Loan or Guaranteed Security, the Act requires that a Development satisfy the requirements of a “community development project” or a “public purpose project,” both as defined in the Act. For a community development project, at least 51% of the units in a Development must be occupied or held available for occupancy by persons or families of limited incomes. The Secretary establishes income limits from time to time by written determination after taking into consideration factors including (1) the amount of total income of such families available for housing needs, (2) the size of the family, (3) the cost and condition of housing facilities available, (4) the ability of such families to compete successfully in the normal private housing market, and (5) standards and definitions established for pertinent federal housing programs. Units restricted pursuant to federal law (as described below) count towards meeting the restrictions imposed by the Secretary pursuant to the Act. The difference between the percentage of federally restricted units and the percentage restricted under the Act (51%) are restricted to the State’s income limits set forth in the Secretary’s determination (for example, if 20% of the units are federally restricted, then 31% of the units are subject to the state limits). The current Secretary’s determination establishes the following income limits (subject to certain exceptions): (1) for one person, 68% of the greater of area or statewide median income for four person households as established by HUD and (2) for two or more persons, 85% of the greater of area or

statewide median income for four person households as established by HUD. The maximum income limits under this determination for one-person households are \$64,260 for State residents living in the Washington, D.C. metropolitan statistical area and \$53,788 in all other areas of the state; and for two or more person-households from \$80,235 for State residents living in the Washington, D.C. metropolitan statistical area and \$67,235 in all other areas of the state. HUD promulgates revised median income figures from time to time; it is anticipated that the limits described might be modified when HUD announces revised figures. For a public purpose project, all or part of the housing portion of a Development must be occupied by families of limited income and the Development must satisfy the low income set-aside requirements of federal law, as described below.

The Transferred Loans were originated under the Department's income limits in existence at the time such Loans were originally financed.

Federal Tax Law. In addition to the requirements of the Act and the occupancy requirements of the preceding paragraph, all Developments containing rental housing units financed or expected to be financed with the proceeds of Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes (except two Developments which were in the development stage on April 24, 1979, and Group Homes) are required to meet certain requirements set forth in Section 142(d)(1) of the 1986 Code, or Section 103(b)(4)(A) of the 1954 Code, as applicable. Group Homes are required to comply with the requirements of Section 145 of the 1986 Code. These requirements are more fully described in this Official Statement under "TAX MATTERS." Developments financed with the proceeds of Bonds are also subject to income, occupancy and other like restrictions under the Program, other State financing programs and in connection with the allowance of tax credits under Section 42 of the 1986 Code.

Certain Developments financed with the proceeds of Bonds receive subsidy payments under Section 8, and thus are subject to income limit restrictions which may be in addition to those required by the Act, the 1986 Code or the 1954 Code. Certain of the Section 8 contracts for subsidy payments are renewable at five year intervals from their date of execution by HUD at the option of the Borrower. Developments receiving subsidy payments under Section 8 are identified in APPENDIX D. More detailed information on the Section 8 Program can be found in APPENDIX G — "FEDERAL HOUSING SUBSIDY PROGRAMS."

Rate Lock Program

The Administration has a rate lock program (the "Rate Lock Program") allowing Borrowers receiving Loans from the Administration to lock in the interest rate (the "Locked Rate") to be paid on such Loans up to ninety days before the closing of the Bonds to be issued to finance such Loans. The Administration publishes the Locked Rate available to potential Borrowers at a given time under the Rate Lock Program on its website, and reviews and revises the Locked Rate at least weekly, and more often as conditions merit. Loans with a principal amount exceeding \$15,000,000 are not eligible for the Rate Lock Program. Under current policy, a maximum of \$50,000,000 of Locked Rate Loans may be funded by any Series of Bonds. Currently, the Rate Lock Program is suspended.

Factors Affecting the Mortgage Loans

Any mortgage financing has certain inherent risks.

Insurance by MHF. A portion of the Loans is insured by MHF. In early 1997, MHF ceased issuing new insurance commitments (except for pool insurance on single family mortgage loans subject to FHA primary insurance), in part as a result of concerns expressed by Moody's during 1996 and 1997. In

2002, MHF began insuring Group Home Loans, and in 2004, the Department expanded its MHF insurance program to authorize MHF insurance on a case-by-case basis for new Loans financed by Bonds, including Loans with Credit Enhancement under the FHA Risk-Sharing Program. Moody's has advised the Administration that such a re-opened program, implemented in the limited manner proposed by the Administration, would not affect the Moody's rating on the Administration's bonds, including the Bonds. For more information relating to MHF, see APPENDIX F — "MORTGAGE INSURANCE AND GUARANTEE PROGRAMS — THE MHF INSURANCE PROGRAM" and APPENDIX J — "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND."

Assumptions. In estimating the amounts of moneys available to pay principal of and interest on the Bonds, a number of assumptions were made, including the assumptions that (1) payments of principal of and interest on the Mortgage Loans and Guaranteed Securities will be available on a timely basis, (2) no significant Prepayments or Recovery Payments of Loans and Guaranteed Securities will be made from casualty insurance or condemnation proceeds or otherwise, which result in the Administration's having to redeem Bonds, since such proceeds may not be sufficient to pay the principal amount of Bonds allocable to such Loans and Guaranteed Securities, (3) working capital and construction completion assurances will be adequate, (4) cost overruns, if any, will be adequately financed with contingency allowances, if any, established for such purpose or with other moneys of the Borrowers or the Administration including, if necessary, the proceeds of additional Bonds, and (5) the Developments financed with the proceeds of the Bonds will be completed and rented substantially in accordance with their respective construction and rent-up schedules and will achieve the projected rent levels. No assurance can be given that actual receipts will correspond with estimated revenues.

General Factors. The ability of the Borrowers to make the required payments on the Loans is affected by a variety of factors, including (1) the achievement and maintenance of a sufficient level of occupancy, (2) sound management of the Developments, (3) timely receipt of Section 8 housing assistance payments (see "*Rent Subsidies*" under this heading) or governmental subsidies for Developments receiving such payments, (4) for Group Homes, the continuation of annual subsidies, (5) increases in rents to cover increases in operating expenses, including taxes, utility rates and maintenance costs and changes in applicable laws and governmental regulations, and (6) for Developments containing rental units which are not all the subject of subsidy payments under Section 8, the ability to charge sufficient rents on the unrestricted units so that the rents on the restricted units will be at a level which is affordable by persons and families of limited income as established by the Secretary (including persons and families of the applicable incomes as required by Section 142(d)(1) of the 1986 Code or Section 103(b)(4)(A) of the 1954 Code, as applicable, or as further limited by the Secretary).

Certain Developments containing rental housing units which are expected to operate at a loss during the initial years following rent-up are required to establish escrows and to pledge certain funds to be received in the future which may have included a portion of the proceeds of the syndication of the equity interest in such Developments. The Administration relies upon the receipt of pledged funds in determining the feasibility of such Developments. Although the Administration conducts its own feasibility studies for Developments financed with Loans insured by MHF, the Administration substantially relies upon FHA for the determination of the feasibility of the Developments financed with Loans insured by FHA, including the acceptability of the sites and recognition of specific market needs.

No Cross Default Provisions. If a Borrower fails to make timely payment on its Loan, sufficient moneys may not be available to pay principal of and interest on the Bonds. The failure of a Borrower to make timely payment on its Loan or the occurrence of an event of default with respect to such Loan does not constitute a default with respect to any other Loan. Similarly, the occurrence of an Event of Default under the Bond Resolution does not, of itself, constitute an event of default with respect to any Loan.

Under such circumstances, neither the Administration nor the Trustee has the right to demand payment of or to accelerate payment of any Loan not in default.

Rent Subsidies. The ability of the Administration to pay the principal of and interest on the Bonds is dependent in part upon the timely receipt of Section 8 housing assistance payments for Developments entitled to such payments and governmental subsidies for Group Homes. If (1) operating costs increase substantially where HUD has not permitted corresponding increases in rent levels or Section 8 housing assistance payments on a timely basis, (2) tenants are unable to pay increased tenant rental charges which are approved by HUD, (3) substantial reductions occur in occupancy, or (4) there is a reduction, loss or termination of Section 8 housing assistance payments or governmental subsidies, there may be a likelihood of a default in one or more of the Loans, assignment of such Loans to FHA or MHF, and redemption of a portion of the Bonds.

In addition, the term of a Loan may exceed the maximum term of the contract for payments under Section 8. If at the end of the term of the contract for payments under Section 8 (or HUD does not extend the term of such contract) the owner is unable to lease units in the Development at rentals which produce revenues equivalent to those which would have been received if the term of the contract had been extended, there may be insufficient revenues to pay the principal of and interest on a Loan, causing a default, assignment to FHA or MHF and the redemption of a portion of the Bonds. Additional factors relating to the Section 8 Program are described in APPENDIX G. **See also additional information relating to recent developments affecting the Section 8 Program under the heading “FEDERAL HOUSING SUBSIDY PROGRAMS — Section 8 Program — Expiring HAP Contracts” in APPENDIX G.**

Nonrecourse Loans. Generally, Loans are made without recourse to the Borrower or its partners. The Administration may require personal guaranties from the partners or other principals of the Borrower in connection with any construction work to be performed on a Development. Following successful completion of such work, however, neither the Borrower nor its partners are personally liable for payments on the note evidencing the Loan. Therefore, the Administration’s recourse is limited to its lien on the Development.

Exercise of Legal Remedies. The ability of the Administration, the Department or any mortgage insurer or Credit Enhancer to enforce its rights or exercise its remedies upon default under a Loan is dependent upon regulatory and judicial actions, which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Loan documents may not be readily available or may be limited. The Administration’s interest, however, is protected to the extent of the available Credit Enhancement.

Environmental Factors. Currently, a “Phase I” environmental survey is required for Developments financed with the proceeds of Loans (except for Group Home Loans), and the Administration reviews these surveys to the extent that other lenders do not in order to determine whether hazardous or toxic wastes exist on the property where a Development will be located. Because the practice of obtaining Phase I environmental surveys as a condition to financing has not always been industry practice, many Loans lack such surveys. In the event of a default under a Loan, it is the practice of the Administration to undertake such a survey prior to taking possession of a defaulted Development. If problems are identified, the Administration may decline to take possession of a defaulted Development due to potential costs to remedy or correct any identified problems, which costs can be significant. Furthermore, it is uncertain whether a mortgage insurer would pay a claim under such circumstances. In the Administration’s experience, the most common environmental problems with Developments involve the presence of lead based paint and asbestos.

Geographic Factors. Loans financed under the Program are located throughout the State. The city or county in which each Development is located is described in APPENDIX D. The ability of a Development to generate sufficient rents to make Loan payments is dependent, in part, on both local and statewide economic conditions, including employment levels of local industries and businesses. In addition, the ability of a Development to generate rents sufficient to pay debt service will be affected by general rent levels for similar competing developments, location of the Development, competing multi-family rental developments, amenities offered by the Development as compared with competing developments, and the need for routine or extraordinary repairs and maintenance of the Development. The continued feasibility of each Development may depend in part upon its neighborhood. Adverse changes may occur from time to time in neighborhoods, and if such changes occur, the occupancy level of affected Developments may be reduced.

The following table sets forth as of June 30, 2013, for each county of the State and Baltimore City, the number of Rental Housing Developments, units within such Rental Housing Developments, and, on an aggregate basis, the outstanding principal balance of Loans. This table excludes Single Family Loans and Group Home Loans.

Distribution of Developments by County as of June 30, 2013

<u>County</u>	<u>Number of Developments</u>	<u>Number of Units</u>	<u>Units as Percent of Total</u>	<u>Outstanding Loan Amount</u>	<u>Percentage of Total Outstanding Loan Amount</u>
Allegany County	1	110	1.42%	\$ 973,475	0.28%
Anne Arundel County	1	169	2.18	9,858,542	2.83
Baltimore City	14	1,955	25.17	64,162,926	18.41
Baltimore County	6	957	12.32	32,460,372	9.32
Calvert County	2	99	1.27	923,134	0.26
Carroll County	1	26	0.33	455,987	0.13
Cecil County	1	160	2.06	10,522,060	3.02
Harford County	2	349	4.49	10,111,346	2.90
Howard County	7	738	9.50	25,287,046	7.26
Montgomery County	6	772	9.94	58,899,889	16.90
Prince George's County	8	1,945	25.04	117,411,882	33.70
St. Mary's County	2	170	2.19	11,209,771	3.22
Talbot County	1	128	1.65	4,405,555	1.26
Washington County	2	189	2.43	1,772,603	0.51
Totals: ⁽¹⁾	54	7,767	100.00%	\$348,454,588	100.00%

⁽¹⁾ Amounts and percentages may not total exactly due to rounding.

Appendix D Description of Loans and Developments

Table D-1, Developments Currently Financed with the Proceeds of Prior Series of Bonds:

Multifamily Projects

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2013	Current Loan Balance as of 06/30/2013	Reserve for Replacements as of 06/30/2013 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Air Park Apartments	23	Montgomery County	Smart Development	Section 8	108	16	240	GNMA	480	387	5.110 %	\$10,575,000	\$9,808,665	\$9,808,665		100 % Above Average		HRB2004B
Alexander House		Washington County	Homeowners Foundation Fund of Washington County	Section 8	95	94	480	FHLMC	480	78	7.730 %	2,736,511	1,130,164	1,130,164	479,730	98 %	Satisfactory	HRB1996A
Bethel Gardens	12	Washington County	The Bethel Corporation	Section 236	94	94	480	MHF	480	47	7.850 %	2,259,719	634,772	642,439	77,572	96 %	Satisfactory	HRB1996A
Bolton House/Mt. Royal	17, 18	Baltimore City	Mid-City Urban, LLC	Section 236	260	260	480	RISK SHARE	480	53	7.850 %	5,433,760	2,115,130	2,115,130	292,027	97 % Below Average		HRB1999D
Bolton House/Mt. Royal II	17	Baltimore City	Mid-City Urban, LLC	Section 236				RISK SHARE	360	212	6.470 %	3,091,240	2,457,680	2,457,680		97 % Below Average		HRB1999D
Calvert Pines Gardens		Calvert County	Housing Authority of Calvert County	Section 8	51	50	480	FHLMC	480	88	7.730 %	1,692,000	765,490	765,490	118,250	98 % Above Average		HRB1996A
Calvert Pines II		Calvert County	Housing Authority of Calvert County	None	48	0	0	MHF	336	83	7.000 %	353,956	157,644	157,644	494,459	98 % Above Average		HRB1996A
Cherrydale Apartments	6	Baltimore City	Cherrydale Limited Partnership	None	186	0	0	GNMA	480	435	6.190 %	3,755,000	3,664,571	3,664,571		98 % Above Average		HRB2008B
Chesapeake Commons	16	Baltimore City	City College Associates Limited Partnership	None	95	0	0	MHF	360	119	7.000 %	235,000	133,877	133,877		94 % Above Average		HRB1996A
Coleman Manor Apartments		Baltimore City	Homes for Wallbrook Limited Partner	Section 8	50	49	480	GNMA	480	419	5.410 %	1,126,400	1,079,995	1,079,995		96 %	Satisfactory	HRB2007A
College Parkway Apartments	23	Anne Arundel County	Shelter Development	Section 8	169	169	240	GNMA	480	382	5.700 %	10,575,000	9,858,542	9,858,542		99 % Above Average		HRB2004B

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2013	Current Loan Balance as of 06/30/2013	Reserve for Replacements as of 06/30/2013 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Eastern Avenue Apts.	3, 10	Prince George's County	Volunteers Of America	None	88	0	0	OTHER	24	24	1.100 %	\$7,200,000	\$4,609,475	\$4,609,475			New Const.	HRB2012C
Ellicott Terrace		Howard County	Ellicott Terrace Inc.	None	60	0	0	MHF	360	57	7.800 %	475,000	162,440	162,440	114,935	63 %	Satisfactory	HRB1996A
Epiphany House	14	Baltimore City	Epiphany House Limited Partnership	None	33	0	0	MHF	384	54	3.700 %	925,000	175,639	175,639	22,014	97 % Above Average	HRB1996A	
Foxchase Village Apartments	24	St. Mary's County	Foxchase Village Apartments, L.P.	None	134	0	0	GNMA	480	398	5.900 %	10,308,700	9,742,228	9,742,228		92 %	Satisfactory	HRB2005B
Foxwell Memorial Apartments		Baltimore City	Homes for Greenspring LP	Section 8	154	154	240	GNMA	420	335	5.540 %	3,320,000	3,051,288	3,051,288		99 %	Satisfactory	HRB2006A
Frostburg Heights		Allegany County	The Tressler Lutheran Home for Children	Section 8	110	110	480	FHLMC	480	70	6.790 %	2,784,200	973,475	973,475	111,084	98 % Above Average	HRB1996A	
Gardens of Traville		Montgomery County	Centrum Traville LP	None	230	0	0	GNMA	480	373	5.450 %	21,688,800	19,954,462	19,954,462		94 % Above Average	HRB2002B	
Glen Creek Apts.		Cecil County	Centrum-Elkton LP	None	160	0	0	GNMA	480	358	5.880 %	11,516,200	10,522,060	10,522,060		83 % Above Average	HRB2001B	
Glenmore Apartments	22, 30	Prince George's County	Glenmore Associates LP	None	409	0	0	GNMA	480	398	5.830 %	39,615,000	36,599,005	36,599,005		95 %	Satisfactory	HRB2004C
Great Hope Apts.	4	Montgomery County	Great Hope Homes 2001 LP.	Section 236 Section 8	104	104	144	GNMA	480	355	5.820 %	5,970,000	4,774,026	4,774,026		100 %	Satisfactory	HRB2001B
Greenbelt/ Greenridge		Prince George's County	City of Greenbelt	Section 8	101	100	480	MHF	480	53	7.230 %	3,343,400	971,873	971,873	569,046	100 % Above Average	HRB1996A	
Hickory Ridge II	19	Howard County	Hickory Ridge Village, LLP	None	108	0	0	UNINSURED	456	364	4.000 %	507,121	427,743	427,743		99 % Above Average	HRB1996A	
Holly Lane Apartments		Baltimore City	HTA Development	None	170	0	0	GNMA	480	424	5.410 %	10,648,600	10,250,557	10,250,557		81 % Unsatisfactory	HRB2007A	

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2013	Current Loan Balance as of 06/30/2013	Reserve for Replacements as of 06/30/2013 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Johnston Square Apartments	6	Baltimore County	General Greene Limited Partnership	Section 8	218	217	480	GNMA	480	438	6.180 %	\$7,380,000	\$7,215,024	\$7,215,024		99 % Above Average		HRB2008C
Lansdowne Apartments		Baltimore County	AHC Limited Partnership	None	167	0	0	GNMA	480	400	5.900 %	9,521,300	9,041,248	9,041,248		98 %	Satisfactory	HRB2005B
Lanvale Towers/Canal Court Apts.	4, 27	Baltimore City	Lanvale Housing, LP	Section 236 Section 8	321	321	168	GNMA	480	404	5.470 %	16,135,000	14,052,863	14,052,863		92 % Above Average		HRB2005C
Lester Morton Court Apts. Part A	4, 7, 20	Baltimore City	Hampstead Lester Morton Court Partners, L.P.	Section 236 Section 8	70	70	120	FNMA	360	283	6.450 %	2,770,000	1,267,456	1,267,456		99 % Above Average		HRB2004D
Lester Morton Court Apts. Part B	7, 20	Baltimore City	Hampstead Lester Morton Court Partners, L.P.	Section 236 Section 8				FNMA	118	17	5.500 %	500,000	89,534	89,534				HRB2004D
Longwood		Howard County	Columbia Associates	Section 8	100	100	480	MHF	480	67	7.230 %	3,080,000	1,082,007	1,082,007	119,745	98 % Above Average		HRB1996A
Manhattan Park Apartments - Part A	4, 7, 29	Baltimore City	The Manhattan Park Apts., LP	Section 236	123	123	108	FNMA	360	296	6.460 %	2,520,000	2,345,132	2,345,132		94 % Above Average		HRB2006B
Manhattan Park Apts. - B	4, 7, 29	Baltimore City	The Manhattan Park Apts., LP	Section 236				FNMA	110	25	5.720 %	825,000	227,164	227,164				HRB2006B
Mount Clare Overlook		Baltimore City	SKB Development LP	Section 8	110	110	252	GNMA	480	408	5.570 %	6,705,000	6,382,728	6,382,728		100 %	Satisfactory	HRB2006A
Mulberry Hills Apts. - I	3, 15	Talbot County	Mulberry Estates, LLLP	None	128	0	0	RISK SHARE	480	480	4.270 %	4,500,000	3,400,555	3,400,555			New Const.	HRB2012B
Mulberry Hills Apts. - II	3, 15	Talbot County	Mulberry Estates, LLLP	None				LOC	24	16	0.850 %	1,005,000	1,005,000	1,005,000				HRB2012B
New Towne Village - A	7, 21	St. Mary's County	Leonardtown Senior Limited Partnership	None	36	0	0	FNMA	420	354	6.430 %	1,545,000	1,467,543	1,467,543		100 % Above Average		HRB2007C
Oak Grove Manor		Baltimore County	Oak Grove Associates, LLC	None	120	0	0	UNINSURED	480	382	4.000 %	139,494	125,843	125,843		95 % Above Average		HRB1996A

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2013	Current Loan Balance as of 06/30/2013	Reserve for Replacements as of 06/30/2013 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Oak Grove Manor II	19	Baltimore County	Oak Grove Associates, LLC	None				UNINSURED	456	366	4.000 %	\$1,110,506	\$1,013,446	\$1,013,446				HRB1996A
Park View at Colonial Landing	3, 11	Howard County	Colonial Development, LLLP	None	100	0	0	RISK SHARE	480	480	4.000 %	4,700,000	4,267,417	4,267,417			New Const.	HRB2012D
Parkland Village Apartments	32	Prince George's County	Parkland Associates, L.P.	None	159	0	0	GNMA	480	381	5.560 %	12,080,000	11,224,733	11,224,733		96 %	Satisfactory	HRB2003D
Parkview Towers Apts.	3, 25	Montgomery County	MHP Parkview Towers, L.P.	None	125	0	0	RISK SHARE	480	480	4.050 %	10,925,000	8,195,436	8,195,436			New Const.	HRB2013A
Parkway Apartments		Prince George's County	New Parkway Apartments, LP	None	159	0	0	GNMA	480	358	6.140 %	9,500,000	8,724,725	8,724,725		90 %	Satisfactory	HRB2002A
Pembridge Square Apts.		Montgomery County	Pembridge Square Apts. LP	Section 8	133	133	480	GNMA	480	379	6.220 %	10,728,400	10,057,222	10,057,222		98 %	Satisfactory	HRB2003C
Pikeswood Park Apts.	3	Baltimore County	Osprey Property Co. LLC	None	140	0	0	RISK SHARE	480	480	4.400 %	9,340,000	9,340,000	9,340,000			New Const.	HRB2012A
Poppleton Place Apts Part I		Baltimore City	Poppleton Partners, LP	Section 8	123	123	480	GNMA	480	417	5.550 %	4,425,000	4,242,060	4,242,060		99 %	Satisfactory	HRB2006D
Quebec Arms Apts		Prince George's County	Quebec Arms Apts., LP	None	332	0	0	GNMA	480	350	6.430 %	19,385,000	17,764,809	17,764,809		99 %	Above Average	HRB2000A
Queens Manor Apartments		Prince George's County	Queens Manor Gardens Apts. L.P.	None	331	0	0	GNMA	480	383	5.620 %	24,730,000	23,045,811	23,045,811		95 %	Satisfactory	HRB2003A
Ruscombe Gardens Apartments		Baltimore City	Evergreen Partners	Section 8	151	150	480	GNMA	480	424	5.390 %	9,910,000	8,902,456	8,902,456		100 %	Above Average	HRB2007A
Schoolhouse Road	8	Carrol County	Schoolhouse Road Associates Ltd.	Section 8	26	26	480	MHF	480	102	6.450 %	1,000,000	455,987	455,987	30,330	100 %	Satisfactory	HRB1996A
Sierra Woods Apts - A	4, 31	Howard County	Enterprise Housing Corp	Section 236 Section 8	160	158	360	RISK SHARE	360	333	5.600 %	6,815,000	6,604,886	6,604,886	175,235	98 %	Below Average	HRB2009A

Name	Footnote	Location	Owner/Developer	Subsidy	No. of Units (5)	No. of Subsidized Units	Total Subsidy Term (Months)(4)	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term (Months)	Interest Rate (6)	Original Mortgage Loan Balance Amount	Scheduled Loan Balance as of 06/30/2013	Current Loan Balance as of 06/30/2013	Reserve for Replacements as of 06/30/2013 (7)	Occupancy (2)	Inspection Rating (3)	Bond Series
Sierra Woods Apts.- B		Howard County	Enterprise Housing Corp	Section 236 Section 8				RISK SHARE	70	43	5.600 %	\$790,000	\$515,346	\$515,346				HRB2009A
Stevens Forest Apartments Part I	17	Howard County	Stevens Forest Limited Partnership	Section 8	108	96	480	RISK SHARE	480	434	5.940 %	6,545,000	6,372,919	6,372,919	365,378	98 %	Satisfactory	HRB2008B
Sunridge	32	Prince George's County	Sunridge Associates, LP	None	366	0	0	GNMA	480	335	5.640 %	16,345,000	14,471,451	14,471,451		97 %	Satisfactory	HRB1999A
Tabco Towers	9, 16	Baltimore County	Tabco Towers Associates	Section 236	200	200	480	MHF	480	43	6.360 %	4,733,700	1,067,112	1,067,112		99 %	Above Average	HRB1996A
The Graw / Havre-de-Grace		Harford County	Havre de Grace Associates	Section 8	66	65	480	MHF	480	63	6.790 %	1,575,000	505,173	505,173	65,161	96 %	Satisfactory	HRB1996A
Timothy House Apartments	7	Baltimore County	Timothy House LLLP	None	112	0	360	FNMA	360	315	6.670 %	4,875,000	4,657,699	4,657,699		96 %	Above Average	HRB2007B
Victory Terrace		Montgomery County	Victory Terrace LP	None	72	0	0	GNMA	480	367	5.450 %	6,682,800	6,110,078	6,110,078		98 %	Satisfactory	HRB2002B
Waverly Gardens Senior Apts.	17	Howard County	Waverly Woods Development Corps.	None	102	0	0	RISK SHARE	480	400	5.850 %	6,169,000	5,854,288	5,854,288	186,124	100 %	Above Average	HRB2005A
Weinberg Manor Apts		Baltimore City	Weinberg Manor West, LP	Section 8	109	108	360	RISK SHARE	360	317	6.990 %	3,880,000	3,724,795	3,724,795	185,557	99 %	Satisfactory	HRB2008D
Windsor Valley III Apts.	4	Harford County	Windsor Valley III, LP.	Section 236 Section 8	283	283	132	GNMA	480	357	5.830 %	11,870,000	9,606,173	9,606,173		97 %	Satisfactory	HRB2001B
Total: (1)					7,767	3,483						\$404,875,807	\$348,446,921	\$348,454,588	\$3,406,647			

Footnotes:

- 1 Amounts and percentages may not total exactly due to the rounding.
- 2 Generally, as of June 30, 2013.
- 3 The Inspection Rating is based on the most recent rating available to the Administration as of June 30, 2013 and reflects the evaluation by the Department's Asset Management Group of the Development's physical condition, management practices and compliance with regulations and loan documents. The projects rated "Pending" are yet to receive their first inspection, while the projects rated "New Const." are in the process of being leased up and would not require inspection. The ratings reported on this schedule reflect inspections as of June 30, 2013.
- 4 Includes original and all renewal terms. Section 236 contract terms are coterminous with applicable Loan term, except for Great Hope Apartments, Lanvale Towers, Lester Morton Court Apartments, Manhattan Park, Sierra Woods and Windsor Valley III Apartments, whose Section 236 subsidies end in August 2014, March 2021, October 2014, May 2014, January 2017 and July 2015 respectively.
- 5 Figures may include non-revenue manager-occupied units.
- 6 The interest rate received by the Administration on the related Guaranteed Securities GNMA loans is 0.25% less than the Interest Rate shown in the chart because the GNMA Servicer deducts and retains a fee in that amount.
- 7 For loans enhanced by FNMA, the Reserve for Replacement Accounts are held by the lender.
- 8 The Administration originally made two loans to this Development; the uninsured loan with outstanding principal of \$219,428 was paid off on June 30, 2000.
- 9 The Reserve for Replacement for Tabco Towers is held by Deutsche Banc Alex Brown Inc. The most recent statement received by Asset Management is for the period ending June 30, 2013.
- 10 The underlying short term bonds and loans on these projects are 100% cash collateralized at all times during the construction period while the bonds are outstanding.
- 11 Park View at Colonial Landing Apts. Loan is enhanced by a Negative Arbitrage Letter of Credit issued by PNC Bank in the amount of \$79,280.00 expiring on January 31, 2014.
- 12 On June 18, 1997, the Administration and the developer entered into an allonge to the mortgage note which provides that a prior arrearage of \$7,667 is due on the maturity date of the note.
- 13 These developments are in construction or lease-up and occupancy reports and/or inspections ratings may not be available at this time.
- 14 In addition to this loan, the Administration loaned the sponsor \$538,000, which is invested to support payments due under the Transferred Loan. The additional loan is not subject to the lien of the Bond Resolution. Also, as part of a workout, the Administration reduced the interest rate to 3.7% from 7.8% on May 1, 1998. In August 1999, the Administration received a principal curtailment of \$215,000.
- 15 The Mulberry Hills Apts. short term loan of \$1,005,000 is credit enhanced by a direct pay letter of credit issued by PNC Bank, National Association. The negative arbitrage on the long term loan of \$4,500,000 is backed by a standby letter of credit issued by PNC Bank, National Association in the amount of \$212,525.
- 16 These Developments also have co-first parity mortgages securing mortgage loans made with the proceeds of the Administration's original Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) in the following amounts as of June 30, 2013: Chesapeake Commons \$2,002,462 and Tabco Towers \$369,098. The underlying bonds have since been redeemed and the loans along with the reserve for replacement accounts for Chesapeake Commons and Tabco Towers, reside in the Collateral Reserve Fund in the Administration's Residential Revenue Bonds.
- 17 Insured under the risk sharing program. See Official Statement, Appendix F - "MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS - HUD RISK SHARING PROGRAMS".
- 18 The term of this loan and the term of the subsidy are coterminous. When this loan was assumed by new owners, the remaining loan term was 213 months of the original loan term of 480 months. Likewise, the original subsidy term was 480 months; at the time of the assumption the remaining term of the subsidy was also 213 months.
- 19 These are cash flow loans. The unpaid accrued interest under Hickory Ridge II is capitalized annually and added to the principal. Interest and principal are due in annual installments in an amount equal to the lesser of Surplus Cash or scheduled payments. Oak Grove's first tranche is an amortizing loan. Interest and principal on the second tranche shall be due and payable in consecutive annual installments in an amount equal to the lesser of Surplus Cash or the scheduled payment. These cash flow loans are in second position and the Reserve for Replacements are held by the first lien holder.
- 20 The interest rate received by the Administration towards Lester Morton Apartments is 0.90% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.90% for servicing and credit enhancement fees. Lester Morton Court Apartments is a FNMA loan.
- 21 The interest rate received by the Administration is 0.80% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.80% for servicing and credit enhancement fees. New Towne Village is a FNMA loan.
- 22 The total amount of the Glenmore Apartments loan is \$39,615,000. It was funded from two sources: Housing Revenue Bonds Series 2004 C in the amount of \$36,515,000 and \$3,100,000 of additional funds from the Housing Revenue Bonds Series 1996 A.
- 23 The loan amount of the Air Park Apartments and College Parkway Apartments is \$10,575,000 each. These loans were funded from two sources: Housing Revenue Bonds Series 2004 B in the amount of \$10,160,000 and \$415,000 of surplus funds in Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) 1998 Series A and B. Please refer to footnote 16 in reference to Additional Collateral.
- 24 The Foxchase Village loan in the amount of \$10,308,700 was financed by Housing Revenue Bonds Series 2005 B in the amount of \$9,833,700 and a transfer of surplus funds in the amount of \$475,000 from Multi-family Housing Revenue Bonds (Insured Mortgage Loans) Series 2001 B. Please refer to footnote 16 in reference to the Collateral Reserve Fund.
- 25 Parkview Towers Apts. loan is enhanced by a Negative Arbitrage Letter of Credit issued by Capital One Bank in the amount of \$164,805, expiring on October 1, 2014.

26 The interest rate received by the Administration is 0.85% less than the interest rate in the Note which is reported in this chart. The servicer retains 0.85% for servicing fees and credit enhancement fees.

27 The Lanvale Towers/Canal Court Apartments loan in the amount of \$16,135,000 was financed by Housing Revenue Bond Series 2005 C in the amount of \$13,985,000 and a transfer of surplus funds in the amount of \$1,260,000 from Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) Series 1998 A & B and \$890,000 from Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) Series 2001 A & B. Please refer to footnote 16 in reference to the Collateral Reserve Fund.

28 N/A

29 The interest rate received by the Administration is 1.04% less than the interest rate in the Note reported in this chart. The servicer retains 1.04% for servicing and credit enhancement fees.

30 Glenmore received a loan reduction of \$975,500 from the \$39,615,000 original loan at the time the loan went permanent on March 27, 2007.

31 The total units for Sierra Woods Apartments are included in Part A. The Project has a total of 160 units, of which 32 units have Section 8 and 158 units have Section 236.

32 The Administration has been notified by the Owner of the Development of its intent to prepay the related Loan.

Table D-2

Group Home and Single Family Loans Financed with the Proceeds of the Series 1996 A and B, 2006 C, 2008 A Bonds:

Name	Location	No. of Loans	Credit Enhancement	Original Loan Term (Months)	Remaining Loan Term	Interest Rate	Original Loan Balance	Outstanding Loan Balance ⁽⁸⁾	Occupancy	Physical Condition	Bond Series Financing Loans
Single Family Residences ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Various	12	MHF	360	Various	Various	\$447,900	\$119,244	N/A	N/A	1996 A
Group Homes ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁹⁾	Various	14	MHF	Various	Various	6.50%	1,540,373	995,272	N/A	N/A	1996 B
Group Homes ⁽⁵⁾⁽⁹⁾⁽¹⁰⁾	Various	11	MHF	360	Various	6.15%	2,120,000	1,899,269	N/A	N/A	2006 C
Group Homes ⁽⁵⁾⁽⁹⁾⁽¹¹⁾	Various	28	MHF	360	Various	Various	5,909,187	5,404,614	N/A	N/A	2008 A
Total:		65					\$10,017,460	\$8,418,399			

⁽¹⁾Single family residences are owner occupied single family dwellings.

⁽²⁾Single family residences are located in Prince George's, Howard, Montgomery and Anne Arundel Counties.

⁽³⁾Interest rates vary from 8.25% to 8.625% per annum.

⁽⁴⁾Original principal amount of Single Family Loans financed from proceeds of Prior Bonds.

⁽⁵⁾Group Homes are owned by various non-profit entities.

⁽⁶⁾46 individuals are served by these Group Homes.

⁽⁷⁾These loans have an original loan term of 30 years, except one loan with an original loan term of 15 years and another with an original loan term of 20 years.

⁽⁸⁾As of June 30, 2013.

⁽⁹⁾There were no Group Home Loans more than 60 days delinquent.

⁽¹⁰⁾32 individuals are served by these Group Homes.

⁽¹¹⁾91 individuals are served by these Group Homes.

Table D-3

Rental Housing Developments and Group Home Loans in Default:

As of June 30, 2013, there were no Developments or Group Home Loans financed by the Bond Resolution in default. Default is defined as failure to make Mortgage Loan payments equivalent to two full monthly payments of principal and interest.

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APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

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APPENDIX E

OUTSTANDING INDEBTEDNESS OF THE ADMINISTRATION

Outstanding Housing Revenue Bonds

The following table sets forth certain information relating to Bonds issued by the Administration under the Bond Resolution outstanding as of July 1, 2013.

				<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Housing Revenue Bonds							
Series	1996	A	.....	1996	7/1/2023	\$ 137,385,000	\$ 7,335,000
Series	1996	B	.....	1996	7/1/2028	2,575,000	1,275,000
Series	1999	A	.....	1999	7/1/2041	16,345,000	14,310,000
Series	1999	D	.....	1999	7/1/2042	14,565,000	5,285,000
Series	2000	A	.....	2000	7/1/2042	27,445,000	17,470,000
Series	2001	B	.....	2001	7/1/2043	47,630,000	24,470,000
Series	2002	A	.....	2002	7/1/2043	9,500,000	8,595,000
Series	2002	B	.....	2002	7/1/2045	34,435,000	25,645,000
Series	2003	A	.....	2003	7/1/2045	24,730,000	22,710,000
Series	2003	C	.....	2003	7/1/2045	10,735,000	9,925,000
Series	2003	D	.....	2003	7/1/2045	12,080,000	11,075,000
Series	2004	B	.....	2004	7/1/2046	20,320,000	18,510,000
Series	2004	C	.....	2004	1/1/2047	36,515,000	33,225,000
Series	2004	D	.....	2004	7/1/2037	3,270,000	1,325,000
Series	2005	A	.....	2005	1/1/2047	6,385,000	5,955,000
Series	2005	B	.....	2005	1/1/2047	19,355,000	17,995,000
Series	2005	C	.....	2005	7/1/2047	13,985,000	11,450,000
Series	2006	A	.....	2006	7/1/2047	10,800,000	9,335,000
Series	2006	B	.....	2006	1/1/2039	4,800,000	2,520,000
Series	2006	C	.....	2006	7/1/2036	2,120,000	1,835,000
Series	2006	D	.....	2006	7/1/2048	8,000,000	4,250,000
Series	2007	A	.....	2007	1/1/2049	22,435,000	20,215,000
Series	2007	B	.....	2007	1/1/2038	4,875,000	4,660,000
Series	2007	C	.....	2007	1/1/2043	2,310,000	1,470,000
Series	2008	A	.....	2008	7/1/2038	5,845,000	5,385,000
Series	2008	B	.....	2008	7/1/2049	17,360,000	10,005,000
Series	2008	C	.....	2008	7/1/2048	11,380,000	7,380,000
Series	2008	D	.....	2008	7/1/2039	5,110,000	3,690,000
Series	2009	A	.....	2009	7/1/2041	8,755,000	7,125,000
Series	2012	A	.....	2012	1/1/2054	9,340,000	9,340,000
Series	2012	B	.....	2012	7/1/2054	5,505,000	5,505,000
Series	2012	C	.....	2012	9/1/2014	7,200,000	7,200,000
Series	2012	D	.....	2012	1/1/2054	4,700,000	4,700,000
Series	2013	A	.....	2013	7/1/2054	10,925,000	10,925,000
Total Housing Revenue Bonds						<u>\$ 578,715,000</u>	<u>\$ 352,095,000</u>

Other Outstanding Bonds of the Administration

The following table sets forth certain information relating to Bonds issued by the Administration under its other programs and outstanding as of July 1, 2013.

			<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Multi-Family Mortgage Revenue Bonds						
Series	2010	A (New Issue)	2010	7/1/2030	\$ 8,410,000	\$ 7,865,000
Series	2009	A-1 (Released Program Bonds)	2010	7/1/2051	24,380,000	24,380,000
Series	2010	B (New Issue)	2010	7/1/2045	16,730,000	16,395,000
Series	2009	A-2 (Released Program Bonds)	2010	7/1/2051	6,610,000	6,610,000
Series	2009	A-3 (Released Program Bonds)	2010	1/1/2044	5,410,000	5,410,000 (9)
Series	2010	D (New Issue)	2010	1/1/2035	6,880,000	6,040,000
Series	2009	A-4 (Released Program Bonds)	2010	7/1/2051	10,760,000	10,760,000
Series	2011	A (New Issue)	2011	7/1/2026	2,190,000	2,030,000
Series	2009	A-5 (Released Program Bonds)	2011	7/1/2051	8,460,000	8,460,000
Series	2011	B (New Issue)	2011	1/1/2028	8,680,000	3,740,000
Series	2009	A-6 (Released Program Bonds)	2011	7/1/2051	13,230,000	13,230,000
Series	2011	C (New Issue)	2011	7/1/2051	16,685,000	16,615,000
Series	2009	A-7 (Released Program Bonds)	2011	7/1/2051	23,190,000	23,190,000
Total Multi-Family Mortgage Revenue Bonds					<u>\$ 151,615,000</u>	<u>\$ 144,725,000</u>

			<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Residential Revenue Bonds							
2003	Series	A	3.642019%	2003	9/1/2015	\$ 9,550,000	\$ 2,955,000 (1)
2003	Series	B	4.650537%	2003	9/1/2026	15,450,000	615,000 (1)
2003	Series	C	(2)	2003	9/1/2035	20,000,000	20,000,000 (1)
2004	Series	A	3.806300%	2004	9/1/2016	10,710,000	4,490,000 (1)
2004	Series	B	4.799120%	2004	9/1/2028	19,290,000	3,140,000 (1)
2004	Series	D	4.029268%	2004	9/1/2016	12,960,000	5,305,000 (1)
2004	Series	E	5.081152%	2004	3/1/2030	27,040,000	8,965,000 (1)
2004	Series	F	(2)	2004	9/1/2035	20,000,000	20,000,000 (1)
2004	Series	G	3.310198%	2004	9/1/2016	13,445,000	5,390,000 (1)
2004	Series	H	4.621570%	2004	9/1/2029	26,555,000	9,375,000 (1)
2004	Series	I	(2)	2004	9/1/2035	20,000,000	20,000,000 (1)
2005	Series	A	3.655208%	2005	9/1/2016	12,640,000	5,565,000 (1)
2005	Series	B	4.792302%	2005	9/1/2029	27,360,000	14,485,000 (1)
2005	Series	D	3.910070%	2005	9/1/2017	13,485,000	6,775,000 (1)
2005	Series	E	4.974120%	2005	9/1/2036	46,515,000	33,900,000 (1)
2006	Series	A	3.983190%	2006	9/1/2017	12,020,000	6,535,000 (1)
2006	Series	B	4.984790%	2006	9/1/2037	47,980,000	35,345,000 (1)
2006	Series	E	4.199900%	2006	9/1/2017	23,540,000	12,865,000 (1)
2006	Series	F	5.307100%	2006	9/1/2039	56,460,000	32,950,000 (1)
2006	Series	G	(2)	2006	9/1/2040	40,000,000	40,000,000 (1)
2006	Series	H	4.102933%	2006	9/1/2017	17,670,000	9,685,000 (1)
2006	Series	I	5.204300%	2006	3/1/2041	142,330,000	92,925,000 (1)
2006	Series	J	(2)	2006	9/1/2040	60,000,000	60,000,000 (1)
2006	Series	K	4.111420%	2006	9/1/2017	15,000,000	8,255,000 (1)
2006	Series	L	5.062770%	2006	3/1/2041	165,000,000	126,670,000 (1)
2006	Series	O	3.829481%	2006	9/1/2017	10,000,000	5,470,000 (1)
2006	Series	P	4.858303%	2006	9/1/2037	85,000,000	61,595,000 (1)
2006	Series	S	6.135383%	2006	9/1/2037	25,000,000	18,120,000 (3)
2007	Series	A	4.951603%	2007	9/1/2047	270,000,000	204,145,000 (1)
2007	Series	B	6.065560%	2007	9/1/2037	30,000,000	22,625,000 (3)
2007	Series	C	3.944500%	2007	9/1/2017	45,000,000	27,105,000 (1)
2007	Series	D	4.924814%	2007	3/1/2048	175,000,000	139,075,000 (1)
2007	Series	E	6.031685%	2007	9/1/2042	49,375,000	42,545,000 (4)
2007	Series	F	(2)	2007	9/1/2031	46,485,000	37,350,000 (8)
2007	Series	G	4.245422%	2007	9/1/2017	61,605,000	33,915,000

Other Outstanding Bonds of the Administration

	<u>Effective Bond Yield</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Residential Revenue Bonds continued					
2007 Series H	5.150783%	2007	3/1/2048	\$ 63,395,000	\$ 59,350,000
2007 Series I	6.523650%	2007	9/1/2043	62,800,000	55,290,000 (4)
2007 Series J	(2)	2009	9/1/2031	58,680,000	46,100,000 (6)
2007 Series K	3.761910%	2007	9/1/2017	30,000,000	16,285,000
2007 Series M	(2)	2007	9/1/2043	29,050,000	29,050,000 (7)
2008 Series A	3.895197%	2008	9/1/2017	60,000,000	43,850,000
2008 Series B	3.909668%	2008	9/1/2017	19,770,000	11,725,000
2008 Series C	5.453421%	2008	9/1/2048	80,230,000	42,365,000
2008 Series D	(2)	2008	9/1/2038	50,000,000	49,890,000
2008 Series E	4.290850%	2008	9/1/2017	21,500,000	15,000,000
2008 Series F	5.500088%	2008	9/1/2038	18,500,000	6,000,000
2009 Series A	4.798085%	2009	9/1/2039	40,000,000	37,675,000
2009 Series B	4.516954%	2009	9/1/2039	45,000,000	42,280,000
2009 Series C	4.227838%	2009	9/1/2039	15,985,000	15,015,000
2010 Series A	4.416792%	2010	3/1/2021	28,465,000	26,080,000
2010 Series B	5.325532%	2010	9/1/2035	40,000,000	39,205,000
2011 Series A	4.494892%	2011	9/1/2041	70,825,000	67,575,000 (1)
2011 Series B	(2)	2011	3/1/2036	20,000,000	20,000,000 (1)
2012 Series A	3.123440%	2012	9/1/2025	44,450,000	42,950,000 (1)(5)
2012 Series B	(2)	2012	9/1/2033	45,000,000	45,000,000 (1)(5)
Total Residential Revenue Bonds				<u>\$ 2,516,115,000</u>	<u>\$ 1,888,820,000</u>
Single Family Housing Revenue Bonds					
		<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2011 Series A (New Issue)		2011	3/1/2027	\$ 40,310,000	\$ 36,870,000
2009 Series A-1 (Released Program Bonds)		2011	9/1/2041	60,460,000	60,460,000
2011 Series B (New Issue)		2011	3/1/2027	40,000,000	37,725,000
2009 Series A-2 (Released Program Bonds)		2011	9/1/2041	60,000,000	60,000,000
2011 Series C (New Issue)		2011	3/1/2027	22,555,000	21,250,000
2009 Series A-3 (Released Program Bonds)		2011	9/1/2041	33,830,000	33,830,000
Total Single Family Housing Revenue Bonds				<u>\$ 257,155,000</u>	<u>\$ 250,135,000</u>
Infrastructure Financing Bonds (MBIA Insured)					
1997 Series A		1997	6/1/2027	\$ 9,860,000	\$ 365,000
1998 Series B		1998	6/1/2028	30,320,000	760,000
1998 Series C		1998	12/1/2020	2,845,000	160,000
1999 Series A		1999	6/1/2029	6,985,000	795,000
2001 Series A		2001	6/1/2031	8,460,000	635,000
Total Infrastructure Financing Bonds (MBIA Insured)				<u>\$ 58,470,000</u>	<u>\$ 2,715,000</u>
Local Government Infrastructure Bonds (Ambac Insured)					
2002 Series A		2002	6/1/2032	\$ 11,790,000	\$ 265,000
2003 Series A		2003	6/1/2023	14,560,000	4,175,000
2004 Series A		2004	6/1/2034	16,375,000	8,645,000
2004 Series B		2004	6/1/2034	4,735,000	3,670,000
2005 Series A		2005	6/1/2030	9,345,000	6,815,000
2006 Series A		2006	6/1/2026	8,940,000	5,575,000
2007 Series A		2007	6/1/2037	11,460,000	8,755,000
2007 Series B		2007	6/1/2027	24,575,000	17,990,000
Total Local Government Infrastructure Bonds (Ambac Insured)				<u>\$ 101,780,000</u>	<u>\$ 55,890,000</u>

Other Outstanding Bonds of the Administration

		<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Local Government Infrastructure Bonds					
2010 Series A-1 (Senior Obligations)	2010	6/1/2030	\$ 19,395,000	\$ 16,765,000	
2010 Series A-2 (Subordinate Obligations)	2010	6/1/2030	8,515,000	7,375,000	
2012 Series A-1 (Senior Obligations)	2012	6/1/2032	9,550,000	8,905,000	
2012 Series A-2 (Subordinate Obligations)	2012	6/1/2032	4,420,000	4,135,000	
2012 Series B-1 (Senior Obligations)	2012	6/1/2032	14,900,000	14,185,000	
2012 Series B-2 (Subordinate Obligations)	2012	6/1/2032	6,855,000	6,535,000	
Total Local Government Infrastructure Bonds			<u>\$ 63,635,000</u>	<u>\$ 57,900,000</u>	
Multifamily Development Revenue Bonds					
1990 Issue B (Middle Branch Manor)	1990	6/1/2020	\$ 12,350,000	\$ 6,300,000	(2)
1990 Issue C (Harbor City Townhomes)	1990	6/1/2020	4,150,000	2,150,000	(2)
Series 1999 A (GNMA-Selborne House Project)	1999	12/20/2040	2,150,000	1,920,000	
Series 2001 C (Parklane Apartments Project)	2001	2/15/2034	9,800,000	9,800,000	(2)
Series 2001 D (Princess Anne Townhouses)	2001	12/15/2033	4,350,000	3,195,000	
Series 2001 E (Princess Anne Townhouses)	2001	12/15/2033	2,875,000	2,465,000	(2)
Series 2001 G (Waters Tower Senior Apts.)	2001	12/15/2033	4,045,000	3,460,000	(2)
Series 2002 B (Broadway Homes Project)	2002	5/1/2020	5,045,000	2,085,000	
Series 2002 C (Orchard Mews Apartment Project)	2002	5/1/2035	5,845,000	4,510,000	
Series 2003 A (Barrington Apartments Project)	2003	6/15/2037	40,000,000	39,905,000	(2)
Series 2005 A (Fort Washington Manor Sr. Housing)	2005	11/15/2038	14,000,000	13,030,000	(2)
Series 2005 B (Washington Gardens)	2005	2/1/2036	5,000,000	2,290,000	
Series 2006 A (Barclay Greenmount Apartments)	2006	4/1/2035	4,535,000	3,510,000	
Series 2006 B (Charles Landing South Apartments)	2006	12/1/2036	3,375,000	3,375,000	(2)
Series 2007 A (Brunswick House Apartments)	2007	10/1/2037	3,000,000	1,960,000	
Series 2007 B (Park View at Catonsville)	2007	12/1/2037	5,200,000	4,750,000	(2)
Series 2008 A (Walker Mews Apartments)	2008	5/1/2048	11,700,000	11,700,000	(2)
Series 2008 B (Shakespeare Park Apartments)	2008	5/1/2038	7,200,000	7,200,000	(2)
Series 2008 C (The Residences at Ellicott Gardens)	2008	12/1/2040	9,105,000	6,175,000	(2)
Series 2008 D (Crusader Arms Apartments)	2008	2/1/2041	3,885,000	2,660,000	(2)
Series 2008 E (MonteVerde Apartments)	2008	3/1/2041	15,200,000	15,200,000	(2)
Series 2008 F (Hopkins Village Apartments)	2008	11/1/2038	9,100,000	9,100,000	(2)
Series 2008 G (Kirkwood House Apartments)	2008	12/1/2038	16,000,000	16,000,000	(2)
Series 2009 A (Sharp Leadenhall Apartments)	2009	3/1/2041	16,950,000	16,950,000	(2)
Series 2012 A (Park View at Bladensburg)	2012	12/1/2030	3,500,000	3,500,000	
Series 2012 B (Park View at Bladensburg)	2012	9/1/2014	800,000	800,000	
Series 2013 A (Gateway Village)	2013	3/1/2015	9,700,000	9,700,000	
Series 2013 B (Ross Overlook Apartments)	2013	4/1/2016	13,000,000	13,000,000	
Series 2013 C (The Greens at English Consul)	2013	3/1/2015	7,225,000	7,225,000	
Series 2013 D (The Greens at Logan Field)	2013	3/1/2015	7,550,000	7,550,000	
Series 2013 E (The Residences at Thayer Avenue)	2013	5/1/2015	8,135,000	8,135,000	
Series 2013 F (Adams Crossing Apartments)	2013	6/1/2015	16,225,000	16,225,000	
Total Multi-Family Development Revenue Bonds			<u>\$ 280,995,000</u>	<u>\$ 255,825,000</u>	
Multifamily Development Revenue Refunding Bonds					
Series 1997 (Avalon Lea Apartments Project)	1997	6/15/2026	\$ 16,835,000	\$ 16,835,000	(2)
Total Multifamily Development Revenue Refunding Bonds			<u>\$ 16,835,000</u>	<u>\$ 16,835,000</u>	

Other Outstanding Bonds of the Administration

	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Capital Fund Securitization Revenue Bonds				
Series 2003	2003	7/1/2021	\$ 94,295,000	\$ 59,185,000
Total Capital Fund Securitization Revenue Bonds			<u>\$ 94,295,000</u>	<u>\$ 59,185,000</u>
Local Government Infrastructure Bonds				
2011 Series A (Mayor and City Council of Cumberland Issue)	2011	6/1/2032	\$ 12,275,000	\$ 12,225,000
Total Local Government Infrastructure Bonds			<u>\$ 12,275,000</u>	<u>\$ 12,225,000</u>
Total Amount of Other Bonds Outstanding			<u>\$ 3,553,170,000</u>	<u>\$ 2,744,255,000</u>
Total Amount of Housing Revenue Bonds Outstanding (10)			<u>\$ 578,715,000</u>	<u>\$ 352,095,000</u>
Total Amount of All Bonds Outstanding			<u><u>\$ 4,131,885,000</u></u>	<u><u>\$ 3,096,350,000</u></u>

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- (1) Certain prepayments of mortgage loans financed with the proceeds of such series of bonds are to be applied first to the redemption of certain bonds within such series.
 - (2) These are variable rate bonds that are repriced according to the terms in the respective Official Statement.
 - (3) These are taxable pass through bonds.
 - (4) These are taxable bonds with redemption provisions pertaining only to these bonds. For a description of the redemption provisions refer to the Official Statement.
 - (5) These are taxable bonds.
 - (6) These bonds were remarketed September 24, 2009 from taxable to tax-exempt. The bonds were originally issued on August 9 2007 in the amount of \$62,200,000. For a description of the redemption provisions refer to the Official Statement.
 - (7) These bonds were remarketed October 8, 2009 from taxable to tax-exempt. The bonds were originally issued on December 12, 2007 in the amount of \$30,000,000. For a description of the redemption provisions refer to the Official Statement.
 - (8) These bonds were remarketed October 27, 2009 from taxable to tax-exempt. The bonds were originally issued on June 20, 2007 in the amount of \$50,625,000. For a description of the redemption provisions refer to the Official Statement.
 - (9) Multi-Family Mortgage Revenue Bonds Series 2009 A-3 are non-parity bonds under this bond resolution. These bonds are special obligations payable solely from the trust estate pledged under the series resolution.
 - (10) See information under caption "Outstanding Housing Revenue Bonds" above.

For updated information on issuances and/or redemptions after July 1, 2013, please refer to the website www.mdhousing.org, Investor Information.

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APPENDIX F

MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

THE MHF INSURANCE PROGRAM

The following describes the mortgage insurance programs administered by the Maryland Housing Fund (“MHF”) pursuant to Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “MHF Statute”), and is qualified in its entirety by reference to such statute and the regulations thereunder (the “MHF Regulations”).

MHF was created in 1971 as a special insurance fund of the State of Maryland and is a governmental unit in the Division of Credit Assurance of the Department (the “Division”). MHF is authorized to insure mortgage loans, including mortgage loans for multi-family developments financed by public agencies such as the Administration (“Multi-Family loans”) and to provide primary insurance for single family mortgage loans (“Single Family loans”). MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss.

In early 1997, the Department suspended all insurance activity of MHF (except for pool insurance for certain Single Family loans), partly as a result of concerns expressed by Moody’s Investor Services (“Moody’s”) during the 1996 and 1997 rating review. The Department responded to Moody’s concerns and has consulted with Moody’s regarding the implementation of certain of MHF’s insurance programs. MHF continues to service active insured loans originated prior to 1997 and is operating the insurance programs described below.

Multi-Family Loan Programs

MHF insures mortgage loans known as “SHOP” (Special Housing Opportunities Program) that finance or refinance the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population, which are owned by and sponsored by nonprofit organizations. This is an active program with loans funded through the Administration and insured by MHF.

The Administration is a participant in the federal Department of Housing and Urban Development’s (“HUD”) Risk-Sharing Program (the “Risk-Sharing Program”) for Multi-Family loans. Under the Risk-Sharing Program, upon payment of a claim by the Federal Housing Administration (“FHA”), the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses. Subsequent to 1997, the Administration participated in the Risk-Sharing Program only in connection with the refinancing of loans currently insured by MHF where the Administration expected that risk-sharing will decrease the dollar amount of MHF’s insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program for new loans. This is an active program with loans funded through the Administration with credit enhancement under the Risk-Sharing Program.

Single Family Loan Programs

In June 2005, the Department opened a program of MHF to insure 30-year and 40-year amortizing Single Family loans being purchased by the Administration. Because market conditions

caused unexpected high demand for this insurance, the Department suspended the program as of November 10, 2008.

In June 2006 the Department authorized the expenditure of up to \$1 million of the Revitalization Reserve to provide credit enhancement to a loan program that is sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas of the City of Baltimore. The ability to enroll new loans under that agreement terminated March 31, 2012; however, MHF will continue its coverage of active loans enrolled in the loan pool for up to ten years after the date a loan is enrolled in the pool. The Department negotiated a new agreement dated January 12, 2012, authorizing the expenditure of up to an additional \$800,000 of the Revitalization Reserve to provide credit enhancement for a second loan pool. The credit enhancement will last for a period of ten years after the date the loan is enrolled in the pool. All loans to be credit enhanced must be enrolled in the pool by January 2018.

In 2008, MHF committed \$10 million of the Unallocated Reserve to provide credit enhancement for certain single family refinancing loans made by private lenders under the Department's Home Owners' Preserving Equity ("HOPE") initiative. The General Reserve was officially established by regulation in November 2008 to insure a broad range of programs, including the HOPE initiative. MHF transferred \$10 million of the Unallocated Reserve to the General Reserve on November 3, 2008 to insure loans under the HOPE initiative and other Department programs.

Additional Information

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody's that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds, MHF transferred \$10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006, or 2007. Legislation was enacted during the 2008 session requiring another \$10 million to be transferred, and beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than \$10 million, be transferred to the Department's revolving housing loan funds. For the fiscal years ending June 30, 2009, 2010, 2011, 2012, and 2013, MHF transferred \$5.7 million, \$2.7 million, \$2.1 million, \$2.05 million, and \$1.1 million respectively. For more information, see "Management's Presentation of the MHF Program" below.

Management's Presentation of the MHF Program

The following information is management's presentation of the MHF Program.

Financial Statements and Information

Audited financial statements of MHF for the years ended June 30, 2012, and June 30, 2013 are included in the Appendix J — "FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND." The financial statements for the fiscal years ended June 30, 2012 and June 30, 2013 have been audited by CohnReznick LLP. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States. The financial statements of MHF are reported on a consolidated basis combining results of operations for all of the MHF Programs.

Income and Reserves

MHF's income from insurance premiums is used to pay expenses.

MHF maintains five insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance: the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of insurance or may be transferred into any other reserve, or may be restricted for claims under a particular category. The Unallocated Reserve is available for any category of claims or for any other purpose consistent with contractual obligations with the Administration's bondholders. Prior to 2011, MHF had maintained a sixth reserve for the Home and Energy Loan Program. The reserve balance of \$500,000 was transferred into the Unallocated Reserve as the last loan insured under the program was paid off in fiscal year 2009.

The MHF Statute provides that any moneys of MHF that the Department creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF Regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve. All reserves are held by the Office of the Treasurer of the State, which credits MHF with interest income based on the total reserve balance for the benefit of MHF.

MHF does not insure the Bonds, and the assets of MHF are not available to the Administration or the Trustee to satisfy obligations to holders of the Bonds. The obligation of MHF is limited to the payment of mortgage insurance claims as described herein. An insurance claim against MHF is payable from and limited to the applicable MHF reserve and does not constitute a general obligation of MHF, the Department, or the State.

Statements of Net Assets Discussion

During the fiscal year ending June 30, 2013, the overall equity decreased from \$82,062,053 at June 30, 2012 to \$73,667,308. The net decrease of \$8,394,745 is primarily due to actual and anticipated insurance losses on acquired single family properties, and general administration costs allocated to MHF.

The Unrestricted Accumulated Deficit is a part of the overall equity. The Unrestricted Accumulated Deficit, which decreases when claims are paid from the insurance reserves, represents the cumulative net income (loss) of MHF since its inception less any investment income earned on the insurance reserves. When MHF's insurance reserves are greater than its net assets, there will be an accumulated deficit in the net assets section of the MHF Statement of Net Assets.

In fiscal year 2012 and 2013, MHF paid claims directly from the reserve funds resulting in a reduction to the Unrestricted Accumulated Deficit. During the fiscal year ending June 30, 2012, the Unrestricted Accumulated Deficit decreased from \$9,633,081 to a deficit of \$4,992,332 and during the fiscal year ended June 30, 2013, the Unrestricted Accumulated Deficit decreased from \$4,992,332 to a deficit of \$11,843,619 due to operating net loss.

Discussion of Changes in Net Position

During the fiscal year ending June 30, 2013, MHF reported a Change in Net Position of (\$7,326,093). The net change is due primarily to an increase in the allowance for insurance losses from acquired single family properties.

During the fiscal year ending June 30, 2012, MHF reported a Change in Net Position of \$4,332,011. The net change is due primarily to a decrease in the allowance for insurance losses from acquired single family properties and decrease in interest income.

As described below in “Single Family Information – Certain Additional Expected Single Family Claims” and “Multi-Family Information – Certain Additional Expected Multi-Family Claims,” the Administration has notified MHF of defaults under insured mortgages that were expected to result in additional claims to MHF. Payment of these claims is not reflected in MHF’s Statement of Net Assets; however, MHF included provisions for these claims in its allowance for unpaid insurance losses.

Discussion of Operating Cash Account

Selected Activity in MHF’s Operating Cash Account

The following table is management’s presentation of activity in MHF’s operating cash account as of June 30, 2013.

	<u>Single Family</u>	<u>Multi-Family</u>	<u>Total</u>
Premiums Collected ⁽¹⁾	\$2,222,764	\$955,119	\$3,177,883
Operating Expenses Paid ⁽²⁾	(3,201,777)	(2,619,635)	(5,821,412)
Premiums Net of Operating Expenses	(979,013)	(1,664,516)	(2,643,529)
Claims ⁽³⁾	(15,973,068)	(1,976)	(15,975,044)
Recoveries ⁽⁴⁾	16,048,653	287,402	16,336,055
Net Claim Activity	75,585	285,426	361,011
Other ⁽⁵⁾	(10,698)	61,203	50,505
Net Cash from Operating Activities	\$ (914,126)	\$ (1,317,887)	\$ (2,232,013)

⁽¹⁾ Premiums collected as stated in the Statement of Cash Flows.

⁽²⁾ Operating expenses include salaries and benefits, general administrative and intradepartmental expenses.

⁽³⁾ Amount includes principal, interest, and supplemental expenses incurred on claims and carrying costs on acquired properties.

⁽⁴⁾ Includes proceeds collected on the sale of loans or acquired properties.

⁽⁵⁾ Amount includes changes in other assets and liabilities such as mortgage receivables, notes payables, and escrows.

During the fiscal year ending June 2012, the net cash activity in MHF’s operating cash was (\$13,040,174) for Single Family and (\$1,727,048) for Multi-Family. The change in Single Family is due to claim payments. The change in Multi-Family is due to increased administrative expenses.

During the fiscal year ending June 2013, the net cash activity in MHF’s operating cash was (\$914,126) for Single Family and (\$1,317,887) for Multi-Family. The change in Single Family is due to recoveries from sales of acquired properties. The change in Multi-Family is due to recoveries from loan repayments and decrease in administrative expenses.

Liquidity

MHF’s primary uses of funds are to pay its operating expenses (direct and indirect) and to satisfy Multi-Family and Single Family claims under its insurance policies resulting from a loan default (payment or physical) by an insured borrower. In general, MHF’s insurance policies require MHF to pay

claims to the lender, which includes the total principal outstanding, interest in arrears (through foreclosure), and other expenses associated with a failed real estate loan (e.g., foreclosure costs, negative escrows, etc.). MHF generally acquires a loan or property with the payment of the claim. The proceeds of the sale of this asset are deducted from the original claim to derive the net loss (or net gain) associated with the defaulted loan claim.

In addition to the proceeds from the sale of assets acquired through the payment of claims, MHF's primary revenue sources result from mortgage insurance premiums paid by the borrowers and the investment earnings on insurance reserves. These assets, together with the corpus of the reserves held by MHF, are available to pay insurance claims and related expenses. The available reserves are leveraged against insurance commitments outstanding. Calculations for the leverage ratios are shown in "Discussion of Leverage Ratios" below.

To manage MHF's resources effectively from both a business and liquidity sense, the management of MHF has developed several claim paying strategies. For Multi-Family defaulted loans, MHF may pay a debt service claim after a borrower has missed a total of six monthly payments. These claim payments represent any unpaid principal and interest due from the regular scheduled payment. While making these monthly payments, MHF, working with the Administration, attempts to work out the loan in order to minimize its loss. When the final workout of the loan is completed, MHF either pays a partial claim or pays the full claim. A workout may be accomplished through (a) refinancing of the loan after re-underwriting the debt to enable the project to meet debt service from net operating income or (b) payment of claims and resale of the asset to minimize the total size of the claim.

For Single Family defaulted loans, MHF generally requires the lender to foreclose on the loan and secure the property before it pays the claim. This affords MHF the ability to begin marketing the property for re-sale at the same time it has paid out the cash. MHF attempts to resell Single Family properties in a manner that provides for recoveries as soon as possible while minimizing holding costs. While MHF strives to sell its Real Estate Owned (REO) to homebuyers, its desire to conduct quick turnaround sales does necessitate the selling of a significant portion of the REO to investors and non-profit organizations. Selling to investors generally increases the overall net loss on the claim to MHF.

Discussion of Leverage Ratios

MHF operates its Single Family insurance in accordance with an insurance agreement with the Administration dated as of August 1, 2010 (the "2010 Single Family Insurance Agreement"). Claims under the Single Family Insurance Agreement may be paid from the Single Family Regular Program Reserve.

The 2010 Single Family Insurance Agreement amended and restated an insurance agreement dated as of May 14, 1980 (the "1980 Single Family Insurance Agreement") and an insurance agreement dated as of June 20, 2005. Under the 1980 Single Family Insurance Agreement, pool insurance was provided for single family mortgages financed under a bond resolution for which no bonds remain outstanding. As of August 1, 2010, under the 2010 Single Family Insurance Agreement, MHF was released from the obligation to provide pool insurance under the 1980 Single Family Insurance Agreement.

Under the Single Family Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of the aggregate dollar amount of the Single Family insurance to assets in the Single Family Reserve (as may be reduced as described below) to exceed 25 to 1, and that no new insurance payable from the Single Family Reserve shall be issued or committed to, if upon such issuance or commitment and subsequent issuance, that ratio would be exceeded.

MHF and the Administration have entered into an agreement to supplement the 2010 Single Family Insurance Agreement (the “Supplemental Agreement”) effective January 1, 2011. The Administration currently has single family mortgages insured with private mortgage insurance (“PMI Insurance”) that covers 35% of the mortgage. Under the Supplemental Agreement, MHF would cover 50% of the losses not covered by the PMI Insurance. Claims arising under the Supplemental Agreement will be paid from the Single Family Regular Reserve and MHF’s losses may not exceed \$12.5 million. In return the Administration will pay a monthly premium based on the mortgage balance at December 31, 2010.

Selected Information about the Single Family Regular Reserve Ratios

	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/13</u>
Single Family Regular Program Reserve ⁽¹⁾⁽²⁾	\$ 20,650,923	\$ 19,816,789	\$19,250,357
Amount Available for Calculation of "Ratio of Insurance to Available Reserve" ⁽³⁾	20,650,923	19,816,789	19,250,357
Primary Insurance coverage in force ⁽⁴⁾			
Insurance Agreement prior to 2005	15,708,890	13,666,598	11,760,376
Insurance Agreement post 2005	28,544,713	27,099,393	24,255,146
Pool Insurance coverage in force ⁽⁵⁾	-	-	-
Reinsurance Program ⁽⁶⁾	12,500,000	913,198	2,336,884
Ratio of Mortgage Loans to the Regular Reserve ⁽⁷⁾	2.14 to 1	2.06 to 1	1.87 to 1

⁽¹⁾ The Single Family Program does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of June 30, 2013, MHF had committed no additional primary insurance coverage.

⁽²⁾ Fund balances for MHF reserves are calculated in the same manner as in the financial statements of MHF and include investment income earned and allocated by the Secretary to the Single Family Regular Program Reserve.

⁽³⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of June 30, 2013, there was no reduction in the Single Family Reserve to cover the accumulated deficit.

⁽⁴⁾ The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement (\$47,041,505, at June 30, 2013). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement (\$69,300,418 at June 30, 2013).

⁽⁵⁾ In 2010, MHF provided pool coverage for certain loans done by the Administration prior to 1997. Effective August 1, 2010 the Administration released MHF from any obligation to provide pool insurance for MHF Pool-Insured Loans.

⁽⁶⁾ Effective January 1, 2011, MHF and the Administration entered into a Reinsurance Program for loans that the Administration had originated between 2005 and 2010. Under this program, MHF committed up to \$12.5 million to cover losses incurred by the Administration. See further detail under supplemental 2010 Single Family Insurance Agreement.

⁽⁷⁾ The ratio in the table is computed based on the maximum amount of risk rather than the aggregate amount of mortgage loans insured, where the maximum amount of risk is calculated by taking (i) the aggregate amount of pool insurance coverage required for the Administration; and then adding to that product (ii) the maximum amount of risk on loans insured under the Single Family Regular Program (see 4 above), and then dividing the sum of those two amounts by (iii) the amount of the Single Family Regular Program Reserve. As of June 30, 2011, MHF fully allowed for the \$12.5 million for the Reinsurance Program by reducing the amount from the Single Family Regular Reserve Program. Therefore, the aggregate amount of reinsurance coverage is not included in the ratio.

MHF operates its Multi-Family insurance in accordance with an amended and restated insurance agreement dated February 12, 2006, with the Administration (the "Insurance Agreement").

Under the Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of Multi-Family insurance to assets in the Multi-Family Reserve (as may be reduced as described below) to exceed 10 to 1, and that no new insurance payable from the Multi-Family Reserve shall be issued or committed to if upon such issuance or commitment and subsequent issuance the ratio would exceed 10 to 1. (Under the terms of the Insurance Agreement, loans insured by MHF that are reinsured without contingent liability on the part of MHF are not taken into account in determining MHF's compliance with the maximum 10 to 1 ratio of amounts insured to assets in the Multi-Family Reserve).

Selected Information about the Multi-Family Reserve Ratios

	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/13</u>
Total Multi-Family Reserve ⁽¹⁾	\$ 44,698,739	\$ 44,698,739	\$ 44,698,739
Amount Available for Calculation of "Ratio of Insurance to Available Reserve" ⁽²⁾	44,698,739	44,698,739	43,625,027
Insurance Outstanding			
Multi-Family mortgage insurance in force	104,771,502	126,076,578	143,802,497
Ratio of Insurance to Available Reserve	2.34 to 1	2.82 to 1	3.30 to 1

⁽¹⁾ The Multi-Family Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of June 30, 2013, MHF had committed to additional mortgages in the amount of \$9,386,669.

⁽²⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of June 30, 2013, there was no reduction in the MF Reserve to cover the accumulated deficit, however, an adjustment of \$1,073,712 was made to the amount available to calculate the ratios.

The total amount of the Multi-Family Reserve is available to pay Multi-Family insurance claims. In addition, to the extent available, MHF could elect to pay all or part of any Multi-Family claim from the Unallocated Reserve or from operating funds. MHF maintains other reserves that are not available to pay such claims (e.g., the Single Family Regular, Revitalization, and General Reserves).

Single Family Information

Additional Single Family Claims Potential

Under its Single Family Regular insurance program, MHF is not obligated to pay claims on Single Family insurance until after the insured lender has completed foreclosure, evicted the occupants of the properties (if necessary) and restored the property to a condition satisfactory to MHF. As a result, at any time there are a number of mortgages that have been foreclosed and which are likely to result in payment of claims but which have not yet reached the point where MHF recognizes them as liabilities in its financial statements. The total principal amount of such potential claims was \$1,607,843 as of June 30, 2013. On a quarterly basis, MHF includes its projection of net losses with respect to these potential claims in its financial statements as part of the allowance for Single Family insurance losses. Although these amounts are not payable from the Multi-Family Reserve, they are potentially payable from other resources of MHF, including operating cash, the Unallocated Reserve and the Single Family Reserve.

Discussion of Single Family Operations

MHF has taken steps to address the potential Single Family claims. A part of this focus is applying more active loss mitigation strategies to Single Family loans to prevent them from going to foreclosure, including forbearance and extended repayment plans. In addition, operational reviews of the loan servicers are ongoing. The reviews are intended to insure that loss mitigation strategies are being pursued in applicable cases.

MHF is also managing its sales of units acquired through foreclosure or similar action to improve overall returns by employing a private sector real estate broker to perform repairs, listings and sales of all REO units.

Single Family Claims Experience

The following chart sets forth information about claims on mortgage loans insured under the Single Family Regular Program Reserve and the Revitalization Reserve. This data includes net claim activity for properties sold during fiscal years ending June 30, 2012 and June 30, 2013. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after June 30, 2013.

Single Family Claims Experience

	<u>06/30/2011</u>	<u>06/30/12</u>	<u>06/30/13</u>
Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year	\$ 123,507	\$ 1,953,184	\$ 15,911,690
Claims Paid on Acquired Properties Sold During the Fiscal Year			
Principal	(184,503)	(2,946,181)	(26,602,915)
Interest	(7,110)	(1,187)	(0)
Expenses and Carrying Costs	(8,701)	(12,646)	(756,618)
Total Claims Paid	\$ (200,314)	\$ (2,960,014)	\$ (27,359,533)
Net Loss on Acquired Properties Sold During the Fiscal Year	\$ (76,807)	\$ (1,006,830)	\$ (11,447,843)

Single Family Insurance Agreement

The Single Family Insurance Agreement provides as follows:

- (1) MHF will not decrease the amount of funds in the Single Family Regular Program Reserve as increased from time to time for any reason except to pay claims and advances against claims arising under the Program and for expenditures with respect to properties acquired by MHF as a result of payment of such claims.
- (2) Except as necessary to pay claims and advances on claims and except for expenditures with respect to properties acquired by MHF as a result of payment of such claims, MHF will not exceed a certain leverage ratio. See “Management’s Presentation of the MHF Program – Discussion of Leverage Ratios.”
- (3) MHF will take all actions necessary for the qualification of Single Family Regular Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.
- (4) MHF and the Administration agree that MHF is released from any obligation to continue to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

Terms of Single Family Insurance Coverage

MHF insures mortgage loans on one-to-four family structures under its Single Family Regular Program, which includes the Primary Insurance Program and the Pool Insurance Program.

Primary Insurance. Historically, under the 1980 Single Family Insurance Agreement, MHF issued Primary Insurance that covered up to 25% of the total claim depending upon initial loan-to-value ratio. Under the 2005 Single Family Insurance Agreement, MHF issues Primary Insurance that covers the top 35% of the total claim. MHF Regulations provide that mortgage insurance may be terminated if: (1) the lender requests cancellation; (2) a claim is satisfied; (3) the mortgage is paid off; (4) a renewal premium is not paid by the mortgagee after its receipt of final notice from MHF; or (5) the mortgage terms are modified without MHF approval.

Pool Insurance. Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originally covered by pool insurance under the 1980 Single Family Insurance Agreement.

Reinsurance. Effective January 1, 2011, MHF and the Administration entered into a Reinsurance Program for loans that the Administration had originated between 2005 and 2010 that had only 35% mortgage insurance coverage. Under this program, the Administration pays a monthly premium for MHF to insure 50% of any losses incurred on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has paid \$12.5 million in claims or December 31, 2020.

Pending Reinsurance Claims. The total principal amount of potential reinsurance claims was \$10,021,907 as of June 30, 2013. MHF is liable to the extent cash is available from REO sales and recoveries.

Payment of Claims. MHF pays all claims in cash and may settle under one of four options:

(1) Loan Assignment – MHF takes an assignment of the mortgage and pays the claim (but not including expenses of foreclosure and acquisition of title);

(2) Fixed Percentage Settlement – claim settlement under this option is applicable when MHF provides for payment based on a declared percentage of the outstanding loan amount before foreclosure sale, and MHF, under this method, also waives any interest in the subject property;

(3) Lender Acquisition Settlement – the lender acquires title at foreclosure (or by deed in lieu of foreclosure) and transfers title to MHF, and MHF pays the amount of the claim up to the percentage specified in the insurance policy; and

(4) Third Party Acquisition – when the property is sold to a third party (at foreclosure, by the lender after taking a deed in lieu of foreclosure, or by the borrower after the commencement of foreclosure proceedings, with the approval of MHF, MHF pays the lesser of the percentage specified in the primary policy before crediting net sales proceeds or the full claim after crediting net proceeds of sale.

For claims paid under the Lender Acquisition Settlement method, MHF requires the Administration to take all steps required after default in order to deliver the property to MHF in a condition satisfactory to MHF. These steps may include foreclosure, eviction of the occupants if necessary, and cleaning of the property. As a result, a substantial period of time may elapse between the time an insured loan goes into default and payment of a claim. MHF Regulations regarding Single Family mortgage insurance do not require MHF to pay interest on a claim from the time an insured lender acquires title to the property, or from the date MHF agrees to take a Loan Assignment or make a Fixed Percentage Settlement, to the time the claim is paid. Claims are not paid after the title to the property has been conveyed, which is at least 60 days after foreclosure and could be longer.

MHF will review cases that involve claims of more than nine months of delinquent interest on a case by case basis to ascertain the cause for the delayed claim and determine the amount of interest, if any, in excess of nine months to be paid. Interest will be paid in excess of nine months where circumstances beyond the control of the insured lender caused the delay in making the claim, such as the filing of bankruptcy by the mortgagor.

Single Family Energy Efficiency and Conservation Block

Effective May 1, 2013, the DHCD and MHF entered into an Energy Efficiency and Conservation Block Agreement with the Department of Energy. The Agreement allows up to one million dollars (\$1,000,000) to provide energy efficiency and weatherization improvements for properties owned by DHCD and MHF. Asset management, a unit within the Division of Credit Assurance (“DCA”) will determine which REO properties are eligible and hire contractors to perform energy audits and work with DHCD to promote the value of home energy efficiency and to sell the improved properties to low and moderate income families in Maryland. The program ends on October 31, 2013.

\$21,025 was spent to enhance 52 MHF REO properties as of June 30, 2013.

Multi-Family Information

Multi-Family Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF’s Multi-Family program as of June 30, 2013. The amounts shown are net of debt service claim payments. The amounts shown do not include insurance on mortgage loans insured by MHF and

reinsured by FHLMC. See “The FHLMC Reinsurance Agreement” below. The reinsured mortgage loans had an aggregate principal balance at June 30, 2013, of \$ 2,910,948.

In addition to the loans listed below, as of June 30, 2013, eleven Single Family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of \$112,222 are insured under the Multi-Family Reserves.

Outstanding Multi-Family Insurance as of June 30, 2013

LOAN CATEGORY	Loans with Outstanding Insurance	Original Insured Principal Amount	Outstanding Insured Principal Amount
Housing Revenue Bonds of the Administration ⁽¹⁾			
Multi-Family Projects	37	\$117,808,805	\$ 96,605,526
Other	53	9,569,560	8,299,155
Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) of the Administration ⁽²⁾			
Multi-Family Projects	16	36,217,053	23,876,099
Other	62	6,813,415	4,314,552
General Bond Reserve Fund of the Administration ⁽³⁾	39	5,434,570	5,234,020
Housing Commission of Montgomery County ⁽⁴⁾	3	13,678,000	5,473,145
TOTAL	210	\$189,521,403	\$143,802,497

⁽¹⁾ Loans financed with proceeds of the Administration’s Housing Revenue Bonds. The Loans provided permanent financing or construction and permanent financing for developments located in 7 counties and the City of Baltimore. These Developments (not including SHOP) contain 2,972 units of which 907 units in 7 Developments are assisted under the Section 8 Program. The 53 project in the “Other” category represent 171 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the Maryland Mortgage Program (“MMP”).

⁽²⁾ Loans financed with proceeds of the Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans). The Loans provided permanent financing or construction and permanent financing for developments located in 6 counties and the City of Baltimore. The Developments (not including SHOP) contain 1,499 units of which 184 units in 2 Developments are assisted under the Section 8 Program. The mortgage loans were initially endorsed for insurance between 1982 and December 31, 1997. The 16 Multi-Family Projects include SHOP Loans that exceed 75% of the maximum acquisition cost set by the MMP; the 62 projects in the “Other” category represent 207 units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

⁽³⁾ Loans financed with General Bond Reserve Funds for SHOP Loans; the 39 projects represent units for SHOP Loans that do not exceed 75% of the maximum acquisition cost set by the MMP.

⁽⁴⁾ Insurance issued to the Housing Opportunities Commission of Montgomery County (“HOC”) to insure loans financed with proceeds of bonds issued by HOC. The mortgage loans provided financing for developments containing 330 units. The mortgage loans were initially endorsed for insurance between 1980 and 1996.

Charts detailing the Multi-Family loans insured by MHF and financed by the Administration may be found in the Administration’s filings in accordance with Rule 15c2-12 of the Securities and Exchange Commission with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system for Housing Revenue Bonds and for Multi-Family Housing Revenue Bonds (Insured Mortgage Loans).

Certain Additional Expected Multi-Family Claims

MHF Regulations provide that after a multifamily mortgage loan insured by MHF has been in default for six months, the Administration or any other public agency that is an insured lender may require that the mortgage loan be assigned to MHF and an insurance claim paid by MHF to the Administration or such public agency. MHF currently has no loans in financial default.

Discussion of Multi-Family Operations

Portfolio Risk Rating. Since June 1997, the Department has developed and implemented a rating system for the MHF-insured Multi-Family portfolio. The Division evaluates each insured project each quarter and assigns the loan a rating of “A,” “B,” or “C.” Factors considered in evaluating projects include the project type, the vacancy level, net operating income and debt service coverage ratio, whether the mortgage is delinquent, the age of the loan and the age of the project, whether there is significant deferred maintenance, adequacy of funds held in reserve for replacements in relation to age and condition of project, rating by the Division in its annual management review, and stability of the market surrounding the property.

“A” Projects are those projects that require no more than standard attention because no factors indicate the prospect of default.

“B” Projects are those projects which are not in default but require more oversight and monitoring and present the possibility for default if existing conditions deteriorate further.

“C” Projects are those projects that are in financial or physical default.

MHF’s Risk Rating of the Multi-Family Projects as of June 30, 2013

	Current Principal Balances	Percentage of Total Principal	Number of Loans	Number of Projects
“A” Loans ⁽¹⁾	133,480,666	92.82%	47	45
“B” Loans:	10,321,831	7.18%	9	7
Portfolio Totals:	\$143,802,497	100.00%	56	52

⁽¹⁾ Included in the “A” Loans, in the “Current Principal Balances” column, is \$17,847,727 for 154 group home loans which are not reflected in the “Number of Loans” or “Number of Projects” columns.

Portfolio Management. The Division is evaluating each of the loans in the “B” category to develop a plan for stabilizing the loans and reducing its potential for default. Strategies may include loan modification, use of additional resources, adjustments to funding of reserves for replacement going forward, and replacement of management agents. As of June 30, 2013, there were no loans in the “C” category.

Multi-Family Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multi-Family Reserve as of June 30, 2013.

In the column entitled "Claims Net of Cash Recoveries," the figures show the result as of June 30, 2013. Workouts are in progress. See the individual footnotes below for further information.

MULTI-FAMILY CLAIMS PAID BY MHF
As of June 30, 2013

Development/Claim Status	Principal	Interest & Carrying Costs	Total	Recoveries	Claims Net of Cash Recoveries	Date Claim Paid
<u>Closed Claims</u>						
Single Family Mortgage Loans ⁽¹⁾	\$ 309,392	\$ -	\$ 309,392	\$ 346,620	\$ 37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Douglynne Woods & Rhoda's Legacy Bond Street ⁽²⁾	566,658	-	566,658	566,658	-	04/1982
Bellevue-Manchester ⁽³⁾	543,940	71,711	615,651	408,859	(206,792)	08/1989
Strathdale Manor	288,333	-	288,333	-	(288,333)	10/1990
Apartments ⁽⁴⁾	10,700,000	2,376,830	13,076,830	-	(13,076,830)	05/1994
Walker Mill ⁽⁵⁾	3,346,441	1,229,080	4,575,521	2,314,817	(2,260,704)	01/1997
Edmondale ⁽⁶⁾	457,739	24,206	481,945	-	481,945	04/1997
Town Properties ⁽⁷⁾	819,111	12,493	831,604	582,989	(248,615)	07/1997
Loch Raven ⁽⁸⁾	12,103,623	1,065,472	13,169,095	9,080,444	(4,088,651)	02/1998
Village Home Apartments ⁽⁹⁾	954,202	55,182	1,009,384	649,523	(359,861)	12/1998
Regent Apartments ⁽¹⁰⁾	1,227,455	72,446	1,299,901	860,603	(439,298)	01/1999
Maple Avenue ⁽¹¹⁾	3,053,892	211,540	3,265,432	1,748,397	(1,517,035)	06/1999
Westfield Apartments ⁽¹²⁾	4,401,438	390,924	4,792,362	2,910,539	(1,881,823)	11/1999
Westfield Gardens ⁽¹³⁾	496,757	1,735	498,492	279,435	(219,057)	11/1999
Apartments at the Greens ⁽¹⁴⁾	6,337,284	21,927	6,359,211	6,010,026	(349,185)	11/1999
Stewarttown ⁽¹⁵⁾	2,543,590	-	2,543,590	2,150,000	(393,590)	12/1999
Telephone Apartments ⁽¹⁶⁾	1,030,275	33,569	1,063,844	773,833	(290,011)	01/2001
Robinwood Townhomes ⁽¹⁷⁾	2,451,741	218,057	2,669,798	2,630,807	(38,991)	11/2001
North Avenue Terraces ⁽¹⁸⁾	1,155,285	48,762	1,204,047	750,000	(454,047)	07/2002
SHOP Loans ⁽¹⁹⁾	772,987	78,925	851,912	725,068	(126,844)	03/2001
Belle Haven Apartments ⁽²⁰⁾	5,856,640	2,449,128	8,305,768	5,842,157	(2,463,611)	03/1996
Quail Run/Bay Street Properties ⁽²¹⁾	1,182,578	37,677	1,220,255	1,186,575	(33,680)	03/2003
Tomall Apartments ⁽²²⁾	152,885	994	153,879	75,000	(78,879)	06/2004
Market Mews ⁽²³⁾	1,700,014	1,565,862	3,265,876	2,168,828	(1,097,048)	12/1985
Eastdale ⁽²⁴⁾	3,302,667	320,060	3,622,727	3,622,727	-	11/1999
Villages of Laurel ⁽²⁵⁾	5,036,854	607,133	5,643,987	5,643,987	-	11/1999
Hollins Townhouses ⁽²⁶⁾	2,445,475	1,073,289	3,518,764	2,052,599	(1,466,165)	10/1990

Claims where debt is outstanding

Renaissance Plaza ⁽²⁷⁾	\$ 6,907,349	\$ 4,680,554	\$ 11,587,903	\$4,858,737	(6,729,166)	02/1991
Mount Pleasant ⁽²⁸⁾	3,506,595	601,296	4,107,891	\$4,053,323	(54,568)	02/1996

Claims where REO is held

Lease-Purchase ⁽²⁹⁾	\$ 1,534,088	\$ 82,619	\$ 1,616,707	\$901,933	\$ (714,774)	05/1996

⁽¹⁾ Claims on eight Single Family loans insured under the Multi-Family Reserve before 1980.

⁽²⁾ Bond Street Deed of Trust Note in the original principal amount of \$543,940.

⁽³⁾ Bellevue-Manchester was a Construction Loan under Administration's HELP Program; secured by a second mortgage. First insured lender bought property at the foreclosure sale.

⁽⁴⁾ Strathdale Manor Apartments Deed of Trust Note in the original principal amount of \$14,285,000. Claim amount paid by MHF included \$10,700,000 of original principal on the Note and \$145,139 in interest. MHF paid \$2,205,204 of operating deficits for the project. The proceeds of a letter of credit in the amount of \$3,585,000 provided by Maryland National Bank were used to cover the rest of the original principal portion of the Note. As required by an intercreditor agreement between MHF and Maryland National Bank, MHF filed for foreclosure on August 4, 1994, and after prolonged negotiations with Baltimore City, the project developer, and other developers interested in further renovating the project proved unsuccessful, the property was sold to Baltimore City at foreclosure on April 15, 1997. The property was sold for an amount that was insufficient to provide any recovery to MHF.

⁽⁵⁾ Walker Mill Deed of Trust Note in the original principal amount of \$4,400,000, as modified by an allonge dated November 5, 1987, reducing the principal amount of the Note to \$3,400,000. The Deed of Trust Note was sold and assigned to an unrelated third party purchaser on February 6, 1997.

⁽⁶⁾ Edmondale Deed of Trust Note was in the original principal amount of \$508,000.

⁽⁷⁾ Town Properties Deed of Trust Note in the original principal amount of \$884,984. The property was sold to an unrelated third party at foreclosure on August 7, 1997.

⁽⁸⁾ Loch Raven Deed of Trust in the original principal amounts, as amended into two, Deed of Trust Notes: of \$9,765,000 and \$2,785,000, respectively. In return, the Administration accepted a demand note from MHF in the principal amount of \$11,782,615, the amount of the outstanding indebtedness net of the non-refundable deposit for the sale of the Deed of Trust Notes bearing interest at 8.25%. The Deed of Trust Notes were sold and assigned to an affiliate of the borrower on February 3, 1998. MHF received net sale proceeds in the amount of \$8,900,000, which were combined with additional claim payments totaling \$2,890,216 to repay the claim note and accrued interest. The net loss on the transaction was paid from the Unallocated Reserve.

⁽⁹⁾ Village Home Apartments Deed of Trust Note in the original principal amount of \$986,856, dated September 30, 1993. The property was sold for \$640,000. The Administration accepted a claim note from MHF for \$1,009,109. MHF paid \$318,664 plus \$50,720 paid previously as pre-claim payments and \$275 per diem interest and then signed over the proceeds to repay the claim note in December 1999.

⁽¹⁰⁾ Regent Apartments Deed of Trust Note in the original principal amount of \$1,255,000 dated September 16, 1994. The property was sold for \$860,603. The Administration accepted a claim note from MHF for \$1,299,265. MHF paid \$383,187 plus \$55,475 paid previously as pre-claim payments and \$636 per diem interest and then signed over the proceeds to repay the claim note in January 1999.

⁽¹¹⁾ Maple Avenue Deed of Trust Note in the original principal amount of \$3,150,000 dated March 12, 1992. The property was sold for \$1,700,000 less settlement charges. The Administration accepted a claim note from MHF for \$2,953,878. MHF paid \$1,288,286 plus \$310,294 paid previously as pre-claim payments, \$1,259 per diem interest, signed over the proceeds, and, with \$10,000 received directly by the Administration, repaid the claim note in June 1999.

⁽¹²⁾ Westfield Apartments Deed of Trust Note in the original principal amount of \$4,600,000 dated April 12, 1983. The property was sold for \$2,910,539. MHF paid a partial claim in the amount of \$1,433,520 that includes \$390,924 of accrued interest plus \$448,303 paid previously as pre-claim payments.

⁽¹³⁾ Westfield Gardens Deed of Trust Notes in the original principal amounts of \$498,908 and \$28,150 dated September 21, 1983. The property was sold for \$279,435. MHF paid a partial claim in the amount of \$180,318, which included \$1,735 of accrued interest, plus \$38,739 paid previously as pre-claim payments.

⁽¹⁴⁾ Apartments at the Greens Deed of Trust Notes in the original principal amounts of \$6,348,627 and \$341,850 dated April 21, 1983. The property was sold for \$6,010,026. MHF paid a partial claim in the amount of \$302,222, which included \$21,927 of accrued interest, plus \$46,963 paid previously as pre-claim payments.

⁽¹⁵⁾ Stewarttown Deed of Trust Note in the original principal amount of \$3,136,100 dated July 18, 1975. The property was sold for \$2,150,000. MHF paid a partial claim payment in the amount of \$393,590.

⁽¹⁶⁾ In May 1993, MHF paid a partial claim on a project called Telephone Apartments, in the amount of \$291,487 for which a promissory note has been received. On February 8, 2001, MHF sold the Deed of Trust Note. The proceeds of the sale exceeded the claim paid to the Administration by MHF by \$1,477. The partial claim of \$291,487 will not be repaid. MHF had an allowance for loan loss for the full amount of this note.

⁽¹⁷⁾ Robinwood Townhomes Deed of Trust Note was in the original principal amount of \$2,641,750. MHF paid a claim in full in the amount of \$2,653,883 on November 9, 2001. MHF foreclosed on this property on November 15, 2001. MHF sold the property for the purchase amount of \$2,410,000. The Circuit Court of Baltimore City ratified the sale on January 10, 2002. On June 24, 2002, MHF collected \$2,330,331 in net sales proceeds.

⁽¹⁸⁾ In July 2002, MHF issued a claim note to the Administration and accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of \$1,350,000 that financed a project known as North Avenue Terrace. MHF sold the Deed of Trust Note and received sales proceeds in the amount of \$750,000 on July 25, 2002. MHF paid the claim note in full with payment to the Administration in the amount of \$1,145,826 on July 30, 2002.

⁽¹⁹⁾ Nine Deed of Trust Notes in the original principal amounts of \$833,650 for the various SHOP loans. MHF paid full claim payments on the nine loans in the amounts of \$824,224. In March 2001, MHF accepted five loan assignments in the original principal amount of \$502,950. MHF paid full claims on the five loans for \$491,062 and received full recovery on the first and fourth loans by virtue of third party sales at foreclosure on June 7, 2001. MHF realized losses on the sale of the second and third loans of approximately \$27,000 and \$22,000, respectively. MHF realized a loss of approximately \$40,000 on the fifth loan by virtue of third party purchasing on June 7, 2001. In August 2001, MHF accepted one assignment in the principal amount of \$108,000. MHF paid a full claim on the loan for \$106,372 and realized full recovery at a third party foreclosure sale on August 16, 2001. In October 2001, MHF accepted another three assignments in the original principal amount of \$222,700. MHF paid full claims on the three loans for \$226,790 and received full recovery on one loan at the third party foreclosure sale on June 13, 2002. MHF realized losses of approximately \$18,000 and \$16,000 on the two loans at the third party foreclosure sale on June 13, 2002. The court ratified the foreclosure sales on July 26, 2002.

⁽²⁰⁾ In June 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note, for a project named Belle Haven, in the original amount of \$6,186,990. MHF paid a claim in full for the project in the amount of \$7,995,330 on June 26, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. The property was brought-in by MHF with a bid of \$5,100,000 at foreclosure auction held on July 25, 2000. The Circuit Court of Prince George's County ratified the foreclosure sale on January 25, 2001. A contract for the sale of the property was executed on February 7, 2001, and sold on August 30, 2001, in the amount of \$5,100,000. MHF received net proceeds from the sale in the amount of \$4,844,394 and a Note in the remaining amount of \$210,000 payable by February 1, 2004. The purchaser made payments on the MHF Note totaling \$232,981, including the final payment in the amount of \$130,772, which was received on May 21, 2003.

⁽²¹⁾ In March 2003, MHF accepted assignment of an insured Deed of Trust and Deed of Trust Note in the original principal amount of \$1,276,037 that financed a project known as Quail Run Apartments (Bay Street Properties). MHF paid the claim note in full on March 13, 2003 with a payment to the Administration in the amount of \$1,058,783. The property was sold at foreclosure auction on June 27, 2003 for \$1,160,000. Settlement of the transaction occurred on November 5, 2003. On December 2, 2003, the Circuit Court for Worcester County ratified the auditor's report of the transaction. On December 4, 2003, after payment of the auctioneer's commission and advertising expenses, sales proceeds in the amount of \$1,174,575 were collected with additional interest received.

⁽²²⁾ On September 19, 1984, the Administration made a loan in the principal amount of \$250,000 (the "Loan") to Ronald H. Thomas (the "Borrower") in connection with a project called Tomall Apartments (the "Project"). MHF paid the claim note in full on June 28, 2004 with a payment to the Administration in the amount of \$153,879. On June 30, 2004, MHF collected \$75,000, which represents a partial recovery. The property was sold to a new owner who plans to rehabilitate the project.

⁽²³⁾ Market Mews Deed of Trust Note is in the original principal amount of \$1,700,000. MHF paid all amounts in arrears totaling \$151,733. The Administration accepted a promissory note from MHF in the total principal amount of \$1,693,568, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of \$3,265,876. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 31 scattered site units of which all units were sold.

⁽²⁴⁾ Eastdale Deed of Trust was in the original amount of \$3,401,000. The loan was refunded with \$2,450,000 in new bond proceeds. MHF made a partial claim payment in the amount of \$746,513 and pre-claim payments in the amount of \$426,214. MHF received cash of \$54,324 and a Cash Flow Note in the amount of \$1,118,403, equal to the net claim paid. The MHF Note is secured by a second deed of trust lien on the land and improvements on which the project is located. To date the project has made net payments on the MHF Note of \$490,510. In July 2010, the loan was paid off and MHF received payment in the amount of \$627,893.

⁽²⁵⁾ Villages of Laurel Deed of Trust Note, is in the original amount of \$5,140,000. The loan was refunded with \$3,173,200 in new bond proceeds. MHF made a partial claim payment in the amount of \$1,645,098 and pre-claim payments in the amount of \$825,689. MHF received cash of \$54,023 and a Cash Flow Note in the amount of \$2,416,765, equal to the net claim paid. The MHF Note is secured by a second deed of trust lien on the land and improvements on which the project is located. To date the project has made net payments on the MHF Note of \$686,059. In March 2011, the loan was paid off and MHF received payment in the amount of \$1,730,706.

⁽²⁶⁾ Hollins Townhouses Deed of Trust Note in the original principal amount of \$2,300,000. MHF paid all amounts in arrears totaling \$176,025, and the Administration accepted a promissory note from MHF in the total principal amount of \$2,427,094, with interest at the annual rate of 7%, which had a maturity date of December 31, 1995. MHF paid the claim note in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in full as of February 22, 1995. To date, MHF has paid principal and interest on the claim note and operating deficits in the total amount of \$3,518,764. MHF foreclosed on this development in an uncontested foreclosure proceeding held on July 14, 1995. The original collateral for the loan consisted of 48 scattered site units of which the last unit was sold in April 2011.

⁽²⁷⁾ Renaissance Plaza Deed of Trust Note in the original principal amount of \$7,000,000. MHF paid all amounts in arrears totaling \$428,052 in February 1991. In connection with the default, MHF also paid additional principal of \$6,880,050; interest totaling \$1,498,664, and operating deficits in the amount of \$2,781,137. The Renaissance Plaza project, which consists of three buildings, has been sold pursuant to the orders of a judicial receivership. Closing on the sale of one building occurred on December 30, 1993. MHF received two notes in payment of the purchase price: a first lien mortgage in the amount of \$2,722,544 at 6.22% interest, \$365,000 of which is an amortizing loan, the balance to be paid out of cash flow, if any from the properties; and a second lien gap note in the amount of \$512,404 at 0% interest until maturity. The gap note was paid in full at the closing of financing for rehabilitation of the building on February 18, 1994. The closing of the other two buildings occurred on December 14, 1994. MHF received three notes in payment of the purchase price for the two buildings: a first lien mortgage in the amount of \$2,600,000 at 7.4% interest to begin amortizing on January 1, 1997; a second lien mortgage in the amount of \$4,450,000 at 8.23% interest to be paid out of cash flow, if any, from the properties; and a third lien gap note in the amount of \$500,000 at 0% interest until maturity (April 13, 1995), and a default rate of 7.4% interest. The gap note was paid in full at the closing of financing for rehabilitation of the two buildings on February 14, 1995. The \$2,600,000 deed of trust note was sold at par and assigned to the Administration on September 24, 1996, in connection with an issuance of bonds by the Administration.

⁽²⁸⁾ In February 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original principal amount of \$3,900,000 for a project called Mount Pleasant. MHF paid a claim for the project in the amount of \$4,107,891 on February 15, 1996. The property was sold to new ownership who planned to rehabilitate the project using a combination of new equity funds and State and City of Baltimore financing in combination with proceeds of the Administration's Multi-Family 1995 December Bond Issue in the amount of \$2,550,000. New Administration and MHF loan documents were executed in conjunction with a loan closing in July 1996. MHF received a Deed of Trust Note in the amount of \$1,087,259 of which \$293,770 is an amortizing 0% interest loan, and the balance is a cash flow loan with interest accruing at 2% per annum. MHF received partial recovery of \$2,450,000 at the time of closing and \$1,066,720 in September 1996. Reserves for construction contingencies and various operating expenses, in the amount of \$460,305, were funded from the recovery proceeds. In June 1998, a construction reserve held by MHF in the amount of \$198,000 and cost certification savings received from the Administration in the amount of \$100,513 were applied to reduce the outstanding principal balance of the Deed of Trust note held by MHF.

⁽²⁹⁾ In May 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original amount of \$2,000,000, which financed a project known as Lease Purchase. MHF paid a claim for the project in the amount of

\$1,587,498 on May 15, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. MHF accepted a deed of assignment on this project on July 12, 1996. Thirty-six of the original 40 units have been sold and the majority of the remaining units are occupied by tenants, some of whom are candidates to purchase their properties.

Actuarial Study

The Insurance Agreement amended in 2006 no longer requires periodic actuarial studies.

FHLMC Reinsurance Agreement

On December 28, 1994, MHF, the Department, the Administration, and the Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”) entered into a Reinsurance Agreement (the “Reinsurance Agreement”). The purpose of the Reinsurance Agreement was to cede to and fully reinsure with FHLMC, MHF’s mortgage insurance obligations with respect to certain loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure, without any contingent liability for MHF, 17 loans insured by MHF having an original unpaid principal balance of \$70,346,036 and, as of June 30, 2013, an aggregate unpaid principal balance of \$2,910,948. Nine of these loans were financed originally with the Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans) and acquired with proceeds of the Administration’s Housing Revenue Bonds Series 1996 A Bonds, and are identified in APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS” in the Official Statement for the Administration’s Housing Revenue Bonds, Series 1999 D. The remainder of these loans was financed with the proceeds of the Administration’s Multi-Family Housing Revenue Bonds (Insured Mortgage Loans).

All of the units in each of the developments financed with loans reinsured by FHLMC are subject to Section 8 housing assistance payments. The contracts relating to these payments have been assigned to FHLMC as collateral security. However, FHLMC cannot exercise any remedies with respect to the housing assistance payment contracts unless and until it has paid any insurance claim with respect to a reinsured loan.

FHLMC may, under the terms of the Reinsurance Agreement, require that the Administration foreclose without assignment to FHLMC upon any reinsured loan in the event of a breach of certain warranties regarding the absence of environmental hazards.

On September 7, 2008, the Director of the Federal Housing Finance Agency (“FHFA”) appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the “Reform Act”) and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury (“Treasury”) entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFO.gov> and <http://www.Treasury.gov>.

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, effective July 18, 2008. As a result, Freddie Mac files annual, quarterly, and current reports, proxy statements and other information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing annual financial

disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

Staff

The Director of MHF is appointed by the Secretary of the Department and serves at the pleasure of the Secretary, with such authority as the Secretary determines to delegate to the Director. The Director also serves as the Director of the Division of Credit Assurance of Department.

Financial operations for MHF have been centralized and are now within the Division of Finance and Administration for the Department.

Certain senior staff members of the Division of Credit Assurance, the Division of Finance and Administration, and MHF are as follows:

Name	Position
George Eaton	Director, Division of Credit Assurance and MHF
Allen W. Cartwright, Jr.	Deputy Director, MHF and Director, Single Family Operations
Susan Traylor	Director, Division of Finance and Administration
Ruth Putnam	Deputy Director, Division of Finance and Administration
Bill Beans	Director, Multifamily Asset Management

George Eaton was appointed Director of the Division of Credit Assurance and the Maryland Housing Fund as of March 1999, having been Acting Director since December 1998. He has been with the Department since October 1995. He also served as Director of Multi-Family Operations from May to December 1998. From 1996 through April 1998, he was the Director for State Funded Loans for MHF. Before joining the Department, he worked for a national property management company as a District Manager, as Assistant Director at University of Maryland teaching hospital, and as Assistant Administrator of the Johns Hopkins University Hospital. He also holds an MA in Administration and has taught at several Maryland Community Colleges.

Allen W. Cartwright, Jr. joined the staff of the Division of Credit Assurance as the Deputy Director of MHF in March 2006. Mr. Cartwright also serves as Director, Single Family Operations. Mr. Cartwright previously served as MHF Manager of Finance from 1988 through 1991. Prior to rejoining the Division of Credit Assurance in 2006, Mr. Cartwright was the Chief of Mission Support and then Chief of Customer Care for the Washington Suburban Sanitary Commission from April 2000 through November 2005. Mr. Cartwright also served as the Director of Finance and then the Assistant Secretary of Finance and Administration for the Maryland Department of Natural Resources from May 1991 through April 2000. He has worked as a finance manager for the Federal Home Loan Mortgage Corporation (Freddie Mac), MCI and DuPont. He is a Certified Public Accountant and earned his BS in Commerce from the McIntire School of Commerce at the University of Virginia.

Susan Traylor, Director of the Division of Finance and Administration since June 2007. She has been with the Department since 1998, when she joined as Director of Accounting. Prior to joining State service, she was the Chief Financial Officer of Macmillan Publishing and the Official Airlines Group. Previously, she held various financial positions with the Maxwell Communications Group and Exxon Corporation. She holds a B.A. in Economics from Western Maryland College and M.S. in Industrial Administration from Carnegie-Mellon University.

Ruth Putnam was named Deputy Director of Finance and Administration in 2008. She continues to act as the Director of MHF Finance and State Funded Loans, a position held since January 2001. She has been with the Department since 1990. Prior to joining the Department, she worked as Manager of Investor Relations in a private corporation.

Bill Beans was named Director of Multifamily Asset Management in November 2004. He has been with the Department since 1987 and has previously served as the Director of Homeownership Programs, Deputy Director of the Community Assistance Administration and Director of Single Family Asset Management. Prior to coming to the Department, Mr. Beans worked in various housing related positions for local governments in Maryland.

Additional Information

For additional information, please contact Investor Relations at (410) 514-7326 or cda_bonds@mdhousing.org.

THE FHA INSURANCE PROGRAM

The following is a brief description of the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended, (the “Risk Sharing Act”) and Sections 221(d)(3) (“Section 221(d)(3)”), 221(d)(4) (“Section 221(d)(4)”) and 223(f) (“Section 223(f)”) of Title II of the National Housing Act, as amended, and is qualified in its entirety by reference to the National Housing Act and the Risk Sharing Act and the regulations thereunder.

FHA Multi-Family Mortgage Insurance

FHA is authorized under the National Housing Act, as amended, to insure mortgage loans, including mortgage loans financing developments containing five or more dwelling units. FHA mortgage insurance provided pursuant to Section 221(d)(3) and Section 221(d)(4) are the principal forms of federal mortgage insurance available for new construction or substantial rehabilitation purposes. Section 223(f) provides insurance for refinancing of mortgages on existing properties. Prior to issuing a commitment for mortgage insurance pursuant to these sections, FHA or an FHA-approved lender processes a mortgage loan through several stages of review to determine the acceptability of the development securing the mortgage loan. Pursuant to this program, FHA insures mortgage loans providing acquisition, construction, substantial rehabilitation and long-term financing of a development.

Nine of the Transferred Loans acquired with the proceeds of the Series 1996 A Bonds are insured by FHA, one pursuant to Section 221(d)(3) and the remainder pursuant to Section 221(d)(4).

Insurance Benefits

If a default on a mortgage loan which is fully insured by FHA continues for a period of 30 days, regulations require that a written notice of the default be filed with FHA. Within 45 days of the date the mortgage becomes eligible to receive mortgage insurance benefits, the mortgagee is required to give written notice of the mortgagee’s intention to file an insurance claim. FHA mortgage insurance provides an option to the mortgagee either to assign the mortgage loan to FHA or to acquire title to the development by foreclosure and convey it to FHA.

Under the Section 221(d)(3) and 221(d)(4) programs, FHA will pay claims for insurance benefits in cash, in debentures, or in a combination of both, at the option of the Administration as mortgagee.

Under the Section 223(f) program, FHA may elect to pay claims in cash or debentures, or a combination of both, as determined by FHA at or prior to the time of payment. In the event of a claim on a Mortgage Loan, the Administration will request payment in cash, but there can be no assurance that FHA will make payment in cash for Mortgage Loans insured under Section 223(f). Currently, two Mortgage Loans are insured under Section 223(f).

Following an assignment of a defaulted mortgage loan to FHA and the filing of a claim for insurance benefits, FHA will pay insurance benefits in an amount equal to the sum of (1) the unpaid principal amount of the mortgage loan, computed as of the date of default, (2) certain eligible payments made by the mortgagee, and (3) interest on the insurance proceeds from the date of default at the FHA debenture rate in effect when the FHA insurance commitment was issued or as of the date of initial endorsement, whichever is higher, less (a) an amount equal to 1% of the unpaid balance of the loan and (b) certain amounts received by the mortgagee from the mortgage or the property after the date of default and (c) certain cash items retained by the mortgagee. For defaults occurring after final endorsement, FHA may, but is not obligated to, pay 90% of the insurance claim within 15 days of assignment of the defaulted mortgage loan to FHA is recorded. For defaults occurring prior to final endorsement, FHA may, but is not obligated to, pay 70% of the insurance claim with 15 days of the recordation of the mortgage to HUD. In each case, HUD will pay the balance of the insurance claim after audit, usually within three to 12 months. In each case prompt payment by FHA is subject to, among other things, complete delivery by the mortgagee of all documentation required under FHA mortgage insurance. All of the Mortgage Loans insured by FHA have either been finally endorsed or are further credit enhanced by Guaranteed Securities.

The Loan Documents

The FHA Loans are made pursuant to certain standard form FHA documents some of which (but not including certain documents for new construction or substantial rehabilitation loans) are hereinafter generally described.

Regulatory Agreement. The owner of a development enters into a Regulatory Agreement with FHA which sets forth certain of the owner's obligations in connection with the management and operation of such development.

Pursuant to the Regulatory Agreement, the owner must establish a reserve fund for replacements. The reserve fund for replacements will be funded by monthly payments by the owner in the amount established by the mortgagee as directed by FHA. Moneys in such fund may be disbursed, with prior FHA approval, to replace structural elements or mechanical equipment of the development or for certain other purposes.

The owner may not make, receive or retain any distribution of assets or income from the development, except from "Surplus Cash." "Surplus Cash" is defined in the HUD regulations as cash remaining at the end of any semiannual or annual fiscal period after the payment of (1) all sums due under the mortgage and the mortgage note, (2) all amounts required to be deposited in the reserve fund for replacements, and (3) all obligations of the development other than the mortgage (unless otherwise provided for). Surplus Cash does not include amounts held in special funds required to be maintained for the development or tenant security deposits.

In the event the owner violates any provisions of the Regulatory Agreement, and fails to cure the default within 30 days after the mailing of notice from FHA, or such longer period as FHA may determine, the Agreement provides that FHA may notify the mortgagee of the default and request the mortgagee to declare a default under the mortgage and mortgage note.

Mortgage Note. In the State of Maryland the debt instrument for FHA-insured loans secured by real estate is a deed of trust note. References to a mortgage note herein are applicable to a deed of trust note.

The standard form FHA mortgage note is a nonrecourse obligation since the maker is not personally liable for the payment of the principal of the indebtedness and interest thereon. Each mortgage note evidencing an FHA Loan is in a face amount approved by FHA and has been endorsed for insurance by FHA at the initial closing of the mortgage loan as the same may be modified at final closing when the loan is cost certified. Each FHA-insured mortgage note is a fully amortizing note maturing up to 40 years after the date set by FHA for commencement of amortization.

Mortgage. In the State of Maryland the underlying security for a deed of trust note is a deed of trust. References to a mortgage herein are applicable to a deed of trust.

In order to secure the payment of the debt evidenced by the mortgage note for an FHA Loan, the owner of the related Development has conveyed for the benefit of the payee under the mortgage note its title to the project site, together with all buildings, improvements and fixtures to be constructed on the site and all articles of personal property of the owner located on the site (collectively, the “mortgaged property”) and, in addition, has assigned to the mortgagee all rents, profits and income to be derived from the mortgaged property. Until final payment of the indebtedness, each owner agrees not to encumber the mortgaged property in any way without the consent of the Administration or the mortgagee and FHA.

In addition to the monthly payments due under the mortgage note, the mortgage obligates the owner to deposit with the mortgagee in escrow on the first day of each month sums sufficient to provide the mortgagee with funds to pay the next annual mortgage insurance premium and to pay estimated taxes, water charges, special assessments and fire and other hazard insurance premiums, if any, with respect to the mortgaged property.

Collection of Insurance Benefits

In the case of a monetary default, the date of default is deemed to be the date on which payment was originally due (i.e., the first of the month). Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest which had accrued in the previous month and was due and payable on the date of default. FHA will reimburse the mortgagee only for interest at the applicable “debenture rate” commencing on the date of default.

Upon a default by the mortgagor which entitles the mortgagee to assign the mortgage to FHA, the mortgagee must notify FHA of the default and of the mortgagee’s intention to assign the mortgage within the time frames set out in the applicable FHA handbooks. Upon receipt of this notification and election, FHA reviews the documentation to determine whether the mortgagee is entitled to assign the mortgage and to receive insurance benefits under the mortgage insurance contract. Prior to actual assignment of the loan to FHA and receipt of insurance benefits, the mortgagee must also satisfy certain legal requirements including submission of a title policy showing (except for encumbrances approved by FHA) that no liens or encumbrances are superior or inferior to the mortgage lien.

The mortgagee is required to submit all required documentation within 45 days from the date the mortgage is assigned to FHA unless the time is extended by FHA. The documentation required to be supplied to FHA includes (1) an assignment of claims of the mortgagee against the mortgagor or others arising out of the mortgage; (2) all policies of title or other insurance or surety bonds or other guaranties and any claims thereunder, including evidence that the effective date of the title coverage has been

extended to include assignment to FHA, (3) all records and accounts relating to the mortgage, (4) all property of the mortgagor held by the mortgagee, and (5) any additional information required by FHA. If the election is not made or the documents are not delivered within the 45 days, FHA will not pay the mortgagee interest on sums outstanding from the date the election should have been made or the date the required documents should have been submitted to FHA, whichever is applicable, to the date when the insurance claim is finally paid unless FHA has agreed to extend the period with interest.

Failure of a mortgagor to comply with the income and rental requirements of Section 103(b)(4)(A) of the 1954 Code or Section 142(d) of the 1986 Code, as applicable, does not constitute an event of default under the FHA Loans.

Partial Settlement Upon Assignment. FHA may request the mortgagee in lieu of assignment, to accept partial payment of the claim under the mortgage insurance contract and to recast the mortgage, under such terms and conditions as FHA may determine.

Deposits Held by Mortgagee. The mortgagee is responsible for all deposits under its control. FHA deducts from any insurance claim the amount of cash or cash equivalents held by the mortgagee on behalf of the owner. Where deposits are held by the mortgagee in the form of a letter of credit, it is the mortgagee's responsibility to convert the letter of credit to cash in the event the funds are necessary. For insurance purposes, FHA views a letter of credit held in lieu of cash deposit as the equivalent of cash. Letters of credit accepted by the Administration or the mortgagee must be unconditional and irrevocable. FHA does not review or approve letters of credit.

The mortgagee is responsible for all funds in its custody and must therefore obtain approvals from FHA and others, when required, prior to release of any funds which may be in its possession. Failure to protect properly such funds may result in a deduction from the FHA insurance claim in an amount equal to the funds FHA asserts should have properly been held as a deposit.

Warranties Upon Assignment. In the event of an assignment of a mortgage, FHA requires the mortgagee to warrant that (1) no act or omission of the mortgagee has impaired the validity and priority of the mortgage; (2) the mortgage is prior to all mechanics' and materialmen's liens filed on record subsequent to the recording of the mortgage, regardless of whether such liens attached prior to the recording date; (3) the mortgage is prior to all liens and encumbrances which may have attached or defects which may have arisen subsequent to the recording of the mortgage, except such liens or other matters as may be approved by FHA; (4) the amount stated in the instrument of assignment is actually due under the mortgage and there are no offsets or counterclaims against such amount; and (5) the mortgagee has a good right to assign the mortgage. In assigning its security interest in chattels, including materials, located on the premises covered by the mortgage, or its security interest in building components stored either on-site or off-site at the time of the assignment, the mortgagee is required to warrant that (a) no act or omission of the mortgagee has impaired the validity or priority of the lien created by the chattel security instruments; (b) the mortgagee has a good right to assign the security instruments; and (c) the chattel security instruments are a first lien on the items covered by the instruments except for any liens or encumbrances approved by FHA.

Title Insurance Policy (Mechanics' and Other Liens). The mortgagee will be required to furnish FHA with a title policy which names FHA as the insured party and which assures FHA that the mortgage loan to be assigned constitutes a first lien on the mortgaged premises, subject only to those exceptions previously approved by FHA. The mortgagee will be required to remove any intervening liens and to obtain an updated title endorsement within the 45-day period during which documents are required to be submitted. FHA may deduct the amount of any liens which have priority over the mortgage lien from the mortgagee's FHA insurance claim.

Tax liens against the property which have priority over the lien of the mortgage or which are due within 60 days of the assignment to FHA must be paid by the mortgagee. Although the mortgagee will be reimbursed for funds it advances to pay real estate taxes on the mortgaged property, failure to pay taxes when due may result in a penalty which will not be reimbursed by FHA as part of the insurance claim.

Losses on Advances other than Mortgage Proceeds. Although the mortgagee will be reimbursed for advances properly made for taxes, insurance premiums and preservation of the property, such reimbursement may not fully compensate the mortgagee for the making of the advances since the mortgagee will be paid only debenture interest on those advances from the date of default.

Reimbursement for Maintaining the Mortgaged Property. FHA will reimburse the mortgagee for funds advanced to maintain or preserve the mortgaged property if the approval of FHA is received prior to the time the funds are advanced.

FHA Risk-Sharing Program

The Risk Sharing Act authorizes the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”) to enable those HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “Regulations”) pursuant to the Housing Act. The FHA Risk-Sharing Program established by the Risk Sharing Act allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect. The FHA Risk-Sharing Program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA.

This mortgage insurance program requires that an interested HFA first be approved as a qualified HFA. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement with the Commissioner of FHA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the FHA Risk-Sharing Program include new construction projects, substantial rehabilitation projects, acquisition of existing projects, projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program. Risk-sharing projects must constitute “affordable housing,” which means that either 20% or more of the units are rent-restricted (as defined below) and occupied by families whose income is 50% or less of the area median income as determined by HUD, with adjustments to income based on household size, or that 40% or more of the units are rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments to income based on household size. A residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30% of the income limitation applicable to the unit as published from time to time by HUD.

The Administration has entered into a risk-sharing agreement with HUD dated as of November 30, 1994 (the “Risk-Sharing Agreement”) which sets out the terms for the Administration’s participation in the FHA Risk-Sharing Program. The Administration has received designation as a Level I participant under the regulations which means it may elect to reimburse HUD for between 50% and 90%

(in increments of 10%) of any losses incurred as a result of a default under a loan. Designation as a Level I participant permits the Administration to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans without further review by HUD. The Administration also has received designation as a Level II participant which means it may insure either 10% or 25% of any losses on the mortgage loan (based on certain loan-to-value criteria). In the event of a loan default, the Risk-Sharing Agreement requires the Administration to share with HUD in any loss arising as a consequence of the loan default.

The Administration authorizes the use of the FHA Risk-Sharing Program in connection with new Loans financed by Bonds on a case-by-case basis. In such cases, MHF is expected to reimburse the Administration for the Administration's share of any loss.

The FHA Risk-Sharing Program regulations require that the Administration establish a dedicated account at a financial institution acceptable to HUD in the initial amount of \$500,000. This account, with a current balance of \$647,227, has been established by restricting such amount in the Administration's General Bond Reserve Fund for such purpose. HUD may make withdrawals from this account for the purpose of meeting the Administration's obligations under the program and the Risk-Sharing Agreement. HUD no longer requires deposits into this reserve for new Risk-Sharing Loans due to the Administration's more recent credit rating.

FHA Insurance under the FHA Risk-Sharing Program with respect to any mortgage loan may be terminated upon the occurrence of certain events, including the following: (1) the corresponding mortgage is paid in full; (2) the Administration acquires mortgaged property and notifies the Commissioner that it will not file an insurance claim; (3) a party other than the Administration acquires property at a foreclosure sale; (4) the Administration notifies the Commissioner of a voluntary termination; (5) the Administration or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (6) the receipt by the Commissioner of an application for final claims settlement by the Administration; or (7) the Administration acquires the mortgaged property and fails to make an initial claim.

During its participation in the program, the HFA must take responsibility for certain functions, including those relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the HFA that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD has specifically retained certain functions, including monitoring compliance with the Davis-Bacon Act, environmental laws, enforcement of certain fair housing and equal opportunity laws and other program criteria. Certain HUD requirements may only be applicable when construction advances are insured.

Upon completion of construction, presentation of a closing docket, including an executed regulatory agreement between the HFA and the mortgagor, and certifications required by the Regulations, FHA issues a final endorsement of the mortgage note for the costs related to the project which have been certified by an independent certified public accountant and have been approved by the Administration. Although the Administration has been given authority to approve cost certifications by a mortgagor, HUD has the authority, in its sole discretion, at any time prior to and including final endorsement, to adjust the amount of mortgage insurance.

The Regulations define an event of default under an FHA-insured mortgage as (1) a failure to make any payment due under the mortgage or (2) a failure to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage) if the mortgagee, because of such failure, has accelerated the debt. A mortgagee is

entitled to receive the benefits of insurance after the mortgagor has defaulted and such default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Administration has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Administration must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of the Administration, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where the Administration certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to the Administration is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. **The Administration must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms for the mortgages within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment shall be returned to HUD within 30 days of the retirement. Within 30 days of the initial claim payment, the Administration must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the Administration's obligation to HUD under its Risk-Sharing Agreement.

In determining the mortgage note interest component of the initial claim amount, if the Administration fails to meet any of the requirements of the Regulations within the specified time (including any granted extension of time), HUD shall curtail the accrual of mortgage note interest by the number of days by which the required action was late. Losses sustained as a consequence of the sole negligence of the Administration will be the sole obligation of the Administration, notwithstanding the risk apportionment otherwise agreed to by HUD and the Administration.

When FHA pays a claim, the Risk-Sharing Agreement provides that the Administration will issue a debenture (each, a "Debenture") to HUD for the full amount of the claim, which shall be supported by the full faith and credit of the Administration. Each Debenture will have a term of five years, will bear interest at HUD's published debenture rate, and interest will be payable annually. The Risk Sharing Act contemplates that during the five year term of each Debenture, the Administration would work toward curing the default, foreclosure or resale of the related development. Upon the due date of each Debenture, the total loss to be shared by the Administration and HUD shall be computed pursuant to the Risk-Sharing Agreement. As noted, MHF is expected to reimburse the Administration for its share of any loss.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed in lieu of foreclosure or (2) expiration of the term of the Debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the mortgage note and risk-sharing agreement.

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semiannual reports, annual financial statements and must maintain its

eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

THE GNMA GUARANTY PROGRAM

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

A Guaranteed Security is a “fully modified pass through” mortgage-backed security that requires monthly payments by an FHA-approved lender, as the issuer of the Guaranteed Security (the “Lender”), to the registered holder of the Guaranteed Security of principal of and interest on such Guaranteed Security when due, whether or not the Lender receives payments on the mortgage note underlying such Guaranteed Security, plus any prepayments of principal of the mortgage note received by the Lender. GNMA guarantees timely payment of principal of and interest on Guaranteed Securities. Loans that are credit enhanced by Guaranteed Securities are described in APPENDIX D — “DESCRIPTION OF LOANS AND DEVELOPMENTS.”

GNMA Guaranty

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of and interest on Guaranteed Securities that are based on and backed by a mortgage insured by FHA. Section 306(g) provides further that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.” In order to meet its obligations under such guaranty, GNMA is empowered under Section 306(d) of Title III of the National Housing Act to borrow from the United States Treasury, through the issuance of its general obligations, in an amount sufficient to enable GNMA to perform its obligations under its guaranty of the timely payment of the principal of and interest on Guaranteed Securities that are guaranteed by GNMA. The United States Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the United States Treasury to the Secretary of HUD, that the United States Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty. GNMA warrants to the registered owner of Guaranteed Securities, that, in the event it is called upon to make payment pursuant to such guaranty of the payment of principal of and interest on the Guaranteed Securities, it will, if necessary, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make such payments.

Guaranteed Securities issued in connection with mortgage loans on multi-family projects are issued in two forms—construction loan certificates for projects under construction and project loan certificates for completed projects. Prior to the issuance of a Guaranteed Security, the Lender must become an approved issuer of GNMA-guaranteed securities and obtain GNMA’s commitment to guarantee such Security, and in the case of a project under construction, the Lender must obtain GNMA’s commitment to guarantee payments of the construction loan certificates, and upon completion of the project, the project loan certificate.

Project loan certificates can be issued only after the project has been completed and the mortgage loan on the project finally endorsed for mortgage insurance by HUD.

Construction loan certificates are issued periodically — usually monthly — as construction of the project progresses, in the amount of the principal amount of the mortgage loan that at the time of such issuance has been disbursed and endorsed for insurance by FHA. Immediately following final

endorsement for mortgage insurance by HUD, the construction loan certificates are exchanged for the project loan certificate.

As a condition to the issuance of each construction loan certificate, the Lender will be obligated to deliver certain documents to GNMA not later than 3 business days prior to the anticipated delivery date of such Guaranteed Security, including evidence of the advance of the mortgage loan and its endorsement for insurance by FHA. During such 3 business day period between the date of an advance under the mortgage loan and the issuance of a GNMA guaranty of the related construction loan certificate, it is possible that the Borrower could default under the mortgage loan or the Lender could default under a GNMA guaranty agreement (the "GNMA Guaranty Agreement"). In connection with other mortgage loans, GNMA has stated, among other things, that, in the event of either or both types of default, it nevertheless will (except in the event of fraud or misrepresentation by the Lender) be obligated to approve the issuance of the construction loan certificate corresponding to the advance under the mortgage loan made prior to the default.

Servicing of Mortgage

Under contractual arrangements between a Lender and GNMA, the Lender is responsible for servicing and otherwise administering the mortgage securing a Guaranteed Security in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer's Guide.

The monthly remuneration of the Lender, for its servicing and administrative functions, and the guaranty fee charged by GNMA, are based on the unpaid principal amount of the Guaranteed Security outstanding. GNMA regulations and policies have fixed the total of these servicing and guaranty fees at a minimum of 0.25% per annum and a maximum of 0.50% per annum calculated on the principal balance of the Guaranteed Security outstanding on the last day of the month preceding such calculation. A Guaranteed Security carries an interest rate that is fixed below the interest rate on the underlying mortgage note by the amount of such servicing and guarantee fees.

Payments of principal of and interest on the mortgage notes are expected to be received by the Lender from the mortgagor in amounts and at times sufficient to be the source of the payments of principal of and interest on the Guaranteed Securities. If such payments are less than the amount due, the Lender is obligated to advance its own funds to make the timely payment of all amounts due on the GNMA Security. GNMA guarantees such timely payment in the event of failure by the Lender to make scheduled payments when due. The Guaranteed Security does not represent a liability or an obligation of the Lender and recovery may be sought only from GNMA.

The Lender is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled on the 15th day of each month. However, the Guaranteed Securities will not constitute a liability nor evidence recourse against the Lender if such payments are not received as scheduled. If such payments are not received as scheduled, the Administration has recourse directly to GNMA.

In the event of a default by the Lender, including (1) a request to GNMA to make a payment of principal of or interest on a Guaranteed Security when the mortgagor is not in default under the mortgage note, (2) insolvency of the Lender or (3) default by the Lender under any other guaranty agreement with GNMA, the GNMA Guaranty Agreement provides that GNMA shall have the right, by letter to the Lender, to effect the complete extinguishment of the Lender's interest in the mortgage, and the mortgage will become the absolute property of GNMA, subject only to the unsatisfied rights of the owner of the GNMA security. In such event, the GNMA Guaranty Agreement provides that on and after the time GNMA directs such a letter of extinguishment to the Lender, GNMA will be the successor in all respects

to the Lender in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein, and shall be subject to all responsibilities, duties, and liabilities (except the Lender's indemnification of GNMA), placed on the Lender by the terms and provisions of the GNMA Guaranty Agreement, provided that at any time, GNMA may enter into an agreement with any other eligible issuer of GNMA securities under which the latter undertakes and agrees to assume any part or all such responsibilities, duties or liabilities theretofore placed on the Lender, and provided that, no such agreement shall detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor of the Guaranteed Security, or otherwise adversely affect the rights of the holders thereof.

Payment of Principal and Interest on the Guaranteed Securities

Payment of interest on Guaranteed Securities is required to be made in monthly installments on or before the 15th day of each month commencing the month next following the date of issue of the Guaranteed Securities. Payment of the principal of Guaranteed Securities is expected to commence 15 days after the commencement of amortization of principal of the mortgage note.

Following the issuance of the Guaranteed Securities and commencement of the payment of principal thereon, Guaranteed Securities are payable in equal monthly installments, subject to prepayment. Each installment on Guaranteed Securities is applied first to interest and then to the reduction of the principal balance then outstanding. Interest is paid at the specified rate on the unpaid portion of the principal of the Guaranteed Securities. The amount of principal due on Guaranteed Securities is in an amount equal to the scheduled principal amortization currently due on the underlying mortgage notes. Payments of principal and interest are subject to adjustment due to prepayments or other early unscheduled recoveries of principal on the underlying mortgage note.

The Lender agrees to pay to the owner of a Guaranteed Security monthly installments of not less than the interest due on the Guaranteed Security at the rate specified in the Guaranteed Security, together with any scheduled installments of principal, whether or not collected from the mortgagor and any prepayments or early recoveries of principal. Final payment is made upon surrender of the Guaranteed Securities. The Guaranteed Security does not represent a liability or an obligation of the Lender and recovery may be sought only from GNMA.

THE FANNIE MAE STAND-BY GUARANTY PROGRAM

Under Fannie Mae's Stand-by Guaranty Program, Fannie Mae agrees to provide Credit Enhancement for Fannie Mae Enhanced Loans pursuant to, and subject to the limitations of, the related Fannie Mae Credit Enhancement Instrument. The Fannie Mae Credit Enhancement Instrument secures certain payments under the Mortgage Note. The Borrower is obligated to reimburse Fannie Mae for any funds provided by Fannie Mae under a Fannie Mae Credit Enhancement Instrument will be set forth in a Reimbursement Agreement, between the applicable Borrower and Fannie Mae. Certain Fannie Mae Enhanced Loans do not have a separate Construction Phase, and references herein to such Construction Phase, as well as references to Conversion and related concepts, do not apply to such Loans.

Fannie Mae's participation in the financing of a Development will not extend beyond the Construction Phase unless the Conditions to Conversion set forth in the related Construction Phase Financing Agreement among Fannie Mae, the Fannie Mae Construction Lender and the Fannie Mae Loan Servicer, and acknowledged and agreed to by the Borrower, are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae). If the Conditions to Conversion set forth in the Construction Phase Financing Agreement are satisfied on or before the Termination Date (or, to the extent not satisfied, are waived by Fannie Mae), the Fannie Mae Loan Servicer, on or before the Termination Date, shall issue a Final Notice of Conversion, in which event the related Fannie Mae

Enhanced Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae's participation in the financing will continue. If, however, the Conditions to Conversion are not satisfied on or before the Termination Date (or, to the extent not satisfied, are not waived by Fannie Mae) with the result that the Fannie Mae Loan Servicer fails to issue a Final Notice of Conversion on or before the Termination Date, such Fannie Mae Enhanced Loan will not convert from the Construction Phase to the Permanent Phase, and the related Bonds will be subject to special mandatory redemption in whole at a redemption price equal to the principal amount of such Bonds plus accrued interest to the Redemption Date. In the event of such a special mandatory redemption in whole, the redemption price is to be paid with funds provided under the Fannie Mae Credit Enhancement Instrument. Alternatively, in lieu of such redemption, such Bonds may be purchased by the Trustee for the account of the related Fannie Mae Construction Lender. The Termination Date is the date specified by Fannie Mae in the Construction Phase Financing Agreement, and generally corresponds to the expected time needed for construction or rehabilitation and rent-up of the units; the Fannie Mae Loan Servicer may request one six-month extension of the Termination Date. The grant of any further extension is in the sole discretion of Fannie Mae.

The Conditions to Conversion include, for example, completion of construction of the Development and the achievement of a specified level of occupancy from the leasing of units in the Development. No assurance can be given that all of the Conditions to Conversion will be satisfied or that other events or circumstances may or may not occur as a result of which Conversion will not occur. In addition, even if Conversion occurs, no assurance can be given that the principal amount of the related Fannie Mae Enhanced Loan, as finally determined in accordance with the Construction Phase Financing Agreement, will not be less than the original principal amount of such Fannie Mae Enhanced Loan; if the principal amount of such Fannie Mae Enhanced Loan, as finally determined in accordance with the Construction Phase Financing Agreement, is less than the original principal amount of such Fannie Mae Enhanced Loan, the principal amount of such Fannie Mae Enhanced Loan must, as a Condition to Conversion, be reduced by the applicable Borrower's prepayment of such Fannie Mae Enhanced Loan in part; upon such prepayment, a corresponding portion of the related Bonds will be subject to special mandatory redemption at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the Redemption Date. If such prepayment in part is required as a Condition to Conversion and is not made, Conversion will not occur and such Bonds will be subject to special mandatory redemption in whole.

Prior to Conversion, Fannie Mae will, pursuant to the Construction Phase Financing Agreements, be protected against risk of loss by the Fannie Mae Construction Lender through a Construction Phase Credit Facility acceptable to Fannie Mae. Certain events concerning the Fannie Mae Construction Lender, the Construction Phase Financing Agreements and the Construction Phase Credit Facilities may result in the prepayment of a Fannie Mae Enhanced Loan and a corresponding special mandatory redemption of the related Bonds.

Under Fannie Mae's Credit Enhancement Instrument, Fannie Mae agrees to pay any scheduled principal and interest due on the related Fannie Mae Enhanced Loan if payment is not made by the Borrower on or before the set forth in the Credit Enhancement Instrument. The obligations of Fannie Mae are solely those of Fannie Mae, a federally chartered, stockholder-owned corporation, and are not backed by the full faith and credit of the United States.

The Trustee will accumulate and invest the monthly payments on each Fannie Mae Enhanced Loan for application semiannually to payments of interest or principal and interest, as due, on the related Bonds and for the payment of certain fees.

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APPENDIX G

FEDERAL HOUSING SUBSIDY PROGRAMS

Section 8 Program

General. The following is a brief description of the housing assistance payments program for new construction and substantial rehabilitation authorized by Section 8 of the United States Housing Act of 1937, as amended (the "Housing Act") as such program relates to the Loans. Such description is qualified in its entirety by reference to the applicable provisions of the Housing Act and the regulations promulgated thereunder. Although the Housing and Urban Recovery Act of 1983 repealed the new construction and substantial rehabilitation programs of Section 8 as of October 1, 1983, any projects receiving funding under such programs are still subject to regulation under those programs. The housing assistance payments program authorized by Section 8 for moderate rehabilitation or for existing housing may differ. Reference is made to the Housing Act and regulations thereunder for a complete description.

Provision has been made under the Housing Act and the United States Department of Housing and Urban Development ("HUD") regulations for the administration of Section 8 subsidies through state housing finance or development agencies, including the Administration.

Subsidy Contracts. Under the Section 8 housing assistance payments program, three principal contracts are executed. The owner and a public housing agency, such as the Administration, execute an Agreement to Enter Into Housing Assistance Payments Contract ("AHAP") with respect to a development to be constructed or rehabilitated. This AHAP is approved by HUD and, subject to certain conditions, commits the owner to enter into a Housing Assistance Payments Contract ("HAP Contract") upon completion and acceptance of the development. The HAP Contract is executed by the owner and the public housing agency and approved by HUD. In connection with the AHAP, the public housing agency and HUD enter into an Annual Contributions Contract ("ACC") which provides for the disbursement by the public housing agency, as HUD's agent, of housing assistance payments in accordance with the terms of the HAP Contract. The ACC and the HAP Contract usually provide for the payment of the Section 8 subsidy for an initial term, sometimes automatically renewable for additional terms of not more than five years each, with a maximum term of up to 40 years. See APPENDIX D — "DESCRIPTION OF LOANS AND DEVELOPMENTS" for selected information on the Loans, including the terms of applicable HAP Contracts.

None of the Loans were made subject to HUD's financing adjustment factor rule published in 1981.

Payments received under the HAP Contracts constitute a primary source of revenues for many of the Developments. Therefore, the termination of a HAP Contract prior to the maturity date of the related loan would have a material adverse impact on the ability of a Development to generate revenues sufficient to pay the principal of and interest on a Loan if the HAP Contract or other similar financial assistance program is not extended by HUD at the expiration of a HAP Contract, if a public housing agency does not continue to allocate on an annual basis Section 8 certificates or housing vouchers to tenants in a development, or the owner is otherwise unable to lease substantially all of the units in the development at rentals which produce revenues equivalent to those which would have been received if the term of the HAP Contract had been extended for the term of a Loan. In such event, there is a likelihood of a default on the related Loan if the term of such Loan exceeds that of the HAP Contract.

Calculation and Payment of Subsidy. The HAP contract specifies a “Contract Rent” for each assisted dwelling unit. The Contract Rent is generally limited by the “fair market rents” established by HUD and published in the Federal Register and by the rents of unassisted units of similar age, design, location and amenities. The Contract Rent for the assisted dwelling units in each development is adjusted by HUD annually pursuant to an adjustment factor established by HUD.

An amount equal to the Contract Rent for each assisted dwelling unit is set aside by HUD in an ACC Reserve Account for each development. Each month, HUD pays from such accounts to the public housing agency, for the account of the owner, an amount equal to the Contract Rent and utilities allowance for each assisted dwelling unit less up to 30% of the resident’s income, with certain adjustments. This latter amount is paid directly to the owner by the resident. The proportion of the Contract Rent actually paid by HUD and the resident may vary from month to month depending upon the resident’s income. Funds left in the project account are held over to cover future contingencies or rent increases.

Generally, the Section 8 subsidy is payable only when a dwelling unit is occupied by an eligible tenant. However, HUD regulations provide for payments to be made under certain limited circumstances when the unit is not occupied. Subject to certain conditions, after rent-up a subsidy equal to 80% of Contract rents is payable for vacant units for a period of 60 days, and thereafter for an additional 12-month period in an amount equal to the debt service attributable to the unit, subject to additional conditions.

The housing assistance payments are made by HUD directly to the owner and, together with any tenants’ contributions, are available to pay debt service on the mortgage note and operating costs of the development and, except in the case of owners organized as nonprofit entities, a return on the owner’s initial equity in the development. The owner is responsible to pay debt service, escrows and reserve requirements.

Adjustment of Subsidy Amount. HUD regulations provide for the determination by HUD of an adjustment factor at least once a year. On each anniversary date of the HAP Contract, Contract Rents are adjusted upon request from the owner to the contract administrator in accordance with this factor. Current law and HUD regulations require that rent adjustments not result in material differences between the Contract Rents and rents for comparable unassisted units, except to the extent that the differences existed at the time of execution of the HAP Contract. Current law requires HUD to deny rent adjustments to those Section 8 projects with rents above the applicable fair market rents established by HUD unless the mortgagor demonstrates that the adjusted rent would not exceed rents for comparable unassisted units (plus the initial rent difference), and also requires HUD to reduce the annual adjustment factor by one percentage point for those units in which there was no tenant turnover during the previous year. In addition, provision is made in HUD regulations for special additional adjustments to reflect increases in the actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent that such general increases are not adequately compensated for by the automatic annual adjustments. There is no assurance that such adjustments or special additional adjustments will in fact be sufficient to cover such cost increases. Current federal law provides that Contract Rents in effect on or after April 15, 1987 for newly constructed, substantially rehabilitated or moderately rehabilitated projects may not be reduced unless the project has been refinanced in a manner that reduces the periodic payments of the owner.

The ACC provides that the maximum amount of annual contributions initially available for housing assistance payments will equal the initial Contract Rents and utilities allowances for all assisted units in the development.

In the event that increases in Contract Rents resulting from automatic or special adjustments require annual contributions in excess of the amount then available under the ACC, and HUD approves the estimated required amount for the project, the Section 8 program provides that the Secretary of HUD shall take such steps as may be necessary, including paying annual contributions in amounts in excess of the amounts initially contracted for, reserving annual contributions authorized for the purpose of amending ACCs, or allocating a portion of new authorizations to amend ACCs and HAP Contracts, to assure that assistance payments are increased on a timely basis to cover increases in Contract Rents or decreases in family incomes. HUD's ability to implement such steps may be dependent upon Congressional appropriations of funds.

Termination of Subsidy Contracts. Housing assistance payments do not automatically terminate if a mortgage loan is in default. In addition, in the event of foreclosure, or an assignment or sale to the public housing agency in lieu of foreclosure, or in the event of assignment or sale agreed to by the public housing agency and approved by HUD, housing assistance payments in most cases continue in accordance with the terms of the HAP Contract. However, HUD has reserved the right in the event of a default with respect to the mortgagor's obligations under the HAP Contract to take corrective action, abate or terminate housing assistance payments or terminate the HAP Contract in accordance with the provisions of the ACC after providing reasonable notice to the public housing agency and opportunity to correct the default.

Compliance with Subsidy Contracts. Each ACC and HAP Contract contains, where applicable, agreements on the part of HUD, the Administration and the owner concerning, among other things, maintenance of the housing development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as non-discrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the public housing agency or the owner, or both, may abate the payment of the federal subsidy, in whole or in part. Under Loans financed by the Administration, default by an owner in the performance of its obligations is an event of default under the terms of its mortgage, which would permit foreclosure by the Administration.

Housing assistance payments will continue as long as the owner complies with the requirements of the HAP Contract and has leased the assisted units to eligible tenants or satisfies the criteria for receiving assistance for vacant units. The public housing agency, which has primary responsibility for administering the HAP Contract subject to review and audit by HUD, may require the owner to cure any default under the HAP Contract and may abate housing assistance payments and recover over-payments pending remedy of the default. If the default is not cured, the public housing agency may terminate the HAP Contract or take other corrective action, as directed by HUD. HUD has an independent right to determine whether the owner is in default, to take corrective action, and to apply appropriate remedies.

If HUD determines that the Administration has failed to fulfill its obligations, HUD may, after notice to the Administration giving it a reasonable opportunity to pursue corrective action, require that the Administration assign to HUD all its rights under the HAP Contract.

HUD's ability to fund contract amendments or renewals is subject to annual appropriations. HUD's provision of such amendments and renewals was partially disrupted for a temporary period during the past year, when HUD determined appropriations to be inadequate to fulfill all such needs.

Eligible Tenants. An eligible tenant for a Section 8-assisted unit or a Housing Voucher is a family or an individual whose income, determined in accordance with HUD schedules and criteria, does not exceed the income limits prescribed by HUD for the area in which the development is located. Under existing HUD regulations, the income limit is generally fifty percent (50%) of the area's median income,

with further adjustment for the size of the tenant's family and regional economic conditions; although tenants in up to twenty five percent (25%) of units (fifteen percent (15%) for developments with HAP contracts dated after October 1, 1981) may have incomes up to eighty percent (80%) of the area's medium income, as adjusted by HUD. Recent legislation also requires that not less than forty percent (40%) of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed thirty percent (30%) of area median income (as determined by HUD and adjusted for family size) at the time of admission.

Expiring HAP Contracts. Until 1997, there was substantial uncertainty as to what would happen to Section 8 assisted developments upon the expiration of their HAP contracts at the end of their terms. HUD's Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, signed into law on October 27, 1997, included within it the "Multifamily Assisted Housing Reform and Affordability Act of 1997" (as amended, the "Restructuring Act"), which has been further amended by the "Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act," enacted by Congress as part of HUD's Year 2000 Appropriations Act (the "Year 2000 Amendments"). The Restructuring Act implements a new "Mark-to-Market" program pursuant to which many FHA insured Section 8 developments with expiring HAP Contracts and above-market rents will be eligible for restructuring plans, and, upon restructuring, may receive continuing Section 8 assistance. These restructuring plans may include refinancing and/or partial payment of mortgage debt, intended to permit the reduction of Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance. The Restructuring Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, the Year 2000 Amendments provided for a new program for preservation of Section 8 developments (including Section 236 developments that have project based HAP Contracts) that allows increases in Section 8 rent levels for certain developments that have below market rents, to market or near market rate levels (the "Mark-to-Market Program").

The restructuring (or expiration and renewal of HAP Contracts) is designed also to result in a change from "project-based" to "tenant-based" Section 8 payments in many cases. In the former circumstances, the HAP Contract is associated with a particular development and the units therein, and when a tenant moves from the development, the successor tenant, assuming that he or she is within the applicable income limits, will receive the benefit of the Section 8 payments. With "tenant-based" assistance, the Section 8 subsidy is associated with a particular tenant, and when the tenant moves from the development, the successor tenant will not receive the benefit of the Section 8 payments.

Although the primary focus of the Mark-to-Market Program is developments that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have HAP Contracts with substantially shorter terms, the Restructuring Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 developments for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Upon the request of the owner of such a development, HUD is currently required to renew an expiring HAP Contract (absent certain actions or omissions of an owner or affiliate and subject to certain verifications). Under current HUD policy, renewals are expected to be made for an initial term of one year, with initial rents at the lesser of: (1) existing rents adjusted by an Operating Costs Adjustment Factor ("OCAF") established by HUD, or (2) a budget-based rent determined by HUD. Under current law, future rent adjustments will be determined using an OCAF or a budget-based adjustment. While it is anticipated that any such adjustment will be structured so as to take due account of debt service requirements, there can be no assurance that rent adjustments will provide for contract rents adequate to pay principal and interest on Bonds. More generally, there can be no assurance

that future policies or funding levels will continue to make renewals and rent adjustments available on the same terms as are currently anticipated.

Under the Year 2000 Amendments, Section 8 developments with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government, such as the Administration, are subject to the Mark-to-Market program unless implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. To the extent any such state and local government financed Section 8 developments with FHA-insured mortgages are determined not to qualify for the Mark-to-Market program, such developments would be treated in the same manner as other Section 8 developments, as discussed above, that do not have FHA-insured mortgages. To the extent any such Section 8 developments are determined to be eligible for the Mark-to-Market program, all or a portion of the debt for such developments may be prepaid as part of a restructuring agreement.

HAP Contract rents under the Restructuring Act may be significantly lower than the current HAP Contract rents in Section 8 developments, and the corresponding reduction in Section 8 subsidy payments for such developments could materially adversely affect the ability of the owners of such developments to pay debt service on the Loans. Any termination or expiration of HAP Contracts, without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a mortgagor, poor condition of the development or other causes) could also have a material adverse impact on the ability of the related Section 8 developments to generate revenues sufficient to pay debt service on the Loans. In such an instance, a default under the FHA-insured mortgage would result in a claim for payment of mortgage insurance benefits.

While the Restructuring Act generally allows owners to renew HAP Contracts (absent certain material adverse conduct or conditions), owners are not required to renew HAP Contracts beyond their expiration. Upon an election not to renew a HAP Contract owners are required to provide certain notices and transitional tenant protections.

In recent internal correspondence, HUD has interpreted a provision in certain HAP Contracts to mean that upon a refinancing or other prepayment of the permanent mortgage loan, the HAP Contract terminates. This affects only developments that do not have FHA-insured mortgages and have HAP Contracts that (i) have terms of 30 or 40 years, (ii) were originated under the State Agency Program, and (iii) were, as a general matter, executed prior to February, 1980. The Administration is examining the effect, if any, of this policy on its portfolio. HUD has indicated that it is willing to amend the offending language in such HAP Contracts to remove the termination provision, but it is not known whether the owners of Section 8 assisted developments will agree to such an amendment, or whether this new interpretation by HUD will result in a greater number of mortgage prepayments.

Section 236 Program

General. Under Section 236 of the National Housing Act, the Secretary of HUD (the “HUD Secretary”) enters into contracts with owner-mortgagors to make interest reduction payments to the mortgagee, on behalf of the project owner, in an amount generally equal to the difference between the monthly payment for principal, interest and mortgage insurance premium and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 percent per annum. Such Section 236 Contracts are project-based and coterminous with the related mortgages.

As a condition to receiving the interest reduction payments, the project owner must operate the project in accordance with tenant eligibility and rent requirements established by law and further prescribed by the HUD Secretary, maintain the project in satisfactory condition and meet various other HUD requirements. The HUD Secretary is to review tenant income requirements at least annually.

Interest Rate Subsidy. For each dwelling unit there is established, with the approval of the HUD Secretary, (i) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 percent per annum and (ii) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and a mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental paid by the tenant of each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the lesser of (i) the fair market rental charge, or (ii) the actual rent paid for a comparable unit in comparable unassisted housing in the market area in which the housing is located, up to 30 percent of the tenant's adjusted income.

With respect to those projects which the HUD Secretary determines have separate utility metering for some or all dwelling units, the HUD Secretary is authorized: (i) to permit the basic rental charge and the fair market rental charge to be determined on the basis of operating the project without the payment of the cost of utility services used by such dwelling units; and (ii) to permit the charging of a rental for such dwelling units at such an amount, less than 30 percent of a tenant's adjusted income, as the HUD Secretary determines represents a proportionate decrease for the utility charges to be paid by such tenant, but in no case shall such rental be lower than 25 percent of a tenant's adjusted income.

The project owner shall, as required by the HUD Secretary, accumulate, safeguard, and periodically pay to the HUD Secretary, on a unit-by-unit basis as distinct from a net project basis, all rental charges collected in excess of the basic rental charges ("Section 236 Excess Rents"). With HUD's consent, and subject to certain restrictions, such Section 236 Excess Rents may be retained by the project owner for project use. Otherwise, Section 236 Excess Rents must be remitted to HUD.

In order to induce advances by owners for capital improvements (excluding any owner contributions that may be required by the HUD Secretary), in establishing basic rental charges and fair market rental charges, the HUD Secretary may include an amount that would permit a return of such advances with interest to the owner out of project income, on such terms and conditions as the HUD Secretary may determine. Any resulting increase in rent contributions shall be:

- (i) to a level not exceeding the lower of 30 percent of the adjusted family income of the tenant or the published existing fair market rent for comparable housing established under the Section 8 program;
- (ii) phased in equally over a period of not less than 3 years, if such increase is 30 percent or more; and
- (iii) limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent.

Assistance under the Section 8 program shall be provided, to the extent available under appropriations acts, if necessary, to mitigate any adverse effects of these provisions on income-eligible tenants.

Interest reduction payments are made upon receipt by the HUD Secretary of a billing containing representations of facts by the Administration. If the HUD Secretary finds that interest reduction payments have been excessive because of inaccurate facts contained in the billing or other cause, the

Administration is obligated to immediately refund the amount that was overpaid. Adjustments in the interest reduction payments are also made in the event a subsidized dwelling unit is destroyed or rendered not habitable for any reason unless the unit is restored or rehabilitated within a reasonable time or unless an unsubsidized unit is designated in its place.

Covenants of Owner. In the Section 236 Contract the project owner covenants and agrees with respect to each subsidized dwelling unit of the project, among other things, that:

(i) Any revision in the basic rental or fair market rental for any subsidized dwelling unit shall be made or approved by the Administration as well as subject to approval by the HUD Secretary, and the HUD Secretary agrees that it will not unreasonably withhold approval of rent revisions made or approved by the Administration;

(ii) Preference for occupancy in subsidized dwelling units shall be given to displaced families and to families whose incomes are within the lowest practicable limits for obtaining rental units in the project; and

(iii) The mortgagor shall not sell, convey or transfer the project except to a purchaser who is approved by the HUD Secretary and is entitled to participation under Section 236 and who assumes the project owner's duties and obligations under the Section 236 Contract.

Covenants of Administration. The Administration covenants and agrees that it will not assign the project mortgage or agree to the forbearance or deferment of any payment due under the project mortgage without the prior written approval of the HUD Secretary; except that, in connection with the issuance of its notes and bonds for the purpose of providing financing under the project mortgages, the Administration may assign or pledge the project mortgage and its rights thereunder as security for its note or bond holders or to a trustee without the written approval of the HUD Secretary. The HUD Secretary shall terminate payments under the Section 236 Contract if the property is acquired by any owner not eligible under Section 236 of the National Housing Act. Section 236 was amended in 1989 to include public entities as eligible owners, as well as non-profit owners.

Termination of HUD Payments. The HUD Secretary may also terminate interest reduction payments under the Section 236 Contract:

(i) Upon default by the project owner or the Administration under any provision of the agreement; or

(ii) If any action of foreclosure is instituted by the Administration, unless the Administration (i) gives to the HUD Secretary in advance written notice of its intention to institute such foreclosure and (ii) submits to the HUD Secretary in advance a plan acceptable to the HUD Secretary providing for continuity of eligibility of the project for receiving the benefits of Section 236.

A payment default under the related mortgage, in and of itself, is not a default under the Section 236 Contract.

If a project is sold upon foreclosure to a new owner (which could include another public entity on behalf of the Administration), upon satisfaction of the requirements specified in (ii) above, the Section 236 interest reduction payments would continue with respect to any mortgage loan assumed or incurred by the new project owner on the same annual and total basis and formula as specified in the related Section 236 Contract.

In the event the HUD Secretary terminates Section 236 interest reduction payments under the Section 236 Contract, the HUD Secretary shall give prior written notice thereof to the Administration stating the reasons therefor. If payments are terminated or to be terminated, such payments may be reinstated or continued by the HUD Secretary at its discretion and on such conditions as the HUD Secretary may prescribe.

Section 236, the rules, regulations and directives promulgated pursuant thereto and the Section 236 Contracts, do not contain any express requirement that any savings which result from a reduction in the Administration's cost of borrowing due to a refunding of its obligations issued to finance a mortgage loan must be used to lower the interest rate on the mortgage loan and thereby to reduce HUD Payments. Consequently, the Administration does not intend to reduce the interest rate on any of the Transferred Loans receiving Section 236 interest reduction payments as a result of the issuance of the Series 1996 A Bonds to refund the bonds originally issued by the Administration to finance such Loans. Based on the foregoing, the Administration does not believe that HUD or any other party is entitled to all or a portion of the Administration's debt service savings that result from the issuance of the Series 1996 A Bonds. However, no assurance can be provided that HUD will not assert a right to reduce the amount of payments payable under the Section 236 Contracts based upon the issuance of the Series 1996 A Bonds. If such a right is asserted, HUD could take certain actions including attempting to reduce payments under the Section 236 Contract.

Prepayment of Loan. Each Borrower will covenant in the applicable Section 236 Loan documents not to prepay such Loan prior to 20 years from the date the Project was occupied. Each such Loan permits the Borrower to prepay such Loan at any time after such date subject only to certain temporary affordability restrictions and transitional protections for affected tenants. The Year 2000 Amendments permit mortgagors of Section 236 Loans to refinance their mortgages (if the mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy.

Any prepayment of Loans could result in the redemption of Bonds at any time, at a redemption price equal to 100% of the principal amount of Bonds redeemed, plus accrued interest to the redemption date as described under "THE OFFERED BONDS — Redemption Provisions."

Transfer of Loan. Each Section 236 Contract provides that the corresponding Section 236 Loan may only be assigned, including any assignment or reassignment between the Administration and the Trustee, with HUD's prior written approval.

Decoupling Program. Congress passed legislation in 1999 that permits owners of Section 236 developments to refinance their mortgages (if such mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy. HUD program guidelines implementing this legislation describe this as "decoupling" the subsidy from the original mortgage loan. Among other things, in order to benefit from the decoupling program, the development owner must agree to enforce the income restrictions applicable to tenants in the development for a period ending five years beyond the term of the assistance under the Section 236 Contract. Under the program, HUD enters into a new Section 236 Contract with the development owner and the mortgagee pursuant to which the subsidy is continued and the new financing is approved. HUD exercises considerable discretion in implementing the program. Section 236 Contracts executed pursuant to the decoupling program may have terms different from those described herein for the program generally.

APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution, and such summary is qualified in its entirety by reference to the Bond Resolution.

Purposes for Which Bonds May Be Issued. §1.01.

Bonds may be issued under the Bond Resolution to provide funds for one or more of the following purposes:

- (1) for the making, purchasing or otherwise financing of Qualified Loans;
- (2) for the refinancing of Qualified Loans (including, without limitation, Qualified Loans in default);
- (3) for the refunding of any or all Outstanding Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, including any or all interest and redemption premiums thereon;
- (4) for the payment of any “Development Cost” as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted by the Act;
- (5) for the funding of reserves; or
- (6) achieving any other of the Administration’s purposes, as described in the Act, as now or hereafter in effect.

Contract with Trustee and Bondholders. §1.02.

As provided in the Act and in consideration of the acceptance by the Trustee of the trusts created pursuant to the Bond Resolution and of the purchase and acceptance of Bonds of any Series issued under the Bond Resolution by any who shall from time to time be holders thereof:

- (a) The provisions of the Bond Resolution and applicable Series Resolutions shall be a contract of the Administration with the Trustee and the holders of the Bonds.
- (b) The Administration covenants that it will cause to be paid to and deposited with the Trustee all proceeds of Bonds, all payments of Loans, and all income and receipts therefrom.

Series Resolutions. §2.02.

The Administration may, in a Series Resolution, allow permitted variances from provisions of the Bond Resolution (including, without limitation, any modifications to redemption or Qualified Hedge notice provisions) and any other provisions deemed advisable by the Administration and not in conflict with or in substitution for the provisions of the Bond Resolution.

Purchase of Bonds. §4.06.

The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration or the Trustee shall pay the purchase price of such Bonds together with accrued interest thereon from such funds as may be available therefor pursuant to the Bond Resolution, any applicable Series Resolution, or as otherwise may be made available by the Administration.

The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedure as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

Funds and Accounts. §5.01.

The following funds and accounts are established under the Bond Resolution:

- (1) Bond Proceeds Fund;
- (2) Revenue Fund;
- (3) Redemption Fund;
- (4) Debt Service Reserve Fund;
- (5) Collateral Reserve Fund; and
- (6) Acquired Development Fund.

All such funds and accounts shall be held and maintained by the Trustee. The Administration may establish accounts and sub-accounts within each fund and account to the extent consistent with the Bond Resolution and such other funds or accounts as may be authorized pursuant to a Supplemental Resolution. All monies or securities held by the Trustee pursuant to the Bond Resolution or a Supplemental Resolution shall be held in trust and applied only in accordance with the provisions of the Bond Resolution, the applicable Supplemental Resolution, the Act and other applicable law.

The Administration may at any time direct the transfer of moneys or Permitted Investments between or among any fund or account created pursuant to the Bond Resolution, provided such transfers are otherwise in accordance with the provisions of the Bond Resolution. The Administration may, but is under no obligation to, at any time deposit or cause to be deposited into any fund or account under the Bond Resolution moneys from any source, including, without limitation, funds of the Administration.

Bond Proceeds Fund. §5.02.

Any proceeds of the sale of Bonds representing principal, premium or other amounts required to be deposited therein pursuant to the Bond Resolution and any Supplemental Resolution or Series

Resolution and any other amounts determined by the Administration to be deposited therein from time to time shall be deposited in the related Series Account of the Bond Proceeds Fund.

Amounts in the Bond Proceeds Fund shall be expended only: (i) to finance one or more of the purposes authorized by the Bond Resolution; (ii) to pay Costs of Issuance; (iii) to pay principal of and interest on the Bonds when due, to the extent amounts in the Revenue Fund are insufficient for such purpose; (iv) to purchase or redeem Bonds; (v) to pay, purchase or redeem bonds, notes or other obligations of the Administration or any other entity; (vi) for any other use or purpose permitted by the applicable Series Resolution and the Act, and (vii) if so provided in a Supplemental Resolution, to reimburse a Credit Facility Provider or Credit Enhancer for amounts paid or obtained under a Credit Facility or Credit Enhancement for any of the purposes described in clauses (iii), (iv), (v) or (vi) of this paragraph.

The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Bond Proceeds Fund at any time for the purpose of making payments pursuant to clause (i) or (ii) of the preceding paragraph, but only upon receipt of:

(1) a written requisition setting forth each amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Administration) and the purpose of each such payment; and

(2) a certificate of an Authorized Officer identifying such requisition and stating that (A) the amount to be withdrawn from the Bond Proceeds Fund pursuant to such requisition is a proper charge thereon, (B) if such requisition is in connection with the financing of a Loan, including construction advances thereon, such Loan complies with the provisions of the Bond Resolution, and (C) the amount of all payments theretofore or thereupon made by the Administration does not exceed the amount necessary to finance the purpose of such payment.

At any time the Administration may direct the Trustee in writing to transfer amounts in the Bond Proceeds Fund not required for the financing of the Administration's purposes to the Redemption Fund or to apply such amounts directly to the redemption, purchase or retirement of Bonds.

Revenue Fund. §5.03.

The Administration shall cause all Revenues to be deposited promptly with the Trustee in the related Series Account of the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to the Bond Resolution or any Supplemental Resolution or any other funds from any source directed to be deposited therein by the Administration.

The Trustee shall pay out of the Revenue Fund:

(i) on or before each Interest Payment Date or other date or dates on which the following obligations are payable, the amounts required for the payment of Parity Interest, Principal Installments or Sinking Fund Installments, if any, related to Parity Bonds, and principal payments on other Parity Obligations, and

(ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of premium, if any, and accrued interest on outstanding Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for,

and in each such case, such amounts shall be applied by the Trustee to such payments; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

Any amount accumulated in the Revenue Fund up to the unpaid balance of each Sinking Fund Installment may, and, if so directed in writing by the Administration, shall, be applied by the Trustee prior to the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to such Sinking Fund Installment: (i) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the purchases referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such purchases may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

Except as otherwise provided in an applicable Supplemental Resolution, upon the purchase or redemption of any Bond, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of the next Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. Any such instructions shall be given in such manner as, in the best judgment of the Administration, shall provide for the payment of the Sinking Fund Installments thereafter to become due from the remaining Revenues to be derived in connection with the Loans and any other Revenues expected to be available for such payments after considering the amounts payable pursuant to the Loans at such time. The portion of any Sinking Fund Installment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculating Sinking Fund Installments due on a future date.

As soon as practicable after the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to any Sinking Fund Installment, the Trustee shall proceed to select and call for redemption, on such due date, Bonds of the maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Installment. The Trustee shall so call such Bonds for redemption whether or not it then has monies in the Revenue Fund sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Revenue Fund the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by the Trustee to such redemption; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

On each Interest Payment Date, following the payments made in accordance with subsection (b) above, and subject to the requirements and priorities set forth in any applicable Series Resolution authorizing a Series of Bonds, the Trustee shall transfer from the Revenue Fund:

(i) first, an amount equal to the amount necessary to be transferred to the Debt Service Reserve Fund for each Series of Parity Bonds in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available),

(ii) second, to the Bond Proceeds Fund, such amount as the Administration determines is required to finance the purposes or uses described in the Bond Resolution, as evidenced by a certificate of an Authorized Officer,

(iii) third, if so directed by the Administration, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses,

(iv) fourth, if so directed by the Administration, to any Credit Facility Providers, Credit Enhancers or Qualified Hedge Providers an amount equal to any fees due and owing to such Credit Facility Providers, Credit Enhancers or Qualified Hedge Providers,

(v) fifth, to the Administration, an amount equal to any Operating Expenses, to the extent unpaid,

(vi) sixth, to the entities providing Permitted Investments with respect to the funds and accounts or any arrangements or agreements with respect thereto, amounts equal to the fees due and payable on or before the next succeeding Interest Payment Date to such entities, as designated in a certificate of an Authorized Officer, provided that the transfers made pursuant to the foregoing clauses (ii) through (v) shall be consistent with the most recent Cash Flow Statement or Cash Flow Certificate,

(vii) seventh, interest on Subordinate Contract Obligations, Principal Installments or Sinking Fund Installments, if any, related to Subordinate Bonds, and principal payments or other amounts (including Termination Payments) due under, other Subordinate Contract Obligations, and

(viii) eighth, an amount equal to the amount necessary to be transferred to Debt Service Reserve Fund for each Series of Subordinate Bonds in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available).

If the amounts to be transferred pursuant to the foregoing clauses (ii) through (v) are greater than permitted by the most recent Cash Flow Statement or Cash Flow Certificate, such greater amounts may be transferred upon the receipt by the Trustee of a new Cash Flow Statement or Cash Flow Certificate taking such increased transfers into account. At any time after the transfers described in (i) through (viii) above have been made, except as otherwise provided in a Series Resolution, the Administration may upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate, withdraw free and clear of the lien of the Bond Resolution any amount remaining in the Revenue Fund.

The Trustee may at any time make transfers from the Revenue Fund, upon the written direction of an Authorized Officer, to the Redemption Fund for the purposes of such fund. No such transfer shall be made, however, unless there is on deposit in the Revenue Fund after such transfer an amount equal to the

Debt Service accrued on all Outstanding Bonds, and any amounts accrued on Parity Obligations and Subordinate Contract Obligations, as of the date of such transfer.

No payments shall be required to be made into the Revenue Fund so long as the amount on deposit therein shall be sufficient to pay all outstanding Bonds (including the Sinking Fund Installments for the retirement thereof) Parity Obligations, and Subordinate Contract Obligations in accordance with their terms, and any Revenues thereafter received by the Administration may be applied to any lawful purpose of the Administration free and clear of the pledge and lien of the Bond Resolution.

The Administration reserves the right to transfer any legally available funds, including, without limitation, proceeds of Refunding Bonds, to the Trustee for credit to the Revenue Fund to pay all or a portion of scheduled principal or interest payments on any Loan, to cure or avert a default on any Loan, or to make any payment of principal, premium, interest or Sinking Fund Installment with respect to any or all of the Bonds. The Administration shall be entitled to recover from the Borrower any amounts so advanced, together with interest thereon at the rate payable on the Loan, or to enforce its right to such recovery under the Loan.

Redemption Fund. §5.04.

The Trustee shall credit to the Redemption Fund all Recovery Payments, moneys permitted to be transferred from the Debt Service Reserve Fund, the Revenue Fund and the Bond Proceeds Fund and any other amounts provided by or on behalf of the Administration (including, without limitation, proceeds of refunding bonds or other obligations); each of which shall be used and applied, as directed by an Authorized Officer, to any of the following purposes: (i) to provide additional funds to the Bond Proceeds Fund for an increase in the amount of a Loan authorized by the Administration or for new Loans to be made, purchased or financed by the Administration, (ii) for the purchase or redemption of Outstanding Bonds as directed by an Authorized Officer, or (iii) for transfer to the Revenue Fund of amounts included in a Recovery Payment representing interest on a Loan. Upon the direction of an Authorized Officer, the Trustee shall transfer any excess funds then held in the Redemption Fund to the Revenue Fund.

Upon receipt of the instructions from an Authorized Officer, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with the foregoing paragraph to the purchase of Bonds so designated at the most advantageous price obtainable or the redemption of Bonds.

If, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Debt Service Reserve Fund. §5.05.

If moneys in the Revenue Fund are insufficient to provide for the payment when due of any Principal Installment, interest on the Bonds or any Sinking Fund Installment, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the related Series Account of the Revenue Fund the amount of the deficiency then remaining. See “Security for the Bonds — Debt Service Reserve Fund.”

Collateral Reserve Fund. §5.06.

Moneys or Cash Equivalents shall be deposited into the related Series Account of the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution, which may establish terms, conditions and provisions relating to the funding of the Collateral Reserve

Fund, disbursement of moneys or Cash Equivalents from such fund, and maintenance of moneys or Cash Equivalents required to be held in such fund with respect to either a Series of Bonds or generally. The amount of moneys or Cash Equivalents required to be held in the Collateral Reserve Fund may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction, which Cash Flow Certificate shall also state that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. Any balance in the Collateral Reserve Fund in excess of the Collateral Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Collateral Reserve Fund and credited by the Trustee to any other fund.

Acquired Development Fund. §5.07.

Acquired Development Receipts shall be held by the Trustee in the Acquired Development Fund and shall be used solely for the payment of Acquired Development Expenses; provided that any amount specified by an Authorized Officer as not being needed to maintain the Acquired Development Expense Requirement shall be transferred to the Revenue Fund. Payments from the Acquired Development Fund shall be made upon the direction of an Authorized Officer. Upon receipt of each such direction of an Authorized Officer, the Trustee shall pay the amount stated therein to the Administration by check or draft or shall arrange for the transfer, deposit or payment of such amounts as directed by the Authorized Officer.

Enforcement of Loan Provisions. §6.05.

The Administration shall take all reasonable steps, actions and proceedings it deems appropriate or necessary for the enforcement of all terms, covenants and conditions of Loans made, purchased or financed by the Administration, including the prompt collection of Loan repayments and fees and charges and other Revenues.

The Administration may, in its discretion, modify, amend or alter any security for, or any terms or provisions, of any Loan or Mortgage, provided that, if such modification, amendment or alteration is material, the Administration has filed with the Trustee a Cash Flow Certificate taking such sale, release, modification, amendment or alteration into account. The Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

Whenever the Administration deems it necessary or appropriate to protect and enforce the rights of the Administration under a Mortgage securing a Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Administration either shall (i) make claim under any Credit Enhancement relating to the Loan and, if required, assign such Loan to the Credit Enhancer, (ii) commence foreclosure proceedings against the Borrower or the Development, or (iii) take such other action or exercise such other rights of the Administration upon default with respect to the Borrower or the Development as may be determined by the Administration to be in the best interests of the Bondholders. If the Loan is the subject to any Credit Enhancement, the Administration may take such actions or commence such proceedings (or refrain therefrom) as necessary or required by the Credit Enhancer and any applicable rules, regulations or procedures applicable to any Credit Enhancement in order to collect upon or exercise its rights with respect to the Credit Enhancement. To the extent necessary for the protection and enforcement of its rights under such Mortgage, the Administration may accept a deed in lieu of foreclosure or bid for and purchase the Development covered by such Mortgage at the foreclosure

or other sale thereof and may acquire and take possession of such Development if to do so would, in the Administration's judgment, be in the best interests of the Bondholders.

Upon foreclosure of a Mortgage or upon acquisition of an Acquired Development in lieu of foreclosure of a Mortgage, and so long as the Administration shall have title to or be in possession of the Acquired Development, the Administration may, as the case may be, construct, operate and administer such Acquired Development in the place and stead of the Borrower. To the extent moneys on deposit in the Bond Proceeds Fund relating to the Acquired Development or other moneys are available for such purpose, the Administration may apply such moneys to complete the construction and development thereof, if not already completed. The Administration may pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Acquired Development from money withdrawn from the Acquired Development Fund. The Trustee is authorized to pay to the Administration, upon its request, any amount on deposit in the Bond Proceeds Fund with respect to any Acquired Development foreclosed or otherwise acquired by the Administration, upon receipt of advice from an Authorized Officer that such amount is required to pay an item that would have been included in the cost of the Acquired Development had the Administration not acquired the same.

Upon or after foreclosure of a Development under a Mortgage or acquisition thereof from the Borrower in lieu of foreclosure:

- (1) the Administration may convey title to the Acquired Development, provided that such conveyance results in the collection of Credit Enhancement benefits, if any, relating to the Loan;
- (2) the Administration may sell the Acquired Development at the best obtainable price, as determined by and in the judgment of the Administration;
- (3) the Administration may sell the Acquired Development to a Borrower and make a Loan with respect thereto, as if such Borrower were the original Borrower;
- (4) if the Acquired Development has not been completed, the Administration may elect to complete all or any part thereof and sell the Acquired Development as completed and any land not required for such completion as separate parcels for an aggregate price determined in accordance with paragraphs (2) or (5) above; or
- (5) notwithstanding the foregoing, if the fair market value of the Acquired Development, as determined by the Administration based on such appraisals as it deems necessary, is less than the amount computed in accordance with the Bond Resolution, it may nevertheless be sold at its fair market value.

Prepayments of Loans. §6.06.

The Bond Resolution provides that the Administration will not consent to the Prepayment of any Loan unless all of the following requirements are met:

- (1) The Prepayment is permitted by the Credit Enhancer (if any) of the Loan.
- (2) The Administration requires that any voluntary Prepayment shall be in an amount determined by the Administration to be sufficient to provide for payment by the Administration of the following:

(i) an amount sufficient to redeem all Bonds that the Administration, in its discretion, determines to redeem in connection with such Prepayment (“Redemption Bonds”) in a principal amount at least equal to the amount of the Prepayment as of the date selected by the Administration for redemption of such Redemption Bonds (the “Redemption Date”);

(ii) the interest to accrue on the Redemption Bonds to such Redemption Date and premium due on such Redemption Bonds, if any; and

(iii) the costs and expenses of the Administration in effecting such redemption.

(3) In addition to the foregoing, the Administration may require that any voluntary Prepayment shall include an amount sufficient to provide for payment of other costs and expenses incurred in connection with the issuance of the Outstanding Bonds of the Series from which proceeds were used to finance the Loans, as determined by the Administration (including, without limitation capitalized interest, costs of issuance, reserves, bond discount and legal fees not included in the principal of the Loan).

(4) If required, the Administration furnishes to the Trustee a Cash Flow Certificate taking such Prepayment into account.

In determining the foregoing amount, the Administration may include a reasonable estimate of income to be derived from the investment of such Prepayment until the Redemption Date.

Sale of Loans; Release from Lien of Bond Resolution. §6.07.

The Administration is authorized to sell, assign or otherwise dispose of a Loan (and to release the same from the lien of the Bond Resolution), in addition to a sale, assignment or disposition otherwise permitted under the Bond Resolution or any applicable Supplemental Resolution, provided the proceeds of such sale, assignment or disposition shall be treated as a Recovery Payment for purposes of the Bond Resolution and provided, further, that, with respect to any Loan not in default, the Administration files with the Trustee a Cash Flow Certificate taking into account such sale, assignment or disposition.

The Administration is authorized to release a Loan from the lien of the Bond Resolution, provided the Administration files with the Trustee a Cash Flow Certificate taking into account such release.

The Administration is authorized to release a Loan secured by a Credit Facility or Credit Enhancement, reserves created or held with respect to such Loan or the Series of Bonds (or portion of such Series) issued to make, purchase or finance such Loan and any other moneys to be received with respect to such Loan from the lien of the Bond Resolution at the direction of the Credit Facility Provider or Credit Enhancer which issued or provided any Credit Facility securing the Series of Bonds which financed the Loan or the Credit Enhancement securing the Loan, provided such Credit Facility or Credit Enhancement continues in effect. Such release may occur only after payment is made under the terms of the Credit Facility or Credit Enhancement.

Maintenance of Debt Service Reserve Requirement. §6.08.

In the event the amounts held in the Debt Service Reserve Fund shall for any reason be less than the Debt Service Reserve Requirement, the Administration shall cause deposits to be made to the Debt Service Reserve Fund from moneys available in the Revenue Fund until the amounts in such fund shall

equal or exceed the Debt Service Reserve Requirement. *The failure of the Administration to maintain the Debt Service Reserve Requirement shall not, in and of itself, constitute an Event of Default under the Bond Resolution.* See “SECURITY FOR THE BONDS — Debt Service Reserve Fund.”

Accounts and Reports. §6.09.

The Administration shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to the Bond Resolution, which shall at all reasonable times be subject to the inspection of the Trustee or of the holders of an aggregate of not less than five percent in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Annually, within 180 days after the close of each Fiscal Year, the Administration shall file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant’s Report, including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such period and a statement of income, expenses and changes in fund balances for such period. Revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Administration and the accountant to be necessary to present fairly the results of operations for the Fiscal Year and the financial position of such funds and accounts at the end of the Fiscal Year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

Cash Flow Statements and Certificates. §6.13.

See the discussion of Cash Flow Statements and Cash Flow Certificates under the heading “SECURITY FOR THE BONDS — Cash Flow Statements and Certificates.”

A Cash Flow Statement shall be based upon the Administration’s reasonable expectations, and shall be based upon assumptions consistent with those used in the most recent Cash Flow Statement or such other assumptions as shall not adversely affect any of the Rating Agency’s ratings on the Bonds. In calculating the amount of interest due on Bonds in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding on Bonds bearing interest at a variable rate as defined in a Supplemental Resolution, the interest rate used shall be assumed to be the fixed rate, which in the judgment of the remarketing agent for such Bonds, or such other financial consultant selected by the Administration and experienced in the sale of municipal securities (having due regard to the prevailing market conditions), would be necessary to enable such Bonds to be sold at par in the secondary market on the date of such calculation or such higher or lower rate which does not adversely affect any of the Rating Agency’s ratings on the Bonds. The calculations contained in a Cash Flow Statement may be prepared by the Administration or a financial advisor or a financial or accounting firm acceptable to the Administration.

Discharge of Lien. §7.01.

If the Administration shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of Parity Obligations and Subordinate Contract Obligations the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein and in the Bond Resolution, then unless the Trustee is advised by an Authorized Officer to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Bond Resolution, and execute and deliver to the Administration such instruments in writing as shall be requisite to release the lien of the Bond Resolution, and reconvey, release, assign and deliver unto the Administration any and all the estate,

right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Bond Resolution, except cash held by the Trustee or any Paying Agent for the payment of the principal of, premium, if any, and interest on the Parity Obligations and Subordinate Contract Obligations.

Any Parity Obligations or Subordinate Contract Obligations shall be deemed to be paid for all purposes of the Bond Resolution when payment of the principal of, premium, if any, and interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided in the Bond Resolution) either: (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment or (B) either Federal Obligations or Pre-Refunded Municipal Obligations maturing as to principal and interest in such amount and at such time as will ensure, together with any moneys held for payment of the Parity Obligations or Subordinate Contract Obligations, the availability of sufficient moneys to make such payment. At such times as a Parity Obligation or Subordinate Contract Obligation shall be deemed to be paid under the Bond Resolution, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Bond Resolution, except for the purposes of any such payment from such moneys, Federal Obligations or Pre-Refunded Municipal Obligations.

Notwithstanding the foregoing, no deposit under clause (B) of the immediately preceding paragraph shall be deemed a payment of such Parity Obligations and Subordinate Contract Obligations as aforesaid until: (i) proper notice of redemption of such Parity Obligations or Subordinate Contract Obligations shall have been previously given in accordance with the Bond Resolution, or in the event said Parity Obligations or Subordinate Contract Obligations are not by their terms subject to redemption within the next succeeding 60 days, until the Administration shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Parties or holders or owners of the Parity Obligations or Subordinate Contract Obligations, in accordance the Bond Resolution that the deposit required by subparagraph (ii) above has been made with the Trustee and that said Parity Obligations and Subordinate Contract Obligations are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Parity Obligations and Subordinate Contract Obligations; or (ii) the maturity of such Parity Obligations and Subordinate Contract Obligations.

Notwithstanding the foregoing, in the case of Parity Obligations or Subordinate Contract Obligations which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Parity Obligations or Subordinate Contract Obligations as aforesaid until the Administration shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

- (i) stating the date when the principal (and premium, if any) of each such Parity Obligations or Subordinate Contract Obligations is to be paid, whether at maturity or on a redemption date;

- (ii) to call for redemption pursuant to the Bond Resolution any Parity Obligations or Subordinate Contract Obligations to be redeemed prior to maturity pursuant to paragraph (i) above; and

- (iii) to notify, as soon as practicable, in the manner prescribed by the Bond Resolution the holders of such Parity Obligations or Subordinate Contract Obligations that the deposit required has been made with the Trustee and that said Parity Obligations or Subordinate

Contract Obligations are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Parity Obligations or Subordinate Contract Obligations as specified in paragraph (i) above.

If the Administration shall pay or cause to be paid, or there otherwise shall be paid to the Parties to or the holders of all Parity Obligations and Subordinate Contract Obligations, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, such Parity Obligations and Subordinate Contract Obligations shall cease to be entitled to any lien, benefit or security under the Bond Resolution and the applicable Series Resolution, and the applicable Series Resolution and all covenants, agreements and obligations of the Administration to Parties to or the holders of such Parity Obligations and Subordinate Contract Obligations shall thereupon cease, terminate and become void and be discharged and satisfied.

All moneys so deposited with the Trustee as provided in this Section may at the direction of the Administration also be invested and reinvested in Federal Obligations or Pre-Refunded Municipal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations or Pre-Refunded Municipal Obligations in the hands of the Trustee which is not required for the payment of the Parity Obligations and Subordinate Contract Obligations and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for application as are other moneys deposited in such fund. The Trustee may sell, transfer or otherwise dispose of the Federal Obligations and Pre-Refunded Municipal Obligations deposited with the Trustee pursuant to this Section; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other Federal Obligations and Pre-Refunded Municipal Obligations, the principal of and the interest on which when due will provide monies which, together with the monies on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Parity Obligations and Subordinate Contract Obligations on and prior to the redemption date or maturity date thereof, as the case may be.

All moneys, Federal Obligations and Pre-Refunded Municipal Obligations set aside and held in trust pursuant for the payment of Parity Obligations and Subordinate Contract Obligations (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Parity Obligations and Subordinate Contract Obligations (including interest and premium thereof, if any) with respect to which such moneys, Federal Obligations and Pre-Refunded Municipal Obligations have been so set aside in trust.

Events of Default. §8.01.

Each of the following shall constitute an event of default under the Bond Resolution:

(a) Interest on any of the Bonds is not paid within 30 days after the same becomes due, or the principal or redemption price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption, or a Sinking Fund Installment is not paid when due;

(b) If there is a material default in the performance or observance of any other of the Administration's covenants, agreements or conditions contained in the Bond Resolution, a Series Resolution or the Bonds, and such default is not remedied after notice thereof; or

(c) If the Administration shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

No default under clause (b) above shall constitute an Event of Default until actual notice of such default shall be given to the Administration by the Trustee or by the holders of not less than 100% in aggregate principal amount of all Bonds Outstanding and the Administration shall have had 180 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided that if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Administration within the applicable period and diligently pursued until the default is corrected.

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds, only Bonds other than Subordinate Bonds shall be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds, any acceleration or other remedy shall relate only to Subordinate Bonds.

Under no circumstances shall the Administration's failure to pay (i) Parity Obligations other than Bonds, (ii) Termination Payments or (iii) Subordinate Contract Obligations constitute an Event of Default.

Remedies; Rights of Bondholders. §8.02.

Upon the occurrence of an Event of Default described in Paragraph (a) under the heading "Events of Default. §8.01" above, the Trustee may pursue any available remedy under the Act, at law or in equity to enforce the payment of the principal and interest on the Parity Obligations and Subordinate Contract Obligations then Outstanding, including, declaring the principal of all Parity Obligations and Subordinate Contract Obligations Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such Parity Obligations and Subordinate Contract Obligations shall thereupon become immediately due and payable.

In addition, upon the occurrence of an Event of Default, the Administration shall:

(a) if requested so to do by the holders of no less than 100% in aggregate principal amount of Bonds then Outstanding, effectuate the assignment to the Trustee of any or all of the Loans and Mortgages held by the Administration and financed under the Program;

(b) subject the books of record and account of the Administration and all records relating to the Program to the inspection and use of the Trustee and of its agents and attorneys; and

(c) whenever the Trustee shall demand, account as if it were the trustee of an express trust for all Revenues and other money, securities and funds and accounts pledged or held under the Bond Resolution for such period as shall be stated in such demand.

Right of Bondholders to Direct Proceedings. §8.03.

The holders of 100% of the aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings under the Bond Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Resolution.

Rights and Remedies of Bondholders. §8.07.

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Bond Resolution or for the execution of any trust of the Bond Resolution or for the appointment of a receiver or any other remedy under the Bond Resolution, unless (1) a default has occurred of which the Trustee has been notified or of which it is deemed to have notice, (2) such default shall have become an Event of Default and the owners of not less than 100% in aggregate principal amount of Bonds then Outstanding shall have made written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, (3) they have offered to the Trustee indemnity as required by the Bond Resolution, and (4) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity shall be instituted, had and maintained for the equal and ratable benefit of the holders of all Bonds then Outstanding (other than owners of Subordinate Bonds, who shall be entitled to the priority established with respect to the applicable Series of Subordinate Bonds). However, nothing contained in the Bond Resolution shall affect or impair the right of any Bondholders to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Administration to pay the principal of and interest on each of the Bonds issued under the Bond Resolution to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

Waivers of Events of Default. §8.09.

The Trustee may at its discretion waive any Event of Default under the Bond Resolution and its consequences, and shall do so upon the written request of the holders of (1) more than 100% in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Supplemental Bond Resolutions. §9.01 - §9.03.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration supplementing the Bond Resolution may be adopted, which resolution, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms to:

- (a) close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on, the issuance in the future of Bonds;
- (b) add to the covenants or agreements of the Administration in the Bond Resolution, other covenants or agreements to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (c) add to the limitations, restrictions or provisions in the Bond Resolution, other limitations, restrictions or provisions to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (d) surrender any right, power or privilege reserved to or conferred upon the Administration by the Bond Resolution;
- (e) confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or any other money, Loans, funds or accounts; or
- (f) specify, determine or authorize by Series Resolution any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration, amending or supplementing the Bond Resolution, may be adopted, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Administration of an instrument in writing made by the Trustee consenting to such resolution, shall be fully effective in accordance with its terms to:

- (a) cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution;
- (b) insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; or
- (c) amend the Bond Resolution in any respect which, in the opinion of the Trustee, is not materially adverse to the interests of the Bondholders and will not, in and of itself, adversely affect the ratings on the Bonds in effect immediately before the adoption of such amendment.

Except as provided above, the holders of not less (i) two-thirds in aggregate principal amount of the Parity Bonds (as to Supplemental Resolutions relating to the Parity Bonds) or (ii) two-thirds in aggregate principal amount of the Subordinate Bonds (as to Supplemental Resolutions relating to the Subordinate Bonds), shall have the right, from time to time, anything contained in the Bond Resolution to

the contrary notwithstanding, to consent to and approve the execution by the Administration and the Trustee of such Supplemental Resolutions hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any Supplemental Resolutions; provided that nothing in this paragraph shall permit, or be construed as permitting, without the consent of the holders of all Outstanding Parity Bonds or Subordinate Bonds, as the case may be, (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any Bond issued under the Bond Resolution, or (b) a reduction in the principal amount of any Bond or the rate of interest, or sinking fund redemption requirements, thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution, or (e) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Bond Resolution or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

Investment of Funds and Accounts. §10.02.

Except as otherwise provided in the Bond Resolution, the Administration may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the funds and accounts held by the Trustee in Permitted Investments, the maturity or redemption date (at the option of the Administration or the Trustee) of which shall coincide as nearly as practicable with the times at which moneys in said fund or account will be required for the purposes provided in the Bond Resolution.

Except as otherwise provided in a Series Resolution, the amount in any fund or account held by the Trustee under the provisions of the Bond Resolution shall be determined as of the end of each month as follows:

- (i) the bid and asked prices of investments as published by a nationally recognized pricing service on or the date immediately preceding the date of determination, or the average bid price at the time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;
- (ii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (iii) as to any investment not specified above: the value thereof established by prior agreement between the Administration and the Trustee.

The Trustee shall sell at the best price obtainable, as determined by the Administration, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

Trustee. Article XI.

The Trustee or any successor Trustee shall be a bank, trust company or national banking association having trust powers and a combined capital and surplus of not less than \$50,000,000. The Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of the Bond Resolution or Bonds, or to advance

any of its own moneys, unless properly indemnified. The Trustee shall not be liable in connection with the performance of its duties under the Bond Resolution, except for its own negligence or default.

The Trustee may become the owner of or may deal in Parity obligations or Subordinate Contract Obligations or may act as a Servicer as fully and with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Administration and giving or publishing notice thereof, specifying the date when such resignation is proposed take effect, within 20 days after the giving of such written notice. Such resignation shall not, however, take effect unless previously a successor shall have been appointed by the Administration or Bondholders as provided in the Bond Resolution, in which event such resignation shall take effect immediately on the appointment of such successor and its acceptance of such appointment.

The Trustee, or any successor thereof, may be removed at any time by the Administration (so long as the Administration is not in default under the Bond Resolution) in its sole discretion (including, without limitation, competitive or negotiated bidding for services) by notice given by the Administration to the Trustee, or by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Administration.

If 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 office shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Trustee and to the Administration. Pending such appointment, the Administration shall forthwith appoint a successor Trustee to fill such vacancy until a successor Trustee shall be appointed by Bondholders as authorized under the Bond Resolution.

The Administration reserves the right to approve, in its sole discretion, any successor Trustee if any Trustee is merged or converted or consolidated or if any Trustee sells or transfers all, substantially all or any portion of its corporate trust business. Any proposed transfer of the trusts created under the Bond Resolution to a successor not approved by the Administration shall constitute sufficient ground for removal of the Trustee. The Administration, in its sole discretion, reserves the right, in the future and from time to time, to undertake to obtain competitive proposals from financial and trust institutions for the performance of the services of Trustee, Registrar and Paying Agent under the Bond Resolution. The Trustee, Paying Agent and Registrar each agree that in the event its proposal is not accepted by the Administration in such circumstances, it shall resign as Trustee, Registrar or Paying Agent upon request of the Administration. Alternatively, at the option of the Administration, the failure of the Trustee, Registrar or Paying Agent to be the party whose proposal is accepted for trustee, registrar or paying agent services in the future shall constitute sufficient reason for removal of the Trustee, Registrar or Paying Agent under the Bond Resolution by the Administration.

Publication of Notice. §12.07.

Whenever the Administration or the Trustee is required or permitted to give or publish notice of any event or occurrence under the Bond Resolution, such notice shall be given or published in such manner and by such means as the Administration or the Trustee, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Administration or the Trustee, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to one or more “nationally recognized municipal securities information repositories” (as such terms is defined in Securities and Exchange Commission Rule 15c2-12) or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the person entitled to receive the notice at such person’s address as shown on the records of the Administration or the Trustee.

APPENDIX I

**FINANCIAL STATEMENTS OF THE
COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

**COMMUNITY DEVELOPMENT ADMINISTRATION
HOUSING REVENUE BONDS**

JUNE 30, 2013 AND 2012

Community Development Administration
Housing Revenue Bonds

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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Administration Housing Revenue Bonds (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Community Development Administration Housing Revenue Bonds early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities.

Other Matters

The financial statements of Community Development Administration Housing Revenue Bonds as of June 30, 2012, were audited by other auditors whose report dated September 28, 2012, expressed an unmodified opinion on those statements. As part of our audit of the 2013 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Fund other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

As discussed in Note 1, the financial statements present only the Community Development Administration Housing Revenue Bonds and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2013, and the changes in its net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 29 and 30, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Baltimore, Maryland
October 18, 2013

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF NET POSITION
(in thousands)

June 30, 2013 and 2012

	2013	2012
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	\$ 46,742	\$ 41,785
Mortgage-backed securities	3,641	4,009
Mortgage loans		
Single family	27	31
Multi-family construction and permanent financing	2,670	2,952
Accrued interest and other receivables	1,716	1,889
Total restricted current assets	<u>54,796</u>	<u>50,666</u>
Restricted long-term assets		
Investments	7,646	8,380
Mortgage-backed securities, net of current portion	276,813	331,982
Mortgage loans, net of current portion and allowance		
Single family	92	135
Multi-family construction and permanent financing	83,895	68,706
Total restricted long-term assets	<u>368,446</u>	<u>409,203</u>
Total restricted assets	<u>\$ 423,242</u>	<u>\$ 459,869</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accrued interest payable	\$ 8,865	\$ 10,043
Accounts payable	75	41
Bonds payable	29,895	8,925
Deposits by borrowers	2,268	1,749
Total current liabilities	<u>41,103</u>	<u>20,758</u>
Long-term liabilities		
Bonds payable, net of current portion	327,004	375,259
Deposits by borrowers, net of current portion	5,687	6,331
Total long-term liabilities	<u>332,691</u>	<u>381,590</u>
Total liabilities	373,794	402,348
NET POSITION		
Restricted	<u>49,448</u>	<u>57,521</u>
Total liabilities and net position	<u>\$ 423,242</u>	<u>\$ 459,869</u>

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
(in thousands)

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenue		
Interest on mortgage loans	\$ 4,475	\$ 4,444
Interest on mortgage-backed securities	15,899	18,660
Interest income on investments	531	603
(Decrease) increase in fair value of investments	(730)	1,283
Fee income	683	-
Other operating revenue	18	31
	<u>20,876</u>	<u>25,021</u>
Operating expenses		
Interest expense on bonds	19,099	21,452
Professional fees and other operating expenses	234	219
	<u>19,333</u>	<u>21,671</u>
Operating income	<u>1,543</u>	<u>3,350</u>
Nonoperating (expenses) revenue		
(Decrease) increase in fair value of mortgage-backed securities	<u>(8,491)</u>	<u>6,303</u>
Total nonoperating (expenses) revenue	<u>(8,491)</u>	<u>6,303</u>
Transfers of funds, as permitted by the Resolution	<u>(1,125)</u>	<u>(1,125)</u>
CHANGES IN NET POSITION	(8,073)	8,528
Net position - restricted at beginning of year, as previously stated	57,521	43,758
Cumulative effect of change in accounting principle	<u>-</u>	<u>5,235</u>
Net position - restricted at beginning of year, as restated	<u>57,521</u>	<u>48,993</u>
Net position - restricted at end of year	<u><u>\$ 49,448</u></u>	<u><u>\$ 57,521</u></u>

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Principal and interest received on mortgage loans	\$ 20,411	\$ 9,049
Principal and interest received on mortgage-backed securities	63,162	60,978
Escrow funds received	2,356	2,622
Escrow funds paid	(2,481)	(2,126)
Loan fees received	674	-
Purchase of mortgage loans	(30,818)	-
Professional fees and other operating expenses	(258)	(195)
Other income received	18	31
Other reimbursements	58	17
Net cash provided by operating activities	<u>53,122</u>	<u>70,376</u>
Cash flows from investing activities		
Interest received on investments	<u>522</u>	<u>605</u>
Net cash provided by investing activities	<u>522</u>	<u>605</u>
Cash flows from noncapital financing activities		
Proceeds from the sale of bonds	37,670	-
Payments on bond principal	(64,955)	(45,945)
Interest on bonds	(20,277)	(22,714)
Transfers among Funds	<u>(1,125)</u>	<u>(1,125)</u>
Net cash used in noncapital financing activities	<u>(48,687)</u>	<u>(69,784)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT	4,957	1,197
Cash and cash equivalents on deposit at beginning of year	<u>41,785</u>	<u>40,588</u>
Cash and cash equivalents on deposit at end of year	<u><u>\$ 46,742</u></u>	<u><u>\$ 41,785</u></u>

(continued)

Community Development Administration
Housing Revenue Bonds

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,543	\$ 3,350
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in assets		
Mortgage loans	(14,860)	4,592
Mortgage-backed securities	47,046	42,113
Accrued interest and other receivables	173	216
(Decrease) increase in liabilities		
Accrued interest payable	(1,178)	(1,262)
Accounts payable	34	41
Deposits by borrowers	(125)	496
Amortizations		
Investment premiums	4	4
Decrease (increase) in fair value of investments	730	(1,283)
Interest received on investments	(522)	(605)
Interest on bonds	<u>20,277</u>	<u>22,714</u>
Net cash provided by operating activities	<u>\$ 53,122</u>	<u>\$ 70,376</u>

See notes to financial statements

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2013 and 2012

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) was created in 1970 by Sections 266 DD-1 to 266 DD-8 of Article 41 (now in Sections 4-101 through 4-255 of the Housing and Community Development Article) of the Annotated Code of Maryland to meet the shortage of adequate, safe and sanitary housing in the State of Maryland, particularly for persons or families of limited income. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Housing Revenue Bonds (the Fund). CDA's other Funds are not included. The Fund was established to issue bonds to provide funds to finance or refinance loans for various types of housing. As of June 30, 2013 and 2012, Housing Revenue Bonds have primarily financed multi-family projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). Consequently, CDA applies all applicable GASB pronouncements.

In accordance with accounting guidance issued by GASB, net position should be reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation. Accordingly, the net position of the Fund is restricted as to its use as the net position is pledged to bondholders.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Recent Accounting Pronouncements

During fiscal year 2013, CDA implemented the provisions of GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Prior to the adoption of this standard, CDA adopted all Financial Accounting Standards Board (FASB) statements issued, unless those pronouncements conflicted with or contradicted GASB standards. With the adoption of GASB Statement No. 62, CDA no longer adopts or applies FASB statements.

During fiscal year 2013, CDA implemented GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. The impact of this statement was to formally replace the reporting title of net assets with the reporting title of net position, and to report the effect of the separate classifications of deferred outflows of resources and deferred inflows of resources on net position. The provisions of GASB Statement No. 63 have been applied retroactively.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2013, CDA early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities. The objective of this statement is to either: properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources; or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The impact of this statement on CDA's accounting policies is described in detail within Note 2 for the affected accounts. The provisions of GASB Statement No. 65 have been applied retroactively.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2013 and 2012, all of the Fund's cash equivalents were invested in a money market mutual fund which is more fully described in Note 3.

Investments

Investments are principally governmental debt securities or investment agreements collateralized by governmental debt securities. Debt securities are stated at fair value, based on quoted market prices. Investments are classified as current or long-term based on the maturity date or call date. Callable investments are classified as current, if exercise of the call within the next fiscal year is probable. Investments are more fully described in Note 3.

Mortgage-Backed Securities

These guaranteed securities are issued in connection with mortgage loans on multi-family projects. They are stated at fair value, based on quoted market prices. Mortgage-backed securities are more fully described in Note 3.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans

Prior to the implementation of GASB Statement No. 65, mortgage loans were carried at their unpaid principal balances, net of allowance and unamortized loan fees. Loan fees were deferred and amortized over the life of the related loans using the effective interest method. With the implementation of GASB Statement No. 65, all mortgage loans, not held for sale, are classified as held for investment and as such their related loans fees are recognized as revenue in the period received. Deferred loan fees have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$5,342, increases net position and reflects the amount of capitalized fees received prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$4,699 of deferred loan fees thus increasing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization of deferred loan fees resulting in a decrease of \$643 in changes in net position. For fiscal year 2013, \$683 of loan fees were recognized as revenue. Any single family mortgage loan in foreclosure with a pending insurance claim is recorded as other receivables. See Notes 4 and 10 for additional information on mortgage loans and mortgage insurance, respectively.

Allowance for Loan Losses

Substantially all the mortgage loans of the Fund are insured or guaranteed. Less than 1% of the loan portfolio is uninsured and CDA has established an allowance for loan losses on these loans. Management believes the allowance established is adequate based on prior experience and evaluations from DHCD's asset management group. See Notes 4 and 10 for additional information.

Accrued Interest Receivables

Accrued interest receivables include interest on loans and investments. On insured multi-family mortgage loans that are in default, CDA continues to accrue interest until receipt of a mortgage insurance claim. On insured single family loans, interest ceases to accrue after foreclosure. See Note 5 for additional information.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Bond Issuance Costs

Prior to the implementation of GASB Statement No. 65, costs incurred in issuing bonds were capitalized and amortized using the effective interest method for each respective bond issue. With the implementation of GASB Statement No. 65, bond issuance costs are recognized and expensed in the period incurred. Deferred bond issuance costs have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$107, decreases net position and reflects the amount of capitalized costs incurred prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$98 of deferred bond issuance costs thus reducing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization expense, resulting in an increase of \$9 in changes in net position. For fiscal year 2013, there were no bond issuance costs incurred to be recognized.

Bonds Payable

Bonds payable are carried at their unpaid principal balances, net of original issue discounts or premiums. See Notes 6, 7 and 8 for more information.

Deposits by Borrowers

This account consists of escrows and reserves held by CDA on behalf of multi-family housing developments. CDA invests these deposits and, for reserves, allows earnings to accrue to the benefit of the mortgagor. Escrows represent amounts held by CDA for mortgage insurance and hazard insurance premiums and real estate taxes, all of which are generally paid annually and which are classified as a current liability. Based on the current year's reserve disbursements, CDA has estimated the current reserve liability. The balance of the reserves is classified as long-term. See Note 8 for further information on changes in long-term obligations.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Yield Limitations

All mortgage loans are subject to yield limitations under the Internal Revenue Service Code (the Code) in order for the associated bonds to maintain their tax-exempt status. At the time of bond issuance and over the term of the bonds, CDA determines and maintains compliance with the permitted mortgage yield on the loans. In certain bond refunding transactions, CDA transfers loans from prior series of bonds to the refunding series. CDA monitors the yield on these transferred loans to ensure that the composite yield over the term of the bonds is within the yield limitations of the Code. If at any time the composite yields on the transferred loans are out of compliance with the Code, CDA has certain remedies available to bring the yield into compliance. As of June 30, 2013 and 2012, all mortgage loan yields were in compliance with the Code.

Interest on Mortgage Loans and Mortgage-Backed Securities

Interest on mortgage loans and mortgage-backed securities is calculated using the effective interest method.

Fee Income

Prior to the implementation of GASB Statement No. 65, financing fees received at loan origination were deferred and amortized over the life of the loan. With the implementation of GASB Statement No. 65, loan fees are recognized as revenue in the period received as fee income. Deferred loan fees have been retroactively restated on the Statements of Revenue, Expenses and Changes in Net Position to reflect the change. The cumulative effect of this change in accounting principle, in the amount of \$5,342, increases net position and reflects the amount of capitalized fees received prior to fiscal year 2012. The 2012 Statement of Net Position was restated, eliminating \$4,699 of deferred loan fees thus increasing total restricted assets. In addition, the 2012 Statement of Revenue, Expenses and Changes in Net Position was restated to reflect previously recorded amortization of deferred loan fees resulting in a decrease of \$643 in changes in net position. For fiscal year 2013, \$683 of loan fees were recognized as revenue.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

The employees of CDA are covered by the Maryland State Retirement and Pension System and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 11 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in accordance with accounting guidance issued by GASB. Operating revenue and expenses are identified as those activities that are directly related to financing affordable housing in the State of Maryland. The Fund's activities are considered to be operating except for increases and decreases in the fair value of mortgage-backed securities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting period. Actual results could differ from these estimates.

Reclassification

Certain reclassifications have been made, none of which affected the results of activities and changes in net position, to present the financial statements on a consistent basis.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES

Bond proceeds and revenues from mortgages, mortgage-backed securities and investments are invested in authorized investments as defined in the Housing Revenue Bond Resolution (the Resolution) and in CDA's Investment Policy until required for purchasing mortgage-backed securities or originating mortgage loans, funding reserves, paying bond debt service or redeeming outstanding bonds, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, repurchase agreements, investment agreements, money market funds and certificates of deposit.

The following assets, reported at fair value and held by the Fund as of June 30, 2013 and 2012, are evaluated in accordance with accounting guidance issued by GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Assets	2013	2012
Cash and cash equivalents:		
Federated Prime Cash Obligations Fund	\$ 46,742	\$ 41,785
Investments:		
Obligations of the U.S. Treasury	7,646	8,380
GNMA mortgage-backed securities	280,454	335,991
Total	<u>\$ 334,842</u>	<u>\$ 386,156</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED SECURITIES (Continued)

As of June 30, 2013, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized cost	Fair value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	\$ 46,742	\$ 46,742	\$ 46,742	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,494	7,646	-	-	-	7,646	-
GNMA mortgage-backed securities	270,147	280,454	-	-	-	-	280,454
Total	<u>\$ 322,383</u>	<u>\$ 334,842</u>	<u>\$ 46,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,646</u>	<u>\$ 280,454</u>

As of June 30, 2012, the amortized cost, fair value and maturities for these assets were as follows:

Asset	Amortized cost	Fair value	Maturities (in years)				
			Less than 1	1 - 5	6 - 10	11 - 15	More than 15
Federated Prime Cash Obligations Fund	\$ 41,785	\$ 41,785	\$ 41,785	\$ -	\$ -	\$ -	\$ -
Obligations of the U.S. Treasury	5,498	8,380	-	-	-	8,380	-
GNMA mortgage-backed securities	317,193	335,991	-	-	-	-	335,991
Total	<u>\$ 364,476</u>	<u>\$ 386,156</u>	<u>\$ 41,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,380</u>	<u>\$ 335,991</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

The Federated Prime Cash Obligations Fund invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. Government. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As noted above, as of June 30, 2013 and 2012, the cost of the money market mutual fund approximated fair value.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution requires investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the amount that CDA may invest in any one issuer or counterparty. According to the Resolution and CDA's Investment Policy, securities must be at a rating no lower than the rating on the bonds or, if an investment maintains only a short-term rating, a rating not less than F1/P-1; and financial institutions who are a counterparty to CDA in investment agreements must be rated at least comparable to the existing rating on CDA bonds unless counterparty ratings lower than the bond ratings are permitted and do not affect the ratings on the bonds. In addition, certain investment and repurchase agreements require counterparty ratings no less than the ratings on the bonds. As of June 30, 2013 and 2012, all counterparty ratings were at least equal to the ratings on the Fund's bonds. As of June 30, 2013 and 2012, the ratings on Housing Revenue Bonds were Aa2 by Moody's Investors Service and AA+ by Fitch Ratings. The following table provides credit quality rating information for the investment portfolio and individual issuers, if they represent 5 percent or more of total investments in accordance with accounting guidance issued by GASB.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 -CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

As of June 30, 2013, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	\$ 46,742	13.96%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	280,454	83.76%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>7,646</u>	<u>2.28%</u>		Direct U.S. Obligations	
Total	<u>\$ 334,842</u>	<u>100.00%</u>			

As of June 30, 2012, credit ratings and allocation by type of investments for the following assets were:

Asset	Fair Value	Percentage of total investments	Money market fund rating	Securities credit rating	Rating agency
Federated Prime Cash Obligations Fund	\$ 41,785	10.82%	Aaa		Moody's
Government National Mortgage Association Mortgage-backed securities	335,991	87.01%		Direct U.S. Obligations	
Obligations of the U.S. Treasury	<u>8,380</u>	<u>2.17%</u>		Direct U.S. Obligations	
Total	<u>\$ 386,156</u>	<u>100.00%</u>			

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 3 - CASH, CASH EQUIVALENTS, INVESTMENTS AND MORTGAGE-BACKED
SECURITIES (Continued)

All mortgage-backed securities held by the Fund are guaranteed by the Government National Mortgage Association (GNMA), an instrumentality of the United States Government. GNMA securities are “fully modified pass-through” mortgage-backed securities which require monthly payments by a Federal Housing Administration (FHA) lender, as the issuer of the Guaranteed Security to CDA. GNMA guarantees timely payment of principal and interest on Guaranteed Securities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2013 and 2012, the Fund’s investments were not subject to custodial credit risk under accounting guidance issued by GASB. CDA’s investments and collateralized securities are held in trust by the trustee or the trustee’s agent, kept separate from the assets of the bank and from other trust accounts and are held in CDA’s name.

NOTE 4 - MORTGAGE LOANS

All the mortgage loans are secured by first liens on the related property and approximately 98% are insured or credit enhanced by FHA, Maryland Housing Fund (MHF), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (FNMA) or GNMA. As of June 30, 2013 and 2012, interest rates on such loans range from 0.85% to 7.85% and 3.70% to 7.85%, respectively, with remaining loan terms ranging from 3 months to 40 years and less than 3 years to 38 years, respectively. For the years ended June 30, 2013 and 2012, an allowance for loan losses in the amount of \$43 has been established for uninsured loans.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 5 - ACCRUED INTEREST RECEIVABLES

Accrued interest receivables as of June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Accrued mortgage loan interest	\$ 409	\$ 387
Accrued mortgage-backed securities interest	1,237	1,454
Accrued investment interest	46	48
Negative arbitrage due from mortgagors	15	-
Miscellaneous billings	<u>9</u>	<u>-</u>
	<u>\$ 1,716</u>	<u>\$ 1,889</u>

NOTE 6 - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision.

The provisions of the Resolution require or allow for the special redemption of bonds at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. All outstanding bonds are subject to optional redemption, in whole or in part at any time, after certain dates, as specified in the respective series resolutions, at a redemption price equal to the principal amount thereof to be redeemed. All bonds are tax-exempt and have fixed interest rates.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2013 and the debt outstanding and bonds payable as of June 30, 2013:

	Issue dated	Range of interest rates	Range of maturities	Debt	Bond Activity			Debt	Bond discounts deferred	Bonds payable
				Outstanding at June 30, 2012	New bonds issued	Scheduled maturity payments	Bonds redeemed	Outstanding at June 30, 2013		at June 30, 2013
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% -5.95%	2016 - 2023	\$ 11,490	\$ -	\$ (1,685)	\$ (1,670)	\$ 8,135	\$ -	\$ 8,135
Series 1996 B	11/01/96	5.875% -5.95%	2016 - 2028	1,365	-	(60)	-	1,305	-	1,305
Series 1999 A	02/01/99	4.70% -5.35%	2012 - 2041	14,630	-	(210)	-	14,420	-	14,420
Series 1999 D	12/01/99	5.90% -6.35%	2013 - 2042	5,700	-	(275)	-	5,425	-	5,425
Series 2000 A	10/01/00	5.30% -6.10%	2012 - 2042	25,245	-	(310)	(7,230)	17,705	-	17,705
Series 2001 A	07/01/01	4.95% -5.625%	2012 - 2043	14,825	-	(210)	(14,615)	-	-	-
Series 2001 B	10/01/01	5.10% -5.45%	2016 - 2043	25,185	-	(470)	-	24,715	-	24,715
Series 2002 A	03/01/02	4.90% -5.70%	2012 - 2043	8,810	-	(105)	-	8,705	-	8,705
Series 2002 B	10/01/02	3.85% -5.05%	2012 - 2045	31,135	-	(390)	(4,755)	25,990	-	25,990
Series 2002 C	10/01/02	3.85% -5.00%	2012 - 2035	6,035	-	(125)	(5,910)	-	-	-
Series 2002 D	10/01/02	3.85% -5.00%	2012 - 2035	7,495	-	(145)	(7,350)	-	-	-
Series 2003 A	04/01/03	4.00% -5.22%	2012 - 2045	23,270	-	(275)	-	22,995	-	22,995
Series 2003 B	07/01/03	3.65% -5.00%	2012 - 2045	16,380	-	(210)	(16,170)	-	-	-
Series 2003 C	09/01/03	4.15% -5.90%	2012 - 2045	10,150	-	(110)	-	10,040	(6)	10,034
Series 2003 D	12/01/03	3.90% -5.125%	2012 - 2045	11,350	-	(135)	-	11,215	-	11,215
Series 2004 B	03/31/04	3.30% -4.70%	2012 - 2046	19,000	-	(240)	-	18,760	-	18,760
Series 2004 C	06/10/04	4.35% -5.40%	2012 - 2047	33,950	-	(355)	-	33,595	-	33,595
Series 2004 D	11/23/04	4.35% -5.00%	2015 - 2037	1,450	-	(85)	-	1,365	-	1,365
Series 2005 A	02/17/05	4.25% -4.85%	2015 - 2047	6,065	-	(70)	-	5,995	-	5,995
Series 2005 B	04/21/05	4.05% -5.10%	2012 - 2047	18,425	-	(210)	-	18,215	-	18,215
Series 2005 C	12/14/05	4.05% -5.15%	2012 - 2047	12,230	-	(385)	-	11,845	-	11,845
Series 2006 A	04/27/06	4.10% -5.05%	2012 - 2047	9,575	-	(120)	-	9,455	-	9,455
Series 2006 B	04/27/06	4.10% -5.00%	2012 - 2039	2,810	-	(140)	-	2,670	-	2,670
Series 2006 C	04/27/06	3.80% -4.75%	2012 - 2036	1,925	-	(45)	-	1,880	-	1,880
Series 2006 D	09/27/06	4.91%	7/1/2048	4,310	-	(40)	-	4,270	-	4,270
Series 2007 A	06/14/07	4.00% -4.95%	2012 - 2049	20,865	-	(315)	-	20,550	-	20,550
Series 2007 B	08/30/07	5.51%	1/1/2038	4,750	-	(60)	-	4,690	-	4,690
Series 2007 C	12/20/07	5.38%	1/1/2043	1,495	-	(15)	-	1,480	-	1,480
Series 2008 A	05/29/08	5.24%	7/1/2038	5,535	-	(100)	-	5,435	-	5,435
Series 2008 B	05/29/08	5.63%	7/1/2049	10,120	-	(80)	-	10,040	-	10,040
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% -6.75%	2013 - 2039	3,780	-	(60)	-	3,720	-	3,720
Series 2009 A	11/24/09	5.25%	7/1/2041	7,460	-	(220)	-	7,240	-	7,240
Series 2012 A	07/26/12	0.40% -4.375%	2014 - 2054	-	9,340	-	-	9,340	-	9,340
Series 2012 B	08/30/12	0.45% -4.125%	2014 - 2054	-	5,505	-	-	5,505	-	5,505
Series 2012 C	09/13/12	0.85%	9/1/2014	-	7,200	-	-	7,200	-	7,200
Series 2012 D	11/07/12	0.40% -3.875%	2014 - 2054	-	4,700	-	-	4,700	-	4,700
Series 2013 A	02/28/13	0.55% -4.00%	2015 - 2054	-	10,925	-	-	10,925	-	10,925
Total				\$ 384,190	\$ 37,670	\$ (7,255)	\$ (57,700)	\$ 356,905	\$ (6)	\$ 356,899

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 6 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2012 and the debt outstanding and bonds payable as of June 30, 2012:

	Issue dated	Range of interest rates	Range of maturities	Debt	Bond Activity			Debt	Bond	Bonds
				Outstanding at June 30, 2011	New bonds issued	Scheduled maturity payments	Bonds redeemed	Outstanding at June 30, 2012	discounts deferred	payable at June 30, 2012
Housing Revenue Bonds										
Series 1996 A	11/01/96	5.80% - 5.95%	2016 - 2023	\$ 13,120	\$ -	\$ (1,630)	\$ -	\$ 11,490	\$ -	\$ 11,490
Series 1996 B	11/01/96	5.875% - 5.95%	2016 - 2028	1,425	-	(60)	-	1,365	-	1,365
Series 1999 A	02/01/99	4.60% - 5.35%	2011 - 2041	14,830	-	(200)	-	14,630	-	14,630
Series 1999 B	10/15/99	5.60% - 6.40%	2011 - 2042	9,440	-	(110)	(9,330)	-	-	-
Series 1999 D	12/01/99	5.90% - 6.35%	2013 - 2042	5,960	-	(260)	-	5,700	-	5,700
Series 2000 A	10/01/00	5.20% - 6.10%	2011 - 2042	25,545	-	(300)	-	25,245	-	25,245
Series 2001 A	07/01/01	4.85% - 5.625%	2011 - 2043	27,500	-	(365)	(12,310)	14,825	-	14,825
Series 2001 B	10/01/01	4.50% - 5.45%	2011 - 2043	42,645	-	(995)	(16,465)	25,185	-	25,185
Series 2002 A	03/01/02	4.80% - 5.70%	2011 - 2043	8,910	-	(100)	-	8,810	-	8,810
Series 2002 B	10/01/02	3.75% - 5.05%	2011 - 2045	31,515	-	(380)	-	31,135	-	31,135
Series 2002 C	10/01/02	3.75% - 5.00%	2011 - 2035	6,155	-	(120)	-	6,035	-	6,035
Series 2002 D	10/01/02	3.75% - 5.00%	2011 - 2035	7,635	-	(140)	-	7,495	-	7,495
Series 2003 A	04/01/03	3.85% - 5.22%	2011 - 2045	23,530	-	(260)	-	23,270	-	23,270
Series 2003 B	07/01/03	3.50% - 5.00%	2011 - 2045	16,580	-	(200)	-	16,380	-	16,380
Series 2003 C	09/01/03	4.00% - 5.90%	2011 - 2045	10,255	-	(105)	-	10,150	(6)	10,144
Series 2003 D	12/01/03	3.70% - 5.125%	2011 - 2045	11,480	-	(130)	-	11,350	-	11,350
Series 2004 B	03/31/04	3.05% - 4.70%	2011 - 2046	19,235	-	(235)	-	19,000	-	19,000
Series 2004 C	06/10/04	4.20% - 5.40%	2011 - 2047	34,290	-	(340)	-	33,950	-	33,950
Series 2004 D	11/23/04	4.35% - 5.00%	2015 - 2037	1,530	-	(80)	-	1,450	-	1,450
Series 2005 A	02/17/05	4.25% - 4.85%	2015 - 2047	6,135	-	(70)	-	6,065	-	6,065
Series 2005 B	04/21/05	3.90% - 5.10%	2011 - 2047	18,630	-	(205)	-	18,425	-	18,425
Series 2005 C	12/14/05	3.95% - 5.15%	2011 - 2047	12,600	-	(370)	-	12,230	-	12,230
Series 2006 A	04/27/06	4.05% - 5.05%	2011 - 2047	9,685	-	(110)	-	9,575	-	9,575
Series 2006 B	04/27/06	4.05% - 5.00%	2011 - 2039	2,945	-	(135)	-	2,810	-	2,810
Series 2006 C	04/27/06	3.70% - 4.75%	2011 - 2036	1,965	-	(40)	-	1,925	-	1,925
Series 2006 D	09/27/06	4.91%	7/1/2048	4,425	-	(115)	-	4,310	-	4,310
Series 2007 A	06/14/07	3.95% - 4.95%	2011 - 2049	21,175	-	(310)	-	20,865	-	20,865
Series 2007 B	08/30/07	5.51%	1/1/2038	4,810	-	(60)	-	4,750	-	4,750
Series 2007 C	12/20/07	5.38%	1/1/2043	1,510	-	(15)	-	1,495	-	1,495
Series 2008 A	05/29/08	5.24%	7/1/2038	5,630	-	(95)	-	5,535	-	5,535
Series 2008 B	05/29/08	5.63%	7/1/2049	10,230	-	(110)	-	10,120	-	10,120
Series 2008 C	09/19/08	5.60%	7/1/2048	7,380	-	-	-	7,380	-	7,380
Series 2008 D	12/18/08	4.125% - 6.75%	2013 - 2039	3,830	-	(50)	-	3,780	-	3,780
Series 2009 A	11/24/09	5.25%	7/1/2041	7,605	-	(145)	-	7,460	-	7,460
Total				\$ 430,135	\$ -	\$ (7,840)	\$ (38,105)	\$ 384,190	\$ (6)	\$ 384,184

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - DEBT SERVICE REQUIREMENTS

As of June 30, 2013, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2013 and excluding the effect of unamortized discounts/premiums as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Years ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 17,218	\$ 29,895
2015	16,079	14,505
2016	15,732	7,625
2017	15,385	6,010
2018	15,116	5,460
2019 - 2023	71,526	29,315
2024 - 2028	63,715	34,220
2029 - 2033	53,721	46,935
2034 - 2038	40,044	61,395
2039 - 2043	22,826	68,540
2044 - 2048	7,081	42,955
2049 - 2053	1,158	8,400
2054 - 2058	61	1,650
Total	<u>\$ 339,662</u>	<u>\$ 356,905</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 7 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2012, the required principal payments for bonds (including mandatory sinking fund payments and special and optional redemptions that occurred subsequent to June 30, 2012 and excluding the effect of unamortized discounts/premiums as shown in Note 6) and interest payments for each of the next five years and in 5-year increments thereafter, were as follows:

<u>Years ended June 30,</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 19,917	\$ 8,925
2014	19,507	7,885
2015	19,117	7,865
2016	18,727	9,460
2017	18,279	7,555
2018 - 2022	85,955	36,410
2023 - 2027	75,808	43,275
2028 - 2032	63,228	54,990
2033 - 2037	47,106	68,650
2038 - 2042	27,399	79,485
2043 - 2047	7,836	54,760
2048 - 2052	310	4,930
Total	<u>\$ 403,189</u>	<u>\$ 384,190</u>

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 8 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Bonds payable		
Beginning balance	\$ 384,184	\$ 430,129
Additions	37,670	-
Reductions	<u>(64,955)</u>	<u>(45,945)</u>
Ending balance	356,899	384,184
Less due within one year	<u>(29,895)</u>	<u>(8,925)</u>
Total long-term bonds payable	<u>327,004</u>	<u>375,259</u>
Deposits by borrowers		
Beginning balance	8,080	7,584
Additions	2,356	2,622
Reductions	<u>(2,481)</u>	<u>(2,126)</u>
Ending balance	7,955	8,080
Less due within one year	<u>(2,268)</u>	<u>(1,749)</u>
Total long-term deposits by borrowers	<u>5,687</u>	<u>6,331</u>
Total long-term liabilities	<u><u>\$ 332,691</u></u>	<u><u>\$ 381,590</u></u>

NOTE 9 - INTERFUND ACTIVITY

In accordance with the Resolution, net position in the Fund is restricted and pledged to bondholders. However, restricted assets may be transferred to other Funds, subject to the provisions of the Resolution. Generally, an officer of CDA must authorize such withdrawals and a cash flow analysis must demonstrate that sufficient monies remain in the Resolution to meet the obligations of the Fund in current and future years.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 9 - INTERFUND ACTIVITY (Continued)

During the years ended June 30, 2013 and 2012, the Fund transferred the following amounts, as permitted, among Funds:

	<u>2013</u>	<u>2012</u>
Excess revenue transferred to the General Bond Reserve Fund	<u>\$ (1,125)</u>	<u>\$ (1,125)</u>

NOTE 10 - MORTGAGE INSURANCE

Approximately 98% of the Fund's mortgage loans are insured or credit enhanced as described in Note 4.

Multi-family mortgagors pay premiums for mortgage insurance and insurance coverage is 100% of the unpaid principal balance of the loan.

Single family mortgagors pay the premiums for primary mortgage insurance. Generally, loans are insured in an amount that is at least 25% of the loan amount.

NOTE 11 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. CDA's only obligation for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

Community Development Administration
Housing Revenue Bonds

NOTES TO FINANCIAL STATEMENTS - CONTINUED
(in thousands)

June 30, 2013 and 2012

NOTE 12 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of CDA through October 18, 2013 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements, except for the following activity that occurred subsequent to June 30, 2013.

Subsequent to the year ended June 30, 2013, the following activity took place:

On July 25, 2013, CDA issued the following bonds:

Series 2013 B	\$11,915
Series 2013 C	\$23,270

On August 26, 2013, CDA redeemed the following bonds:

Series 1999 D	\$5,285
Series 2001 B	\$8,060
Series 2003 C	\$9,925

On September 19, 2013, CDA issued the following bonds:

Series 2013 D	\$10,790

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES
(in thousands)

June 30, 2013 and 2012
(Unaudited)

In accordance with accounting guidance issued by GASB, CDA reflects investments and mortgage-backed securities at fair value, and the increase or decrease in fair value is included in the Statements of Revenue, Expenses and Changes in Net Position.

For investments (obligations of the U.S. Treasury) held by the Fund as of June 30, 2013, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and amortized cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
1997	\$ (352)	\$ (352)
1998	\$ 832	\$ 480
1999	\$ (407)	\$ 73
2000	\$ 48	\$ 121
2001	\$ 193	\$ 314
2002	\$ 157	\$ 471
2003	\$ 889	\$ 1,360
2004	\$ (678)	\$ 682
2005	\$ 897	\$ 1,579
2006	\$ (866)	\$ 713
2007	\$ 48	\$ 761
2008	\$ 444	\$ 1,205
2009	\$ 202	\$ 1,407
2010	\$ 472	\$ 1,879
2011	\$ (280)	\$ 1,599
2012	\$ 1,283	\$ 2,882
2013	\$ (730)	\$ 2,152

Community Development Administration
Housing Revenue Bonds

SUPPLEMENTAL DISCLOSURES OF CHANGE
IN FAIR VALUE OF INVESTMENTS AND
MORTGAGE-BACKED SECURITIES - CONTINUED
(in thousands)

June 30, 2013 and 2012
(Unaudited)

For mortgage-backed securities held by the Fund as of June 30, 2013, the following schedule summarizes annual increases/decreases in fair value and the cumulative difference between fair value and cost:

Fiscal year ended June 30,	Annual increases/ decreases	Cumulative total
2000	\$ (3,825)	\$ (3,825)
2001	\$ (3,291)	\$ (7,116)
2002	\$ 3,340	\$ (3,776)
2003	\$ 21,435	\$ 17,659
2004	\$ (11,126)	\$ 6,533
2005	\$ 12,879	\$ 19,412
2006	\$ (27,704)	\$ (8,292)
2007	\$ 3,661	\$ (4,631)
2008	\$ (5,987)	\$ (10,618)
2009	\$ 17,358	\$ 6,740
2010	\$ 13,103	\$ 19,843
2011	\$ (7,348)	\$ 12,495
2012	\$ 6,303	\$ 18,798
2013	\$ (8,491)	\$ 10,307

APPENDIX J

FINANCIAL STATEMENTS OF THE MARYLAND HOUSING FUND

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MARYLAND HOUSING FUND

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2013 AND 2012

Maryland Housing Fund
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INDEPENDENT AUDITOR'S REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MHF as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the financial statements present only the Maryland Housing Fund and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Maryland Housing Fund (MHF) of the Department of Housing and Community Development of the State of Maryland as of and for the year ended June 30, 2012, were audited by other auditors whose report dated October 10, 2012, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Baltimore, Maryland
October 16, 2013

Maryland Housing Fund
STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Unrestricted current assets		
Deposit with State Treasurer		
Operating account	\$ 803,461	\$ 2,588,198
Loans and interest receivable, net of allowance for loans and related losses	156,293	149,874
Acquired property	1,310,655	6,119,848
Due from DHCD	373,385	-
Other	1,451,525	961,493
Total unrestricted current assets	<u>4,095,319</u>	<u>9,819,413</u>
Restricted current assets		
Deposit with State Treasurer		
Reserve accounts	85,510,927	87,054,385
Reserve account - Reinsurance Pool Program	1,710,636	913,198
Total restricted current assets	<u>87,221,563</u>	<u>87,967,583</u>
Total current assets	<u>91,316,882</u>	<u>97,786,996</u>
Non-current assets		
Investment held for borrower	1,904,906	2,019,005
Loans and interest receivable, net of allowance for loans and related losses and current portion	221,685	267,004
Total non-current assets	<u>2,126,591</u>	<u>2,286,009</u>
Total assets	<u>\$ 93,443,473</u>	<u>\$ 100,073,005</u>

(continued)

Maryland Housing Fund

STATEMENTS OF NET POSITION - CONTINUED

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 1,798,520	\$ 661,670
Accrued compensated absences	144,869	94,614
Accrued workers' compensation	465	1,130
Mortgage escrow accounts	275,518	247,301
Unearned premiums	770,297	1,491,425
Allowance for unpaid insurance losses	1,607,843	1,584,200
	<u>4,597,512</u>	<u>4,080,340</u>
Total current liabilities		
Non-current liabilities		
Accrued compensated absences, net of current portion	192,496	190,215
Accrued workers' compensation, net of current portion	2,535	2,870
Investment held for borrower	1,904,906	2,019,005
Allowance for unpaid insurance losses, net of current portion	13,078,715	11,718,522
	<u>15,178,652</u>	<u>13,930,612</u>
Total non-current liabilities		
Total liabilities	<u>19,776,164</u>	<u>18,010,952</u>
Net position		
Restricted net position		
Multi-Family Reserve	44,698,739	44,698,739
Single Family Regular Reserve	19,250,357	19,816,789
Revitalization (Pilot) Reserve	2,198,502	2,216,821
General Reserve	8,593,422	9,253,385
Unallocated Reserve	10,769,907	11,068,651
	<u>85,510,927</u>	<u>87,054,385</u>
Total restricted net position		
Unrestricted accumulated deficit	(11,843,618)	(4,992,332)
	<u>73,667,309</u>	<u>82,062,053</u>
Total net position		
Total liabilities and net position	<u>\$ 93,443,473</u>	<u>\$ 100,073,005</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF REVENUES AND EXPENSES

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
Net premiums	\$ 3,897,832	\$ 3,952,362
Interest income on reserves	769,907	1,068,651
Interest income on loans	535,909	532,106
Other income	<u>34,574</u>	<u>37,354</u>
Total operating revenues	<u>5,238,222</u>	<u>5,590,473</u>
Operating expenses		
General and administrative	4,546,514	4,688,511
Acquired property	3,371,550	3,201,595
Net losses on sales of acquired property	2,970,487	3,860,784
Provision (benefit) for insurance and loan losses	<u>1,675,764</u>	<u>(10,492,428)</u>
Total operating expenses	<u>12,564,315</u>	<u>1,258,462</u>
Change in net position	<u><u>\$ (7,326,093)</u></u>	<u><u>\$ 4,332,011</u></u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CHANGES IN NET POSITION

Years ended June 30, 2013 and 2012

	Restricted Net Position					Unrestricted	
	Multi-Family Reserve	Single Family Regular Reserve	Revitalization (Pilot) Reserve	General Reserve	Unallocated Reserve	Accumulated Deficit	Total
Balance at June 30, 2011	\$ 44,698,739	\$ 20,650,923	\$ 2,216,821	\$ 9,796,640	\$ 12,050,896	\$ (9,633,081)	\$ 79,780,938
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	1,068,651	(1,068,651)	-
Transfers out	-	-	-	-	(2,050,896)	-	(2,050,896)
Change in net position	-	(834,134)	-	(543,255)	-	5,709,400	4,332,011
Balance at June 30, 2012	44,698,739	19,816,789	2,216,821	9,253,385	11,068,651	(4,992,332)	82,062,053
Interest income allocated at the discretion of DHCD Secretary	-	-	-	-	769,907	(769,907)	-
Transfers out	-	-	-	-	(1,068,651)	-	(1,068,651)
Change in net position	-	(566,432)	(18,319)	(659,963)	-	(6,081,379)	(7,326,093)
Balance at June 30, 2013	<u>\$ 44,698,739</u>	<u>\$ 19,250,357</u>	<u>\$ 2,198,502</u>	<u>\$ 8,593,422</u>	<u>\$ 10,769,907</u>	<u>\$ (11,843,618)</u>	<u>\$ 73,667,309</u>

See notes to financial statements

Maryland Housing Fund

STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Receipts from premiums, net	\$ 3,177,883	\$ 3,195,539
Receipts from loans	282,881	78,115
Receipts from mortgage escrows	101,219	139,313
Payments for mortgage escrows	(104,902)	(143,944)
Receipts from miscellaneous fees	54,188	36,320
Payments for general and administrative expenses	(5,821,412)	(4,581,353)
Sale proceeds from acquired property	16,053,174	1,785,344
Payments for acquired property	(15,975,044)	(15,276,555)
Receipts from interest earned on reserves	769,907	1,068,651
Transfer to state funded programs	<u>(1,068,651)</u>	<u>(2,050,896)</u>
Net cash used in operating activities	<u>(2,530,757)</u>	<u>(15,749,466)</u>
Net decrease in cash	(2,530,757)	(15,749,466)
Deposit with State Treasurer, balance - beginning of year	<u>90,555,781</u>	<u>106,305,247</u>
Deposit with State Treasurer, balance - end of year	<u><u>\$ 88,025,024</u></u>	<u><u>\$ 90,555,781</u></u>

(continued)

Maryland Housing Fund

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of change in net position to net cash used in operating activities:		
Change in net position	\$ (7,326,093)	\$ 4,332,011
Adjustments to reconcile change in net position to net cash used in operating activities		
Transfer to state funded programs	(1,068,651)	(2,050,896)
Decrease in loans and interest receivable	38,900	34,691
Decrease (increase) in acquired property	4,809,193	(6,047,213)
Increase in investments and other assets	(375,933)	(1,326,702)
Increase in due from DHCD	(373,385)	-
Increase in accounts payable and other accrued liabilities	1,102,504	1,045,822
Increase (decrease) in allowance for unpaid insurance losses	1,383,836	(10,981,112)
Decrease in unearned premiums	<u>(721,128)</u>	<u>(756,067)</u>
Net cash used in operating activities	<u>\$ (2,530,757)</u>	<u>\$ (15,749,466)</u>

See notes to financial statements

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION

The Maryland Housing Fund (MHF) was established in 1971 by Section 3-201 through 3-208 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, to encourage the flow of private investment capital into multiple-unit and Single Family housing by insuring qualified lending institutions against losses on mortgage loans. MHF is authorized to insure mortgage loans, including mortgage loans for Multi-Family developments financed by public agencies such as the Community Development Administration (CDA), and to provide primary insurance for Single Family mortgage loans. MHF insures against certain monetary losses incurred as a result of nonpayment of principal, interest or other sums agreed to be paid and certain other events of default under the terms of any insured mortgage loan, but does not insure against property losses, including without limitation, title risk, risks of defective construction or casualty, or any other reduction in project value due to insurable risk or force majeure, casualty or title loss. Legislation enacted in 1981 enables MHF to originate mortgage loans to assist in the disposal of property acquired through foreclosure or pursuant to any other payment in settlement of a claim or loss. MHF is a unit within the division of Housing Credit Assurance of the Department of Housing and Community Development (DHCD).

MHF maintains five restricted insurance reserves, which are separate from MHF's operating funds. Four of the reserves cover specific categories of insurance; the Multi-Family Reserve, the Single Family Regular Program Reserve, the Revitalization (PILOT) Reserve, and the General Reserve. The investment earnings on each of the four specific reserves are credited to a fifth reserve, the Unallocated Reserve, which may be used to pay claims on all categories of claims or for any other purpose consistent with the contractual obligations with the Administration's bondholders. In 2008, Legislation was passed under Senate Bill 983 requiring MHF to transfer from the Unallocated Account to DHCD's State Funded Revolving Housing Loan Programs all amounts in excess of \$10,000,000 at the end of each fiscal year. These transfers can be found on the Statements of Changes in Net Position as Transfers Out located on page 8 of this document.

The MHF statute provides that any moneys of MHF that DHCD creates as an identifiable insurance reserve may be used only in conformance with the terms and conditions creating that reserve. MHF regulations provide that each reserve is maintained to pay claims arising from its respective category of insurance and may not be subject to claims arising from other categories of insurance except for the Unallocated Reserve.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION (Continued)

MHF's reserve funds are derived from the net proceeds of five issues of State of Maryland (State) general obligation bonds aggregating \$39,300,000 and \$7,500,000 in proceeds derived from State appropriations. In addition, the funds have earned investment income and paid claims. The unrestricted accumulated deficit reflects MHF's operations since inception less interest income. The reserves are held by the Office of the Treasurer of the State, which credits MHF with income on investment of reserves for the benefit of MHF.

A. The Multi-Family Reserve supports several programs. All existing Multi-Family insurance, other than the program from private lenders, is 100% insurance of projects financed by revenue bonds. These programs include:

- Regular Multi-Family Program fully insures permanent mortgages originated prior to 1997 funded by CDA and the Housing Opportunities Commission of Montgomery County.
- Risk-Share Program insures both construction and permanent mortgages financed with CDA bonds with credit enhancement under the Federal Housing Administration (FHA) Risk Sharing Program. Under the program, upon payment of a claim by FHA, CDA would be responsible for reimbursement to FHA of up to 50% of the claim. MHF would reimburse CDA for its share of such losses. This is an active multi-family program.
- Special Housing Opportunity Program (SHOP) insures mortgages financed or refinanced for the acquisition, construction or rehabilitation of shared living and related facilities for the special needs population which are owned by and sponsored by nonprofit organizations. This is an active multi-family program.
- Single Family mortgages funded through private lenders and CDA for permanent mortgages in publicly designated renewal or redevelopment areas. Insurance offered provided 100% coverage and is backed by the Multi-Family Reserve Fund. MHF continues to manage the existing portfolio but ceased issuing new insurance in 1997.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION (Continued)

B. The Single Family Regular Reserve insures mortgages funded by private Maryland lending institutions and CDA. These programs include:

- Single Family Regular Program consists of mortgages originated prior to 1997. These mortgages may have had primary insurance (MHF is liable for the top 25% of the original mortgage) and/or pool insurance (MHF is liable for the bottom 75% of the original mortgage). Pool insurance coverage was limited to 10% of lendable proceeds for the aggregate of revenue bond issues (stop-loss). Effective August 1, 2010, MHF was released from any obligation to provide the pool insurance on these loans. MHF continues to provide primary insurance on these loans.
- Mortgage Protection Program consists of 30 and 40 year mortgages originated after 2005, funded through CDA bonds with primary coverage of only the top 35% of the original mortgage and up to six months of mortgage payments (limited to no more than \$2,000 per month). These mortgages maintain a fixed rate of interest for the full loan term and allow borrowers to finance a one-time mortgage insurance premium in the mortgage, which will require no additional outlay of cash for closing, while lowering the monthly mortgage payment. MHF no longer issues new insurance under this program.
- Reinsurance Program commenced in 2011 and consists of mortgages that CDA originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program, CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has reached \$12.5 million in net losses or December 31, 2020. All claims are paid from the Single Family Regular Reserve.

C. Revitalization (Pilot) Reserve insures mortgages funded through CDA and private Maryland lenders for 100% of the mortgage balance.

- Pilot Programs stimulates the flow of private mortgage capital into areas which have suffered decreasing home ownership and associated economic and social instability. These mortgages originated prior to 2005.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 1 - PROGRAM DESCRIPTION (Continued)

- Healthy Neighborhood Program provides credit enhancement to a loan program sponsored by a nonprofit corporation, which is intended to stabilize and strengthen property values in targeted areas in the City of Baltimore. MHF guarantees less than 3% of the outstanding loan balance under this program.

D. General Reserve

- Small single family programs provide 35% insurance coverage on CDA single family mortgages as an incentive to refinance or restructure loans for Maryland borrowers with an existing loan. MHF continues to maintain active mortgages but no longer issues new commitments under these programs.
- E. Unallocated Reserve may be allocated and transferred by the Secretary into each of the reserves, restricted by the Secretary as a reserve for the payment of a claim as part of a work-out, applied by MHF as payment of a claim or retained in the Unallocated Reserve pending allocation, transfer or restriction. Investment earnings on each of the five Reserves are credited to the Unallocated Reserve. Legislation enacted in fiscal year 2008 requires MHF to transfer from the Unallocated Reserve, any funds in excess of \$10 million annually to the State Funded Housing Loan Programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Relationship with the State

MHF is one of many programs administered by DHCD and the State. Other State agencies, such as the Department of Budget and Management, support DHCD by providing services for DHCD and thus allocate a portion of their expenses to DHCD. MHF has no direct employees and is entirely supported by staff at DHCD to perform all necessary functions of MHF. Thus, MHF's accompanying financial statements are not indicative of MHF as if it were a stand-alone entity. MHF is included in the enterprise funds of the State.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Generally Accepted Accounting Principles

During fiscal year 2013, MHF implemented the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Prior to the adoption of this standard, MHF adopted all Financial Accounting Standards Board (FASB) statements issued, unless those pronouncements conflicted with or contradicted GASB standards. With the adoption of Statement No. 62, MHF no longer adopts or applies FASB statements.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

D. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

E. Investments

The investment is a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

F. Loans and Interest Receivable, Net of Allowance for Loans and Related Losses

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Acquired Property

Property acquired as a result of claims settled is carried at the principal claim cost, less management's estimate of expenses and losses related to the maintenance and sale of the property, which management believes approximates fair value less costs to sell. As of June 30, 2013 and 2012, acquired property consisted of Single Family property of \$1,310,656 and \$6,119,848, respectively.

H. Allowance for Unpaid Insurance Losses

MHF provides for estimated insurance losses under each insurance plan. The allowance for unpaid insurance losses is increased by provisions charged to current operating expenses and reduced by claim payments. The provision for possible insurance losses is based on management's review of insured properties, considering past loss experience and current economic conditions which may affect the frequency of claims and the recovery of claim costs. Actual results could differ from those estimates.

I. Restricted Net Position

In accordance with accounting guidance issued by the GASB, net position should be reported as restricted when constraints placed on net position use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all funds and accounts whose purpose is to pay possible future claims are restricted as to their use, as is interest earned on these restricted assets.

J. Revenues and Expenses

Operating revenues and expenses generally result from mortgage insurance activities in connection with MHF's ongoing operations. The principal operating revenue is mortgage insurance premiums. Operating expenses include expenses relating to claims from defaulted loans and general and administrative expenses. The interest earned on reserve accounts is restricted revenue.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Premium Income Recognition

Premium income on all loans are recognized on a straight-line basis over the benefit period covered by the premiums.

L. General and Administrative

MHF is subject to an allocation of intradepartmental support costs of the DHCD, which are included in general and administrative in the Statements of Revenues and Expenses. Such costs could affect MHF's financial position or operating results in a manner that differs from those that might have been obtained if MHF was autonomous. MHF records these costs as invoiced by DHCD for the fiscal year. However, the allocation is subject to review and adjustment subsequent to year-end.

M. Recent Accounting Pronouncements

During fiscal year 2013, MHF implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The implementation of this standard did not have a material impact on MHF's financial statements other than changing the reporting title of net assets and replacing it with the title of net position. GASB has issued Statement no. 65 *Items Previously Reported as Assets and Liabilities*. While MHF is still in the process of determining the effect of implementing, it is not expected to have a material effect on the financial position of MHF.

NOTE 3 - CASH AND INVESTMENTS

A. Deposit with State Treasurer

MHF defines cash and cash equivalents as cash and short-term investments that are held on deposit with the State Treasurer. Cash receipts and disbursements of MHF are made through a cash pool maintained by the State Treasurer. None is uninsured and uncollateralized. MHF has on deposit with the State Treasurer both unrestricted and restricted cash and cash equivalents. MHF reports its operating account as unrestricted. MHF reserve accounts are reported as restricted

Additional information can be obtained from the State of Maryland Comprehensive Annual Financial Report.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MHF adheres to Maryland State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates. The Maryland State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase.

C. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MHF's policy for reducing its exposure to credit risk is to comply with Maryland State Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. MHF's policy for reducing this risk of loss is to comply with the Maryland State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, MHF will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. Investments and collateralized securities are held in trust by the trustee or the trustee agent, kept separate from the assets of the bank and from other trust accounts and are held in MHF's name.

E. Investment Held for Borrower

The investment consists of a U.S. government treasury zero-coupon bond carried at fair value based on quoted market prices. The investment is classified as long-term based on the maturity date.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

The following asset reported at fair market value and held by MHF at June 30, 2013 and 2012 is evaluated in accordance with accounting guidance issued by the GASB for interest rate risk, credit risk, concentration of credit risk and custodial credit risk. This investment is held as collateral on a Multi-Family loan and matures on April 15, 2024.

	<u>2013</u>	<u>2012</u>
Investment held for borrower (Obligations of U.S. Government Agencies)	<u>\$ 1,904,906</u>	<u>\$ 2,019,005</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS
AND RELATED LOSSES

Loans and interest receivable, net of allowance for loans and related losses, consist of loans made directly by MHF and loans originally made by others and subsequently assigned to MHF under the provisions of the insurance agreements plus interest receivable, net of possible losses. Mortgage loans, notes receivable and interest receivable were as follows for the years ended June 30, 2013 and 2012:

	2013	2012
Multi-Family	\$ 7,675,939	\$ 7,698,975
Single Family	123,697	139,561
Interest receivable on loans	8,973,388	8,681,460
	<u>16,773,024</u>	<u>16,519,996</u>
Allowance for possible losses on Multi-Family loans	(7,299,721)	(7,299,721)
Allowance for possible losses on Single Family loans	(121,937)	(121,937)
Allowance for possible losses on interest receivable	<u>(8,973,388)</u>	<u>(8,681,460)</u>
Total allowance for possible losses	<u>(16,395,046)</u>	<u>(16,103,118)</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 377,978</u>	<u>\$ 416,878</u>
Current portion, net of allowance	\$ 156,293	\$ 149,874
Non-current portion, net of allowance	<u>221,685</u>	<u>267,004</u>
Loans and interest receivable, net of allowance for loans and related losses	<u>\$ 377,978</u>	<u>\$ 416,878</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 4 - LOANS AND INTEREST RECEIVABLE, NET OF ALLOWANCE FOR LOANS
AND RELATED LOSSES (Continued)

Changes in the allowance for possible losses on loans and interest receivable were as follows
for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 16,103,118	\$ 15,614,434
Increase in provision	<u>291,928</u>	<u>488,684</u>
Balance, end of year	<u><u>\$ 16,395,046</u></u>	<u><u>\$ 16,103,118</u></u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 5 - UNEARNED PREMIUMS

The unearned premiums for the unexpired terms of all policies in force or written as of June 30, 2013 and 2012, and the changes for the years then ended were as follows:

	2013			Unearned premiums at end of year
	Unearned premiums at beginning of year	Premiums written	Premiums earned	
Multi-Family Programs				
Construction and Permanent				
Mortgages	\$ 763,516	\$ 899,540	\$ 1,075,450	\$ 587,607
SHOP Loans	49,814	54,874	75,203	29,485
Total Multi-Family Programs	813,330	954,414	1,150,653	617,091
Single Family Programs				
Single Family Regular				
Primary	614,711	222,780	685,895	151,596
Reinsurance Pool	-	1,998,240	1,998,240	-
Revitalization (Pilot)	1,051	581	1,547	85
Community Development				
Administration under				
Multi-Family Reserve	278	689	720	247
General	62,055	-	60,777	1,278
Total Single Family Programs	678,095	2,222,290	2,747,179	153,206
Total for the year ended June 30, 2013	\$ 1,491,425	\$ 3,176,704	\$ 3,897,832	\$ 770,297

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 5 - UNEARNED PREMIUMS (Continued)

	2012			
	Unearned premiums at beginning of year	Premiums written	Premiums earned	Unearned premiums at end of year
Multi-Family Programs				
Construction and Permanent				
Mortgages	\$ 978,757	\$ 863,962	\$ 1,079,203	\$ 763,516
SHOP Loans	42,069	85,505	77,760	49,814
Total Multi-Family Programs	1,020,826	949,467	1,156,963	813,330
Single Family Programs				
Single Family Regular				
Primary	1,094,408	245,543	725,240	614,711
Reinsurance Pool	-	1,998,240	1,998,240	-
Revitalization (Pilot)	1,876	2,268	3,093	1,051
Community Development				
Administration under				
Multi-Family Reserve	326	777	825	278
General	130,056	-	68,001	62,055
Total Single Family Programs	1,226,666	2,246,828	2,795,399	678,095
Total for the year ended June 30, 2012	\$ 2,247,492	\$ 3,196,295	\$ 3,952,362	\$ 1,491,425

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 6 - NON-CURRENT OBLIGATIONS

Changes in non-current obligations for the years ended June 30, 2013 and 2012 were as follows:

	2013				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated absences	\$ 284,829	\$ 197,405	\$ (144,869)	\$ 337,365	\$ 144,869
Workers' compensation	4,000	-	(1,000)	3,000	465
Investment held for borrower	2,019,005	-	(114,099)	1,904,906	-
Allowance for unpaid insurance losses	13,302,722	1,383,836	-	14,686,558	1,607,843
Total for the year ended June 30, 2013	<u>\$ 15,610,556</u>	<u>\$ 1,581,241</u>	<u>\$ (259,967)</u>	<u>\$ 16,931,830</u>	<u>\$ 1,753,177</u>
	2012				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Compensated absences	\$ 243,322	\$ 41,507	\$ -	\$ 284,829	\$ 94,614
Workers' compensation	7,291	-	(3,291)	4,000	1,130
Investment held for borrower	1,555,114	463,891	-	2,019,005	-
Allowance for unpaid insurance losses	24,283,834	-	(10,981,112)	13,302,722	1,584,200
Total for the year ended June 30, 2012	<u>\$ 26,089,561</u>	<u>\$ 505,398</u>	<u>\$ (10,984,403)</u>	<u>\$ 15,610,556</u>	<u>\$ 1,679,944</u>

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 7 - RELATED PARTY TRANSACTIONS

During 2013, MHF was over allocated general and administrative expenses by DHCD. MHF has recorded a receivable from DHCD which is unsecured, noninterest bearing and due on demand. As of June 30, 2013, the outstanding receivable was \$373,385.

NOTE 8 - ALLOWANCE FOR UNPAID INSURANCE LOSSES

The allowance for unpaid insurance losses is the estimated claims settlement on notices of default that has been received by MHF, as well as loan defaults that have been incurred but have not been reported by the lenders. FASB guidance specifically excludes mortgage guaranty insurance from its guidance relating to the reserves for losses.

For insured Multi-Family program properties, MHF establishes loss reserves on a case-by-case basis when insured loans are identified as currently in default based on MHF's expected claim payment, net of estimated recovery. At June 30, 2013, MHF had no Multi-Family loans in default. As a result, MHF provides only limited loss reserves on the Multi-Family portfolio.

For insured Single Family loans, MHF establishes its loss reserves based on past loss experiences and the current real estate market. MHF also reserves for defaults that have been incurred but have not been reported prior to the close of an accounting period, using estimated claim rates and claim sizes for the estimated number of defaults not reported. For Single Family program properties, insured loans which have gone through foreclosure and MHF has not paid a claim, MHF also reserves for losses based on past loss experiences and the current real estate market.

MHF's reserve process is based upon the assumptions of past experience, including the current real estate market and housing values in the locations where MHF has experienced high claim rates. Therefore, the reserves are necessarily based on estimates and the ultimate liability may vary from such estimates. Management regularly reviews the evaluation of the loss reserves utilizing current information and updates the assumptions in the estimation process accordingly. Any resulting adjustments are reflected in the current period's earnings as either a provision for losses or reduction in losses. Management believes that the allowance for unpaid insurance losses at June 30, 2013 was appropriately established on an aggregate basis and was adequate to cover the ultimate net cost of settling reported and unreported claims.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 8 - ALLOWANCE FOR UNPAID INSURANCE LOSSES (Continued)

Changes in allowance for unpaid insurance losses were as follows:

	<u>Multi-Family</u>	<u>Single Family</u>	<u>Total</u>
Balance at June 30, 2011	\$ 4,919,132	\$ 19,364,702	\$ 24,283,834
Increase (decrease) in provision	<u>695,868</u>	<u>(11,676,980)</u>	<u>(10,981,112)</u>
Balance at June 30, 2012	5,615,000	7,687,722	13,302,722
Increase in provision	<u>846,446</u>	<u>537,390</u>	<u>1,383,836</u>
Balance at June 30, 2013	<u><u>\$ 6,461,446</u></u>	<u><u>\$ 8,225,112</u></u>	<u><u>\$ 14,686,558</u></u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Multi-Family Mortgages

MHF insured mortgage loans as of June 30, 2013, net of partial claim payments, were as follows:

	<u>Number</u>	<u>Current Balances</u>
CDA Construction and Permanent Mortgages	53	\$ 120,481,625
Loans financed by the Housing Opportunities		
Commission of Montgomery County	3	5,473,145
CDA SHOP Loans	154	17,847,727
CDA Single Family Loans under		
Multi-Family Reserves	<u>11</u>	<u>112,222</u>
	<u><u>221</u></u>	<u><u>\$ 143,914,719</u></u>

As of June 30, 2013, MHF had commitments of \$9,386,669 which had not yet been drawn.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Single Family Mortgages

All loans insured by MHF are with approved lenders and are collateralized by a first or second lien against the improved property, which must be located in the State of Maryland. The details of insured loans and commitments to insure loans as of June 30, 2013, were as follows:

	Insured Mortgages			
	Original Commitments		Current Balances	
	Number	Amount	Amount	Contingent Liability
Primary insurance coverage				
Single Family Regular				
25% insured	1,741	\$ 91,199,355	\$ 47,041,505	\$ 11,760,376
35% insured	340	73,621,747	69,300,418	24,255,146
Revitalization (Pilot) Program				
100% insured	8	214,550	98,122	98,122
2.5% insured	184	33,765,126	31,264,457	781,611
General				
35% insured	41	8,782,439	9,785,264	3,424,842
Total	2,314	\$ 207,583,217	\$ 157,489,766	\$ 40,320,097
Single Family Regular Reinsurance Program	5,235	\$ 1,088,660,558	\$ 1,040,521,601	\$ 2,336,884

As of June 30, 2013, MHF had committed primary insurance coverage on 20 mortgages under the Revitalization Reserve, Healthy Neighborhood Program in the amount of \$2,106,701 and is liable for 2.5%.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Effective August 1, 2010, MHF was released from any obligation to provide pool insurance for loans originated prior to 2005.

Effective January 1, 2011, MHF and CDA entered into a Reinsurance Pool Program for loans that CDA had originated between 2005 and 2010 which had only 35% mortgage insurance. Under the program CDA pays a monthly premium for MHF to insure 50% of any losses incurred by CDA on the uninsured 65% up to \$12.5 million. The program terminates on the earliest date of either when MHF has reached \$12.5 million in net losses or December 31, 2020. As of June 30, 2013, MHF had paid \$34,804,095 in claims to CDA for this program and recovered \$22,897,120 and anticipates additional recovery in the amount of \$1,743,859 from inventories held, leaving \$2,336,884 available to pay additional claims in the pipeline.

NOTE 10 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. MHF's only liability for retirement and post-employment benefits is its required annual contribution, which was paid in full by MHF to the State of Maryland prior to year-end. The System is considered part of the State's financial reporting entity, and is not considered a part of MHF's reporting entity. The System prepares a separate Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

NOTE 11 - SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the date of the statement of net position require disclosure in the accompanying notes. Management evaluated the activity of MHF through (Date) (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements except for the following activity that occurred subsequent to June 30, 2013.

Maryland Housing Fund

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 12 - SUBSEQUENT EVENTS (Continued)

In September 2013, MHF transferred \$769,907 to the State Housing Loan Programs pursuant to 2008 Senate Bill 983 requiring MHF to transfer all amounts in excess of \$10,000,000 at the end of each fiscal year.

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APPENDIX K

BOOK ENTRY SYSTEM

The Depository Trust Company
A subsidiary of The Depository Trust & Clearing Corporation

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Offered Bonds. The Offered 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 Offered Bond certificate will be issued for each maturity of the Offered Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered 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 Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered 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 Offered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Administration 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of interest and redemption premium, if any, on the Offered 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 Administration or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of interest and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Administration or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Offered Bonds purchased or tendered, through its Participant, to a Tender/Remarketing Agent, and shall effect delivery of such Offered Bonds by causing the Direct Participant to transfer the Participant's interest in the Offered Bonds, on DTC's records, to a Tender/Remarketing Agent. The requirement for physical delivery of Offered Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Offered Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Offered Bonds to the Tender/Remarketing Agent's DTC account.

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

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

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

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APPENDIX L

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

LETTERHEAD OF KUTAK ROCK LLP, WASHINGTON, D.C.

[Closing Date]

Community Development Administration
Maryland Department of Housing and
Community Development
100 Community Place
Crownsville, MD 21032

COMMUNITY DEVELOPMENT ADMINISTRATION MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

\$41,795,000 Housing Revenue Bonds Series 2013 E (Federally Taxable) (Variable Rate)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), in connection with the issuance and sale of \$41,795,000 aggregate principal amount of its Housing Revenue Bonds, Series 2013 E (the “Series 2013 E Bonds”).

The Series 2013 E Bonds are being issued under and pursuant to (1) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), (2) the resolution of the Administration adopted as of November 1, 1996, and amended and restated as of July 1, 2006, entitled “Resolution Providing for the Issuance of Housing Revenue Bonds” (the “Bond Resolution”) and (3) a Series Resolution Providing for the Issuance and Sale of Housing Revenue Bonds, Series 2013 E (Federally Taxable) (Variable Rate), adopted by the Administration as of November 1, 2013 (the “Series Resolution”). The Bond Resolution and the Series Resolution are referred to collectively as the “Resolution.” The Director of the Administration determined, pursuant to Section 4-245(a) of the Act, that the issuance of the Series 2013 E Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of the Department. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Resolution or the Act.

Based upon the foregoing, we are of the opinion that:

- 1) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as a unit of the Division of Development Finance of the Department with such political and corporate powers as set forth in the Act and with good, right and lawful authority, among other things, to carry out the Program of making Qualified Loans, to issue the Series 2013 E Bonds to provide funds therefor and to perform its obligations under the terms and conditions of the Resolution.
- 2) The Resolution has been duly adopted by the Administration and approved by the Secretary and is valid and binding upon the Administration and is enforceable in accordance with its terms.
- 3) The Series 2013 E Bonds are valid and legally binding limited obligations of the Administration secured by a pledge in the manner and to the extent set forth in the Resolution and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. The Resolution creates the valid pledge of and the valid lien which it purports to create upon the Revenues and other assets and income described in the Resolution, subject only to the provisions of the Resolution permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Resolution.
- 4) Interest on the Series 2013 E Bonds is included in gross income for federal income tax purposes.
- 5) Under existing statutes, the Series 2013 E Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

The foregoing opinion is qualified only to the extent that the enforceability of the Series 2013 E Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2013 E Bonds. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason.

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (a) any discussion of U.S. federal tax issues in this opinion is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Very truly yours,

APPENDIX M

LIQUIDITY FACILITY RELATING TO THE OFFERED BONDS

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STANDBY BOND PURCHASE AGREEMENT (SERIES 2013 E)

Dated as of November 1, 2013

By and Among

**COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT,**

MANUFACTURERS AND TRADERS TRUST COMPANY,
as Trustee and as Tender Agent,

And

ROYAL BANK OF CANADA

Relating to:

\$41,795,000
Community Development Administration
Maryland Department of Housing and Community Development
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate)

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EXHIBIT E	FORM OF CERTIFICATE OF COMPLIANCE

STANDBY BOND PURCHASE AGREEMENT (SERIES 2013 E)

This **STANDBY BOND PURCHASE AGREEMENT (SERIES 2013 E)** dated as of November 1, 2013, is by and among the **COMMUNITY DEVELOPMENT ADMINISTRATION**, a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, **MANUFACTURERS AND TRADERS TRUST COMPANY**, as Trustee and as Tender Agent, and **ROYAL BANK OF CANADA**, acting through a branch located at [REDACTED]. All capitalized terms used herein and not otherwise defined have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Administration is issuing its Bonds pursuant to the terms of the Act and the Resolution;

WHEREAS, the Series Resolution provides that the Bonds may bear interest at various interest rates, including a Covered Rate;

WHEREAS, pursuant to the terms of the Series Resolution and subject to the conditions described therein, the Bonds bearing interest at a Covered Rate are subject to tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, the Administration wishes to provide liquidity for the purchase of Bonds bearing interest at a Covered Rate tendered for purchase by the holders thereof pursuant to the terms of the Bonds and the Series Resolution that are not remarketed by the Remarketing Agent pursuant to the terms of the Series Resolution and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Bonds so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement; and

WHEREAS, in reliance upon, inter alia, the provisions hereof, the Bank is willing to enter into this Agreement with the Administration, the Trustee and the Tender Agent.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context clearly indicates otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Bonds constituting accrued but unpaid interest on such Eligible Bonds.

“Act” means Sections 4-101 to 4-255, inclusive, of the Housing and Community Development Article of the Annotated Code of Maryland, as amended from time to time, including, without limitation, future amendments thereto.

“Administration” means the Community Development Administration, a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State, and any body, authority, agency or other entity which may hereafter by law succeed to the powers, duties and functions of the Administration pursuant to Section 9.05.

“Affiliate” means, with the respect to the Administration, the State and any other Person that is an agency, instrumentality or political subdivision of the State.

“Agreement” means this Standby Bond Purchase Agreement (Series 2013 E).

“Alternate Liquidity Facility” has the meaning assigned to such term in the Series Resolution.

“Authorized Denominations” means the denominations authorized for the Bonds pursuant to Section 2.01(d) of the Series Resolution.

“Authorized Officer” has the meaning assigned to such term in the Master Resolution.

“Available Commitment” means, as of any day, the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

“Available Interest Commitment” initially means Two Million, Five Hundred Ninety-Seven Thousand, Sixteen Dollars (\$2,597,016) (an amount equal to one hundred eighty-nine (189) days’ interest on the Bonds, computed as if the Bonds bore interest at the rate of twelve percent (12%) per annum and on the basis of a 365-day year). The Available Interest Commitment may be adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to the Available Interest Commitment prior to such reduction as the amount of the related reduction in the Available Principal Commitment pursuant to the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to the Available Interest Commitment prior to such increase as the amount of the related increase in the Available Principal Commitment pursuant to clause (c) of the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such increase; *provided* that after giving effect to such adjustment the Available Interest Commitment must never exceed Two Million, Five Hundred Ninety-Seven Thousand, Sixteen Dollars (\$2,597,016). Any adjustment to the Available Interest Commitment pursuant to clause (a) or (b) above will occur simultaneously with the event requiring such adjustment.

“Available Principal Commitment” initially means Forty-One Million, Seven Hundred Ninety-Five Thousand Dollars (\$41,795,000) and following any event described in paragraphs (a) through (c) below means such initial amount adjusted from time to time as follows:

(a) upon any reduction in the Available Principal Commitment pursuant to Section 2.03, downward by the amount of such reduction;

(b) downward by the principal amount of any Bonds purchased by the Bank pursuant to Section 2.01; and

(c) upward by the principal amount of any Bonds previously purchased by the Bank pursuant to Section 2.01 that a Bank Bondholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Bondholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Bonds but in no event in excess of the initial Available Principal Commitment).

Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) above will occur simultaneously with the occurrence of the event described in such clause.

“*Bank*” means Royal Bank of Canada, a Canadian chartered bank, and its permitted successors and assigns.

“*Bank Bond*” means any Bond purchased by the Bank pursuant to Sections 2.01 and 2.02 and held by or for the account of a Bank Bondholder in accordance with the terms of this Agreement, until purchased from the Bank Bondholder or retained by the Bank Bondholder in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise. Bank Bonds constitute “Bank Bonds” as defined in the Series Resolution.

“*Bank Bond CUSIP Number*” means CUSIP No. 57419R HC2.

“*Bank Bondholder*” means the Bank (but only in its capacity as owner (which as used herein means the beneficial owner if at the relevant time Bank Bonds are held in book entry form) of Bank Bonds pursuant to this Agreement) and any other Person to which a Bank Bondholder has sold Bank Bonds pursuant to Section 2.04(a).

“*Bank Bond Interest Payment Date*” has the meaning assigned to such term in Section 3.01.

“*Bank Bond Redemption Date*” has the meaning assigned to such term in Section 3.02.

“*Bank Rate*” means, for each date of determination with respect to amounts owing hereunder or under the Bank Bonds, the rate per annum equal to (i) from the date such amounts are advanced or become due and owing hereunder (which period, in the case of a Bank Bond, will begin on the Purchase Date on which such Bank Bond was purchased with amounts advanced hereunder) to and including the ninetieth (90th) day after the date such amounts are advanced or become due and owing hereunder, a variable rate of interest equal to the Base Rate; (ii) from the ninety-first (91st) day after the date such amounts are advanced or become due and owing hereunder to and including the one hundred eightieth (180th) day after the date such amounts are advanced or become due and owing hereunder, a variable rate of interest equal to the Base Rate plus 1.00%; and (iii) from and after the one hundred eighty-first (181st) day after the date such amounts are advanced or become due and owing hereunder, a variable rate of interest equal to the Base Rate plus 2.00%. Notwithstanding the foregoing, from the earlier to

occur of (i) the date amounts are owed hereunder and not paid when due and (ii) the occurrence of an Event of Default and during the continuance thereof, all amounts owed hereunder or under any Bank Bond will bear interest at a rate per annum equal to the Default Rate; *provided, however*, that at no time will the Bank Rate be less than the applicable rate of interest on Bonds which are not Bank Bonds.

“*Base Rate*” means, for any day, a per annum rate equal to the highest of (i) the sum of the Prime Rate for such day plus two and one-half percent (2.5%), (ii) the sum of the Federal Funds Rate for such day plus two and one-half percent (2.5%) and (iii) seven percent (7.00%). Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate will take effect on the date of such change in the Prime Rate or the Federal Funds Rate, as applicable.

“*Book-Entry Bonds*” means the Bonds so long as the book entry system with DTC is used for determining beneficial ownership of the Bonds.

“*Bondholder*” has the meaning assigned to such term in the Master Resolution.

“*Bonds*” means the Administration’s Housing Revenue Bonds, Series 2013 E (Federally Taxable) (Variable Rate).

“*Business Day*” has the meaning assigned to such term in the Series Resolution.

“*Cash Equivalent*” has the meaning assigned to such term in the Master Resolution.

“*Cash Flow Certificate*” has the meaning assigned to such term in the Master Resolution.

“*Change in Law*” means the adoption, taking effect or implementation of, or any change in, after the Closing Date, any law, rule, treaty, or regulation, or any policy, request, rule, guideline, or directive of, or any change, after the Closing Date, in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such Governmental Authority (whether or not having the force of law), *provided* that, notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), the International Regulatory Framework for Banks (Basel III) developed by the Basel Committee on Banking Supervision or by the Bank for International Settlements (BIS) (or any similar or successor organization) and all requests, rules, guidelines or directives thereunder or issued in connection therewith will be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“*Closing Date*” means November 7, 2013, or such later date on which this Agreement is fully executed and delivered.

“*Covered Rate*” means the Weekly Rate, the Monthly Rate and the Daily Rate.

“*Daily Rate*” has the meaning assigned to such term in the Series Resolution.

“Debt” means, with respect to any Person, all items that would be classified as a liability of such Person in accordance with generally accepted accounting principles, including, without limitation: (a) indebtedness or liability for borrowed money or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which are, should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities and letters of credit; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any Lien on property of such Person, whether or not the obligations have been assumed by such Person, and (h) obligations of such Person under Interest Rate Protection Agreements; *provided, however*, that any debt described in this definition issued or incurred by such Person on behalf of another Person, with respect to which such Person issuing or incurring such debt has no obligation or liability, will not constitute Debt for purposes of this Agreement.

“Debt Service Reserve Fund” has the meaning assigned to such term in the Master Resolution.

“Default” means the occurrence of any event or the existence of any condition which constitutes an Event of Default or which, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

“Defaulted Interest” means accrued interest on the Bonds which was not paid when due under the terms of the Resolution and any amounts accruing on amounts owed on the Bonds by reason of such amounts being not paid when due.

“Default Rate” means a per annum rate of interest equal to the higher of (i) the Base Rate plus 3.00% and (ii) 10.00%; *provided, however*, that at no time may the Default Rate be less than the otherwise applicable rate of interest on Bank Bonds.

“Default Tender” means a mandatory tender of the Bonds pursuant to Section 2.15(a)(iv) of the Series Resolution resulting from the Bank’s delivery of a Notice of Termination Date pursuant to Section 8.03(b) upon the occurrence of an Event of Default described in Section 8.01.

“Differential Interest Amount” means an amount equal to (a) interest which has accrued on Bank Bonds at the Bank Rate, as determined in accordance with Section 3.01, to the Sale Date, less (b) the interest accrued on such Bonds which is received by the Bank Bondholders as part of the Sale Price.

“DTC” means The Depository Trust Company and its successors.

“Effective Date” has the meaning assigned to such term in Section 4.01.

“Eligible Bonds” means any Bonds Outstanding under and entitled to the benefits of the Resolution that bear interest at a Covered Rate and that are tendered or deemed tendered for

purchase pursuant to Section 2.14(a) or 2.15(a) of the Series Resolution other than any such Bond which (a) is a Bank Bond or (b) is owned by or on behalf of or is held for the account or for the benefit of the Administration or any Affiliate of the Administration.

“*EMMA*” has the meaning assigned to such term in Section 9.13.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA herein correspond to sections of ERISA as in effect at the Closing Date and any corresponding future sections of ERISA amendatory thereof, supplemental thereto or substituted therefor.

“*Event of Default*,” in relation to this Agreement, has the meaning assigned to such term in Article VIII and, in relation to any other Related Document, has the meaning set forth therein.

“*Event of Insolvency*” means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order for relief, rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking an order for relief, liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency, reorganization or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property or the appointment, or the designation with respect to it, of an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or the declaration of, or the introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it of, the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) such Person is “insolvent” as defined in Section 101(32) of the United States Bankruptcy Code;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person, which, in the case of the Administration, means that a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is declared by, or imposed on, Material Debt as a result of a finding or ruling of a Governmental Authority with jurisdiction over the Administration;

(f) the admission by such Person in writing of its inability to pay its debts when due; or

(g) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“Excess Interest Amount” has the meaning assigned to such term in Section 3.03(b).

“Expiration Date” means November 6, 2017, as such date may be extended from time to time by the Bank by delivery of a written Notice of Extension or No Extension pursuant to Section 9.09; *provided* that if any such date is not a Business Day, the Expiration Date will be the next preceding Business Day.

“Federal Funds Rate” means, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three federal funds brokers of recognized standing selected by it.

“Fee Letter” means the Fee Letter dated November 7, 2013, between the Bank and the Administration, relating to the Bonds.

“Fee Payment Date” has the meaning assigned to such term in the Fee Letter.

“Fiscal Year” has the meaning assigned to such term in the Master Resolution.

“Fitch” means Fitch Ratings, Inc. or any successor thereto. If Fitch Ratings, Inc. or any successor thereto ceases to be in the business of rating debt securities and such business is not continued by a successor, the Bank and the Administration shall jointly select a nationally recognized rating agency in substitution therefor.

“Governmental Authority” means any national, state or local government (whether domestic or foreign), any political subdivision thereof, any other governmental, quasi governmental, judicial, public or statutory instrumentality, authority, body, tribunal, court, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation, the Federal Reserve Board, any central bank and any comparable authority), or any arbitrator with authority to bind a party at law.

“Housing Revenue Bonds” means any and all bonds issued under the Master Resolution.

“Immediate Suspension Event” has the meaning assigned to such term in Section 8.03(c).

“Immediate Termination Event” has the meaning assigned to such term in Section 8.03(a).

“Interest Component” has the meaning assigned to such term in Section 2.01.

“Interest Payment Date” has the meaning assigned to such term in the Series Resolution.

“Interest Rate Protection Agreement” means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies and includes all Qualified Hedges.

“Investor CUSIP Number” means CUSIP No. 57419R HB4.

“Lien” means any lien, mortgage, security interest, pledge or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to personal, real or mixed property.

“Margin Stock” has the meaning assigned to such term in Regulation U.

“Master Resolution” means the Resolution Providing for the Issuance of Housing Revenue Bonds of the Administration originally adopted as of November 1, 1996, as amended and restated as of July 1, 2006, and as it may from time to time be further amended, modified or supplemented, providing for the issuance by the Administration of its Housing Revenue Bonds.

“Material Adverse Change” means the occurrence of any event or change resulting in a material and adverse change (in the reasonable opinion of the Bank) in the Revenues, in the assets or condition (financial or otherwise) or operations of the Administration or of the Program (as defined in the Master Resolution), or which materially and adversely affects the enforceability of this Agreement or any other Related Document or the ability of the Administration to perform its obligations hereunder or thereunder.

“Material Debt” means (a) the Bonds and (b) any other obligation which is secured by a Lien on the Trust Estate on a parity with or senior to the Lien on the Trust Estate which secures the Bonds.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory maximum interest rate.

“Maximum Rate” means the lesser of (a) eighteen percent (18.00%) and (b) the Maximum Lawful Rate.

“Monthly Rate” has the meaning assigned to such term in the Series Resolution.

“Moody’s” means Moody’s Investors Service, Inc. or any successor thereto. If Moody’s Investors Service, Inc. or any successor thereto ceases to be in the business of rating debt securities and such business is not continued by a successor, the Bank and the Administration shall jointly select a nationally recognized rating agency in substitution therefor.

“Non-Conforming Liquidity Facility” has the meaning assigned to such term in the Series Resolution.

“Notice of Bank Purchase” means a written notice in the form of Exhibit A.

“Notice of Extension or No Extension” has the meaning assigned to such term in Section 9.09.

“Notice of Termination Date” means any written notice given by the Bank pursuant to Section 8.03(b), which notice must be in the form of Exhibit B.

“Official Statement” means the original Official Statement dated October 31, 2013 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), and any other prospectus used with respect to the remarketing of the Bonds or supplement to official statement.

“Other Obligations” means any bond, note or other similar instrument issued or incurred by the Administration pursuant to the Resolution which is secured by a Lien on the Trust Estate subordinate to the Lien on the Trust Estate which secures the Bonds.

“Outstanding” has the meaning assigned to such term in the Master Resolution.

“Parity Debt” means (a) the Bonds and (b) any other obligation of the Administration secured by a Lien on the Trust Estate on a parity with the Lien on the Trust Estate which secures the Bonds.

“Parity Ratio” means the ratio of (A) the sum of (i) the amount of moneys and Permitted Investments held in the Bond Proceeds Fund, the Redemption Fund, the Revenue Fund and the Debt Service Reserve Fund (valued at their cost to the Administration, as adjusted by amortization of the discount or premium paid upon purchase of such obligations ratably to their respective maturities), together with accrued but unpaid interest thereon, (ii) the outstanding principal balance of Loans, together with accrued but unpaid interest thereon, and (iii) any other assets, valued at their realizable value, pledged for the payment of Housing Revenue Bonds and Parity Obligations, to (B) the aggregate principal amount of and accrued but unpaid interest on all Housing Revenue Bonds and Parity Obligations which are then Outstanding. As used in this definition each of the terms “Bond Proceeds Fund”, “Redemption Fund”, “Revenue Fund”, “Debt Service Reserve Fund”, “Loans” and “Parity Obligations” has the meaning assigned to such term in the Master Resolution.

“Participant” means any bank or other financial institution that may purchase from the Bank a participation interest in this Agreement and certain of the other Related Documents pursuant to a participation agreement between the Bank and such Participant.

“Participated Obligations” has the meaning assigned to such term in Section 9.11.

“Participation Agreement” means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchase(s) a participation interest in this Agreement and certain of the other Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

“Permitted Investments” has the meaning assigned to such term in the Master Resolution.

“Person” means an individual, a corporation, a partnership, an association, an agency, an authority, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental entity or political subdivision or an agency or instrumentality thereof.

“Prime Rate” means, for any day, the rate of interest per annum announced by the Bank from time to time in its sole discretion as its prime commercial lending rate for such day for United States Dollar loans made in the United States and published at [REDACTED] as “Royal Bank US Prime”. The Prime Rate is not necessarily the lowest rate that the Bank is charging any corporate customer.

“Principal Component” has the meaning assigned to such term in Section 2.01.

“Purchase Date” means any Business Day during the Purchase Period on which the Bank is required to purchase Eligible Bonds pursuant to Sections 2.01 and 2.02.

“Purchase Notice” has the meaning assigned to such term in Section 2.04(b).

“Purchase Period” means the period from the Effective Date to and including the close of business on the earliest of (a) the Expiration Date, (b) the day immediately succeeding the date on which no Bonds are Outstanding and (c) the date on which the Available Commitment and the Bank’s obligation to purchase Eligible Bonds have been terminated in their entireties pursuant to Section 2.03 or Article VIII.

“Purchase Price” means, with respect to any Eligible Bond as of any date, 100% of the principal amount of such Eligible Bond plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; *provided, however*, that if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond will not include accrued but unpaid interest on such Eligible Bond; and *provided, further*, that in no event will the Purchase Price of any Bond include Defaulted Interest accrued on such Bond or any premium owed with respect to such Bond.

“Purchaser” has the meaning assigned to such term in Section 2.04(b).

“Qualified Hedge” has the meaning assigned to such term in the Master Resolution.

“Rating Agency” means either Moody’s or Fitch.

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“Related Documents” means this Agreement, the Bonds, the Fee Letter, the Master Resolution, the Series Resolution, the Remarketing Agreement and any exhibits, instruments or agreements ancillary thereto and any Interest Rate Protection Agreement entered into by the Administration relating to the Bonds.

“Remarketing Agent” means the Person acting from time to time as the Remarketing Agent under the Series Resolution and the Remarketing Agreement, initially RBC Capital Markets, LLC.

“Remarketing Agreement” means the Remarketing Agreement dated and effective as of November 1, 2013, by and between the Administration and the Remarketing Agent and any similar agreement between the Administration and any successor Remarketing Agent.

“Resolution” means, collectively, the Master Resolution and the Series Resolution.

“Revenue Fund” has the meaning assigned to such term in the Master Resolution.

“Revenues” means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including, without limitation, the payments of principal of and interest on Loans (whether paid by or on behalf of the Borrower), including the payments of principal of and interest on Loans subject to Credit Enhancement, and investment income from all funds and accounts described in Section 5.01 of the Master Resolution subject to the Lien of the Master Resolution, and Hedge Receipts and Termination Receipts but not including Recovery Payments, Escrow Payments, Service Charges or Acquired Development Receipts, and not including any fees received by the Administration for its own account pursuant to annual contribution contracts between the Administration and HUD, if any, with respect to Developments financed by Loans, or financing, commitment or similar fees or charges of the Administration at or prior to the time of making, purchasing or otherwise financing a Loan. Any arbitrage rebates payable to the United States are not Revenues and are not subject to the Lien of the Master Resolution. As used in this definition each of the terms “Program”, “Loans”, “Credit Enhancement”, “Hedge Receipts”, “Termination Receipts”, “Recovery Payments”, “Escrow Payments”, “Service Charges”, “Acquired Development Receipts”, “HUD” and “Developments” has the meaning assigned to such term in the Master Resolution.

“Sale Date” has the meaning assigned to such term in Section 2.04(b).

“Sale Price” has the meaning assigned to such term in Section 2.04(b).

“Self Liquidity” has the meaning assigned to such term in the Series Resolution.

“Series Resolution” means the Series Resolution Providing for the Issuance and Sale of \$41,795,000 Principal Amount of Housing Revenue Bonds Series 2013 E (Federally Taxable) (Variable Rate) adopted as of November 1, 2013, and as it may from time to time be amended, modified or supplemented.

“State” means the State of Maryland.

“Subordinate Contract Obligation” has the meaning assigned to such term in the Master Resolution.

“Substitute Liquidity Facility” means a replacement standby bond purchase agreement or other liquidity facility which is delivered to the Trustee pursuant to Section 5.03 or 5.04 of the

Series Resolution in replacement of this Agreement, including any Alternate Liquidity Facility, Self Liquidity and Non-Conforming Liquidity Facility.

“Swap Report” means a swap report of the Administration which summarizes certain information with respect to Interest Rate Protection Agreements, if any, relating to the Housing Revenue Bonds and includes a breakdown of the type of transaction, associated bonds, interest rate, trade date, effective date, maturity date, initial notional amount, bank counterparty, bank counterparty ratings and mark-to-market value for each Interest Rate Protection Agreement.

“Tender Agent” means Manufacturers and Traders Trust Company, in its capacity as tender agent under the Series Resolution, and any permitted successors as tender agent under the Series Resolution.

“Term-out Commencement Date” has the meaning assigned to such term in Section 3.02.

“Trust Estate” means the trust estate established by the granting clauses of Section 1.03 of the Master Resolution and includes, without limitation, the Revenues.

“Trustee” means Manufacturers and Traders Trust Company, in its capacity as Trustee under the Resolution, and any permitted successors as Trustee under the Resolution.

“USA Patriot Act” has the meaning assigned to such term in Section 9.19.

“Weekly Rate” has the meaning assigned to such term in the Series Resolution.

“Written” or *“in writing”* means any form of written communication or a communication by means of facsimile device.

Section 1.02. Certain Other Defined Terms. Each capitalized term used herein and not otherwise defined herein has the meaning provided therefor in the Master Resolution, the Series Resolution or the Bonds, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition will be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement will be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.05. New York City Time Presumption. All references herein to times of day refer to New York City time unless otherwise specified.

Section 1.06. Relation to Other Documents. Nothing in this Agreement is to be deemed to amend, or relieve the Administration of any of its obligations under, any other Related

Document. To the extent any provision of this Agreement conflicts with any provision of any other Related Document to which the Administration and the Bank are parties, the terms of this Agreement will control.

Section 1.07. Interpretation. All words used herein are to be construed to be of such gender or number as the circumstances require. Reference herein to any document means such document as amended, modified or supplemented from time to time as permitted under its terms and the terms hereof. Reference herein to an Article, Exhibit or Section constitutes a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment to Purchase Bonds. Subject to the terms and conditions of this Agreement, the Bank hereby agrees to extend credit to the Administration from time to time during the Purchase Period through the purchase of Eligible Bonds at the Purchase Price on a Purchase Date. Eligible Bonds purchased hereunder must be in Authorized Denominations. The portion of the Purchase Price paid for any Eligible Bonds purchased on any Purchase Date constituting principal (the "*Principal Component*") must not exceed the lesser of 100% of the principal amount of such Eligible Bonds and the Available Principal Commitment (calculated in each case without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:30 a.m. on such Purchase Date. The portion of the Purchase Price paid for any Eligible Bonds constituting Accrued Interest (the "*Interest Component*") on such Eligible Bonds purchased on any Purchase Date must not exceed the lesser of the accrued and unpaid interest on such Eligible Bonds (excluding Defaulted Interest and, if the Purchase Date for such Eligible Bonds is also an Interest Payment Date for such Eligible Bonds, excluding all Accrued Interest) and the Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Bonds by the Bank on such date) at 10:30 a.m. on such Purchase Date. Any Eligible Bonds so purchased thereupon constitute Bank Bonds and, from the date of such purchase and while they are Bank Bonds, will bear interest at the Bank Rate and have the other characteristics of Bank Bonds as set forth herein, in the Resolution, and in the Bonds. Amounts drawn hereunder may only be used to pay the Purchase Price of Eligible Bonds and may not be used to pay the principal of and interest on the Bonds or for any other purpose.

Section 2.02. Method of Purchasing.

(a) **Notice of Purchase.** If, on any Purchase Date during the Purchase Period, the Bank receives at the location for delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a Notice of Bank Purchase from the Tender Agent, and the Tender Agent confirms the Bank's receipt of such Notice of Bank Purchase not later than 11:30 a.m. (*provided, however, that notwithstanding the Tender Agent's failure to confirm the Bank's receipt of such Notice of Bank Purchase the Bank will nonetheless be obligated hereunder to advance funds to the Tender Agent for the purchase of Eligible Bonds as described in such Notice of Bank Purchase if such Notice of Bank Purchase is actually received by the Bank no later than 11:30 a.m. on the Purchase Date and all other applicable conditions specified herein have been satisfied*), the Bank shall, subject to satisfaction of the requirements of Sections 2.01 and 4.02, transfer to the Tender

Agent not later than 2:00 p.m. on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Bonds tendered or deemed tendered for purchase on such date but not remarketed as specified in such Notice of Bank Purchase. Each Notice of Bank Purchase must be delivered by the Tender Agent to the Bank in the manner provided in Section 9.04. A Notice of Bank Purchase will be irrevocable after receipt thereof by the Bank. The Bank has no responsibility for, and incurs no liability in respect of, any act, or any failure to act, by the Tender Agent, the Trustee, the Administration or the Remarketing Agent that results in the Bank's failure to purchase Eligible Bonds pursuant to this Section 2.02. The Tender Agent shall cause Eligible Bonds purchased pursuant to this Article II to be registered by the Trustee in the name of the Bank or, if directed in writing by the Bank, the Bank's nominee or designee, and such Bonds shall be promptly delivered by the Tender Agent to the Bank or as the Bank may otherwise direct in writing to be held as Bank Bonds under this Agreement and the Resolution, and prior to such delivery such Bonds must be held in trust by the Tender Agent for the benefit of the Bank. All purchases of Eligible Bonds must be made with the Bank's own funds.

So long as Bonds purchased pursuant to this Section 2.02(a) are Book Entry Bonds held by the Tender Agent as custodian as part of DTC's FAST automated transfer program ("*FAST Eligible Bonds*"), concurrently with the Tender Agent's receipt of the Purchase Price for each purchase of Bonds by the Bank, the Tender Agent, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall, if so directed by the Bank, make a direct registration electronic book entry (A) crediting the DTC account designated by the Bank as its account in which to hold the Bonds purchased by the Bank (the "*Bank Book Entry Account*") with the principal amount of the Bonds purchased by the Bank using the Bank Bond CUSIP Number and (B) debiting the book entry account of DTC for the Bonds (the "*DTC Book Entry Account*") for the principal amount of the Bonds purchased by the Bank (thereby reducing the principal balance of the global certificate representing the Bonds). So long as the Bonds are FAST Eligible Bonds, upon a remarketing of Bank Bonds and the Tender Agent's receipt from the Remarketing Agent of the remarketing proceeds, the Tender Agent, as a participant of DTC (or any other successor securities depository) or an eligible transfer agent, shall, if the Tender Agent has previously credited the Bank Book Entry Account as described in clause (A) of the first sentence of this paragraph, make a direct registration electronic book entry in its records (X) debiting the Bank Book Entry Account for the principal amount of the Bonds so remarketed and (Y) crediting the DTC Book Entry Account for the Bonds with the principal amount of the Bonds so remarketed (thereby increasing the principal balance of the global certificate representing the Bonds). The Tender Agent acknowledges that it is familiar with the procedures and requirements set forth in a notice from DTC, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("*VRDO*") Failed Remarketings and Issuance of Bank Bonds" and agrees that, with respect to any and all Bonds, it shall follow the procedures and requirements set forth in such notice, as the same may be amended from time to time. To the extent that, following any amendment of such notice, the procedures and requirements therein should become inconsistent with any aspect of the provisions of this paragraph, the Tender Agent, the Administration and the Bank shall promptly negotiate in good faith and agree upon amendments of this paragraph so as to eliminate such inconsistency.

If the Bonds are no longer FAST Eligible Bonds, concurrently with the Tender Agent's receipt of the Purchase Price for each purchase of Bonds by the Bank, the Tender Agent shall

cause each Bank Bond to be registered in the name of the Bank and such Bank Bonds shall be held by the Tender Agent as the agent, bailee and trustee of the Bank for the exclusive benefit of the Bank. The Tender Agent acknowledges and agrees that it is acting and shall act with respect to Bank Bonds at the direction of the Bank for the exclusive benefit of the Bank and is not and will not at any time be subject in any manner or to any extent to the direction or control of the Administration or any other Person with respect to the Bank Bonds. The Tender Agent agrees to act in strict accordance with this Agreement and in accordance with any lawful written instructions delivered by the Bank to the Trustee from time to time pursuant hereto. Under no circumstances may the Tender Agent deliver possession of the Bank Bonds to, or cause Bank Bonds to be registered in the name of, the Administration, the Remarketing Agent or any Person other than the Bank except in accordance with the express terms of this Agreement or otherwise upon the written instructions of the Bank. The Tender Agent agrees that if, while this Agreement is in effect, the Tender Agent becomes entitled to receive or receives any payment in respect of any Bank Bonds held for the Bank, it shall accept the same as the Bank's agent and hold the same in trust on behalf of the Bank and deliver the same forthwith to the Bank. Upon the remarketing of any Bank Bonds and the Tender Agent's receipt from the Remarketing Agent of the amounts set forth in Section 2.04(b), the Tender Agent shall release to the Remarketing Agent in accordance with the terms of the Series Resolution Bank Bonds in a principal amount equal to the principal amount so remarketed. The Tender Agent may rely and will be protected in acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent will not be liable for any error in judgment made in good faith by its responsible officers, employees and agents unless the Tender Agent or its responsible officers, employees or agents were negligent or engaged in willful misconduct. Anything herein to the contrary notwithstanding, the Tender Agent has no liability hereunder for any act or omission except such as results from its gross negligence or willful misconduct. The Tender Agent agrees that it shall not, except as provided above, without the prior written consent of the Bank, sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Bank Bonds, and shall not create, incur or permit to exist any pledge, Lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance on or take any other action with respect to the Bank Bonds, or any interest therein, or any proceeds thereof. The Tender Agent and the Trustee shall deliver to the Bank at the Bank's request such information as may be in the possession of the Tender Agent or the Trustee, as applicable, with respect to Bank Bonds.

(b) ***Remittance of Extra Funds.*** In the event that any funds paid by the Bank to the Tender Agent pursuant to Section 2.02(a) are not required to be applied to purchase Eligible Bonds as provided herein, such funds shall be returned to the Bank as soon as practicable by the Tender Agent and until so returned shall be held in trust by the Tender Agent for the account of the Bank. To the extent any such amounts are not returned to the Bank in immediately available funds by 4:00 p.m. on the same day on which such funds were advanced, such amounts will bear interest, payable by the Administration on demand and in any event on the date on which such funds are returned, at a rate equal to the Bank Rate from the date disbursed until the date returned to the Bank (but in any event for not less than one (1) day).

(c) ***Representations and Warranties on Purchase Date.*** Each notification delivered pursuant to Section 2.02(a) constitutes a representation and warranty by the Administration on the applicable Purchase Date that (i) the conditions described in

Section 4.02(a) and (b) have been satisfied on such Purchase Date and (ii) the representations and warranties made by the Administration herein are true and correct in all material respects on and as of such Purchase Date, as if made on and as of such Purchase Date; *provided, however*, that so long as the conditions set forth in Section 4.02(a) and (b) are satisfied, the failure of such representations and warranties to be true and correct on such Purchase Date will not negate the obligation of the Bank to purchase Eligible Bonds hereunder.

Section 2.03. Mandatory Reductions of Available Commitment. (a) Upon (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Bonds or (ii) the conversion of the interest rate borne by any Bonds to an interest rate other than a Covered Rate (in each case, whether at the option of the Administration or pursuant to mandatory provisions of the Resolution), the aggregate Available Principal Commitment will be reduced, upon receipt by the Bank of written notice of such occurrence from the Administration, by the principal amount of the Bonds so redeemed, purchased in lieu of redemption, repaid, defeased or otherwise paid or deemed paid or so converted, as specified in such written notice. Upon reduction of the Available Principal Commitment to zero pursuant to this Section 2.03(a), the Purchase Period will automatically terminate.

(b) The Available Commitment and the Purchase Period will automatically terminate at the opening of business on the day immediately succeeding the date on which a Substitute Liquidity Facility has become effective pursuant to the Series Resolution.

Section 2.04. Sale of Bank Bonds; Reinstatement.

(a) ***Right to Sell Bank Bonds.*** The Bank expressly reserves the right to sell Bank Bonds at any time, subject, however, to the express terms of this Agreement and the Resolution. The Bank agrees promptly to notify the Tender Agent, the Administration and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and the purchase price of such purchased Bank Bonds and to notify the transferee that such Bond is not an Eligible Bond so long as it remains a Bank Bond and will not carry a short term rating. Any Bank Bondholder will be deemed to have agreed not to sell such Bank Bond to any Person except the Bank or an institutional investor or other Person which customarily purchases commercial paper or tax exempt securities in large denominations or a Purchaser identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Bond to any Person other than a Purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent, the Administration and the Tender Agent of the identity of the new Bank Bondholder purchasing such Bank Bond and shall require such new Bank Bondholder to agree to sell such Bank Bond as provided in the preceding sentence and to agree not to otherwise sell its Bank Bonds.

(b) ***Purchase Notices.*** Prior to 12:00 noon on any Business Day on which any Bank Bondholder holds Bank Bonds, the Remarketing Agent may deliver a notice (a "*Purchase Notice*") to such Bank Bondholder as registered on the bond register maintained by the Tender Agent and to the Bank stating that it has located a purchaser (the "*Purchaser*") for some or all of such Bank Bonds and that such Purchaser desires to purchase such Bank Bonds on a Business Day (a "*Sale Date*") which must be at least two Business Days after the date on which

the Purchase Notice is received by the Bank Bondholder. The Bank Bonds to be purchased must be in Authorized Denominations and sold at a price of par plus interest as determined by the Remarketing Agent pursuant to the Series Resolution (the "*Sale Price*"). Interest on Bank Bonds will otherwise be payable as provided in Section 3.01.

(c) ***Sale of Bank Bonds.*** If a Bank Bondholder elects, at its sole option, to sell any Bank Bonds to any Purchaser, it shall give notice of such election to the Tender Agent, the Administration and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date. If a Bank Bondholder elects, at its sole option, not to sell any Bank Bonds to any Purchaser, it shall give notice of such election to the Tender Agent, the Administration and the Remarketing Agent at or before 4:00 p.m. on the Business Day next preceding the Sale Date. In the event no such notice is timely delivered by a Bank Bondholder, such Bank Bondholder will be deemed to have elected to sell such Bank Bonds to a Purchaser. If a Bank Bondholder elects, or is deemed to have elected, to sell Bank Bonds to a Purchaser, such Bank Bondholder shall deliver such Bank Bonds to the Tender Agent (or, in the case of Bank Bonds that are Book-Entry Bonds, shall cause the beneficial ownership thereof to be credited to the account of the Remarketing Agent at DTC) by 1:00 p.m. on the Sale Date against receipt by the Bank Bondholder of the Sale Price and the Differential Interest Amount therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such address for such Bank Bondholder as is listed in the bond register for the Bonds, as the case may be, and such Bond will thereupon no longer be considered a Bank Bond. In the event that a Bank Bondholder fails to deliver its Bank Bonds as described in the next preceding sentence, the Bank Bondholder will be deemed to have so delivered its Bank Bonds, and the Remarketing Agent shall deliver the Sale Price therefor to the Tender Agent to be held in trust, together with the Differential Interest Amount, for the benefit of such Bank Bondholder pending the surrender of such Bank Bonds by such Bank Bondholder. Upon delivery of such Sale Price by the Remarketing Agent to the Tender Agent and the delivery of the Differential Interest Amount by the Administration to the Tender Agent, such Bank Bonds will no longer constitute Bank Bonds. When Bank Bonds are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of such Bank Bonds and upon receipt by the Bank or the applicable Bank Bondholder of the Sale Price, notify the Tender Agent that such Bonds are no longer Bank Bonds. If a Bank Bondholder notifies the Tender Agent and the Remarketing Agent at or before 4:00 p.m. on the Business Day before the Sale Date that it will not sell its Bank Bonds, the Remarketing Agent shall notify the Tender Agent and such Bank Bondholder that as of the Sale Date such Bonds will no longer be considered Bank Bonds.

(d) ***Continuing Obligations.*** Following any sale of Bank Bonds pursuant to Section 2.04(b) or otherwise, or any election to retain Bonds pursuant to Section 2.04(c), the Bank or other Bank Bondholder will retain the right to receive payment from the Administration of any interest thereon as provided herein, in Article III and in the Resolution.

(e) ***No Warranty.*** Any sale of a Bank Bond pursuant to this Section 2.04 will be without recourse to the seller and without representation or warranty of any kind by the Bank or any Bank Bondholder.

Section 2.05. Rights of Bank Bondholders. Upon purchasing Bank Bonds, Bank Bondholders will be entitled to and, where necessary, will be deemed assigned all rights,

privileges and security accorded Bondholders as provided in the Bonds and the Resolution other than the right to tender such Bank Bonds for purchase pursuant to the Series Resolution and have such Bank Bonds purchased with amounts advanced hereunder. Upon purchasing Bank Bonds and registration of such Bank Bonds in the name of or at the direction of the Bank, as provided herein, Bank Bondholders will be recognized by the Administration, the Tender Agent and the Trustee as the true and lawful owners of the applicable Bank Bonds, free from any claims, Liens, equitable interests and other interests of the Administration, the Tender Agent or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Bonds with respect to all Bondholders.

Section 2.06. Fees. The Administration hereby agrees to pay to the Bank all amounts set forth in the Fee Letter on the dates and in the amounts stated in the Fee Letter. The Fee Letter and this Agreement are to be construed as one agreement between the Administration and the Bank and all obligations under the Fee Letter are to be construed as obligations hereunder.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant has determined that a Change in Law will (i) change the basis of taxation of payments to the Bank or such Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or such Participant), (ii) impose, modify or deem applicable any reserve, liquidity, special deposit, insurance premium, or similar requirement, fee, financial charge or monetary burden against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or such Participant, (iii) impose on the Bank or such Participant any other condition or expense regarding this Agreement, the Fee Letter, the commitment or the obligations of the Bank or such Participant hereunder, the Bonds or the purchase or holding of Bank Bonds by or on behalf of the Bank or such Participant, or (iv) subject the Bank or such Participant to any tax, charge, fee, deduction or withholding with respect to this Agreement, the Fee Letter or any Bank Bonds held by or on behalf of the Bank or such Participant (other than any tax based upon the overall net income of the Bank or such Participant), and the result of any event referred to in clause (i), (ii), (iii) or (iv) above will be to increase the cost to the Bank or such Participant of making advances hereunder or to reduce the amount of any sum received or receivable by the Bank or such Participant hereunder, then, on demand by the Bank, the Administration shall pay to the Bank for its account or that of such Participant, as applicable, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount determined by the Bank or such Participant to be incurred subsequent to a Change in Law.

(b) If the Bank or any Participant has determined that a Change in Law will impose, modify or deem applicable any capital adequacy (core, contingent or otherwise), liquidity, insurance premium, fee, charge or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or such Participant allocates capital resources to its commitments (including its obligations under standby bond purchase agreements)) that either (i) adversely affects or would adversely affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy or liquidity position),

then, on demand by the Bank for its own account or that of such Participant, as applicable, the Administration shall pay to the Bank for its own account or that of such Participant, as applicable, such additional amounts, as will compensate the Bank or such Participant for such event determined by the Bank or such Participant to have occurred subsequent to a Change in Law.

(c) A certificate of the Bank or a Participant, as applicable, as to such increased cost, increased capital, or reduction in return incurred by the Bank or such Participant as a result of any event mentioned in paragraph (a) or (b) of this Section 2.07 setting forth, in reasonable detail, the basis for calculation and the amount of such calculation must be submitted by the Bank to the Administration simultaneously with a demand for payment and will be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above referenced certificate, the Bank or the Participant may make such reasonable estimates, assumptions, allocations and the like as the Bank or the Participant in good faith determines to be appropriate. Upon receipt of the above-referenced certificate, the Administration shall remit to the Bank all payments of amounts referred to in paragraphs (a) and (b) of this Section 2.07 not later than the first Fee Payment Date occurring on or after 90 days from the date of the Administration's receipt of such certificate. The obligations of the Administration under this Section 2.07 will survive for one year following the termination of this Agreement and the payment in full of the Bonds and the obligations of the Administration hereunder and under the Fee Letter. Notwithstanding anything to the contrary contained herein, the payments to be made by the Administration for costs incurred by any Participant under this Section 2.07 will equal the lesser of (i) the costs which the Bank would have incurred under this Section 2.07 for that portion of the Participated Obligations granted to such Participant if the Bank had not granted such participation and (ii) the costs actually incurred by such Participant under this Section 2.07.

Section 2.08. Computations; Payments; Default Interest.

(a) **Method of Payment.** Except as may be otherwise provided herein, interest on amounts owed hereunder or with respect to Bank Bonds will be computed on the basis of a year of 360 days and the actual number of days elapsed. Any payments received by the Bank later than 3:30 p.m. on any day will be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Administration to the Bank hereunder will be fully earned when due and nonrefundable when paid and must be made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, must be made to the Bank's account specified in the Fee Letter or to such other account of the Bank as the Bank may specify in writing to the Administration, the Tender Agent and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount will be due on the next succeeding Business Day, and such extension of time will in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** The Administration agrees to pay the Bank, on demand, interest on any and all amounts owed by the Administration under this Agreement from the earlier of the date such amounts are due and payable but not paid and the occurrence and during the continuation of an Event of Default until payment thereof in full, at a fluctuating interest rate

per annum (computed on the basis of a year of 360 days and the actual number of days elapsed) equal to the Default Rate.

Section 2.09. Cure. The Administration shall pay to the Bank, on demand, any amounts advanced by or on behalf of the Bank to the extent required to cure any Default. The Bank shall give the Administration reasonably prompt notice of any such advance. The Bank has the right, but not the obligation, to cure any Default.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Administration and the amounts payable and paid from time to time hereunder and under the Fee Letter. In any legal action or proceeding in respect of this Agreement or the Fee Letter, the entries made in such account or accounts will be presumptive evidence of the existence and amounts of the obligations of the Administration therein recorded, absent manifest error. The failure to record any such amount will not, however, limit or otherwise affect the obligations of the Administration hereunder or under the Fee Letter to pay all amounts owed hereunder and thereunder, together with all interest accrued thereon as provided herein.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder or under the Fee Letter must be made in the amounts required hereunder or thereunder without any reduction, deduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Administration, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Administration is required by law to withhold or deduct any sum from payments required under this Agreement, the Administration shall (i) to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank will equal the amount the Bank would have received without any such withholding or deduction, (ii) make such withholdings and deductions, (iii) pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) within thirty (30) days after the due date of such payment, deliver to the Bank the original or certified copy of an official receipt or other document satisfactory to the Bank to evidence the payment to the relevant taxation authority or other authority.

Section 2.12. Security. This Agreement is a "*Liquidity Facility*", as defined in the Series Resolution, and a "*Credit Facility*" as defined in the Master Resolution. The Bank Bonds are "*Bank Bonds*", as defined in the Series Resolution. The Bank Bonds and the other obligations owed to the Bank hereunder and under the Fee Letter are secured by a pledge of and Lien on the Trust Estate as provided in and subject to the Master Resolution. In addition, the Administration hereby agrees that, to the extent that amounts owed to the Bank under this Agreement or the Fee Letter or with respect to the Bank Bonds are Subordinate Contract Obligations, the Administration's obligation to make payment of all amounts owing to the Bank under this Agreement, under the Fee Letter or with respect to the Bank Bonds constitutes an obligation of the Administration payable from any legally available funds of the Administration. No filing, registering, recording or publication of the Master Resolution or any other instrument (which has not been previously undertaken and properly completed) is required to establish the pledge under the Master Resolution or to perfect, protect or maintain the Lien created thereby on

the Trust Estate for the payment of the Bonds, the Bank Bonds and the other amounts payable by the Administration hereunder and under the Fee Letter.

ARTICLE III

BANK BONDS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Bond, the Administration agrees that (a) the Administration shall pay the Bank interest at the Bank Rate on the Interest Component, if any, included in the Purchase Price from the Purchase Date until, and the Interest Component (together with interest thereon at the Bank Rate) will be due and payable on, the earliest of (i) the Interest Payment Date next succeeding the Purchase Date, (ii) the Sale Date or the date such Bank Bond is paid at maturity or redeemed and (iii) the last day of the Purchase Period and (b)(i) interest on the unpaid principal amount of each Bank Bond from and including the applicable Purchase Date will be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03, and (ii) interest payable pursuant to clause (b)(i) above will be payable (each date specified in this clause (b)(ii) being a “*Bank Bond Interest Payment Date*”) (A) on the first Business Day of each January, April, July and October, (B) upon redemption or purchase in lieu of redemption of such Bank Bond pursuant to the Resolution (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued on the amount being sold or deemed sold after a credit for any interest included in the Sale Price and as provided in Section 2.04(c)), (D) on the date the Purchase Period is terminated pursuant to the terms hereof and (E) at maturity (whether by acceleration or otherwise). In the event any Bank Bond is remarketed or otherwise transferred by the Bank before payment in full of the funds advanced by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III will continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Bond are paid. All or any portion of the Bank Bonds may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Administration to make the payments described in this Section 3.01 will be reduced to the extent that such obligations are paid pursuant to the Series Resolution or as part of the Sale Price.

Section 3.02. Mandatory Redemption. Subject to the conditions that (a) no Default or Event of Default has occurred and is continuing and (b) the representations and warranties contained in Article V are true and correct (except for representations and warranties which relate to a specific date, in which case such representations and warranties will be true as of such date), in each case on the Term-Out Commencement Date immediately following a Purchase Date, Bank Bonds purchased on such Purchase Date will not be subject to mandatory redemption on such Term-Out Commencement Date and, instead, will be subject to mandatory redemption in accordance with the immediately succeeding sentence. If the conditions of the preceding sentence are satisfied on such Term-Out Commencement Date, such Bank Bonds will be subject to mandatory redemption in equal semiannual principal installments, the first such installment being payable on the day following the first anniversary of the Purchase Date (the “*Term Out Commencement Date*”), and semiannually thereafter so that such Bank Bonds are paid in full no later than the third anniversary of such Purchase Date (the date of each such redemption being a “*Bank Bond Redemption Date*”). If the conditions of the first sentence of this Section 3.02 are not satisfied on such Term-Out Commencement Date, such Bank Bonds will be subject to

mandatory redemption on such Term-Out Commencement Date (at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium). Interest on such Bank Bonds will be payable as provided in Section 3.01. Notwithstanding the foregoing, the Administration may optionally redeem any Bank Bond without penalty at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium. All Administration obligations with respect to all Bank Bonds (including the payment of the Interest Component with interest) will be due and payable in full on the earliest of (a) the date such Bank Bonds are remarketed and sold or deemed sold by the Bank or a Bank Bondholder to a Purchaser pursuant to Section 2.04(c), (b) the date the interest rate borne by the Bonds is converted to a rate other than a Covered Rate, (c) the date of the delivery of a Substitute Liquidity Facility and (d) any date determined pursuant to Section 8.03(d).

Section 3.03. Maximum Rate. (a) If the amount of interest payable on any Bank Bond for any period in accordance with terms hereof exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest for such period will be payable in an amount calculated at the Maximum Rate for such period.

(b) Any interest that would have been due and payable for any period but for the operation of Section 3.03(a) will accrue and be payable as provided in this paragraph (b) and will, less interest actually paid to the Bank for such period, constitute the “*Excess Interest Amount*.” If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount hereunder with respect to which interest is payable, together with the Bank Bonds, if any, will bear interest at the Maximum Rate until payment to the Bank of the entire Excess Interest Amount.

(c) Notwithstanding the foregoing, on the date on which no principal amount hereunder remains unpaid and no Bank Bonds are outstanding, the Administration shall pay to the Bank a fee equal to any accrued and unpaid Excess Interest Amount to the extent such payment may be made without violating applicable law.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement will become effective on the date (the “*Effective Date*”) when the Bank has received each of the following, in form and substance satisfactory to the Bank and its counsel:

(a) ***Transaction Documents.***

(i) True and complete original executed counterparts of this Agreement and the Fee Letter.

(ii) A true and complete copy of the executed Official Statement.

(iii) A copy, certified on the Effective Date by the Administration, of each Related Document delivered prior to the Effective Date (which certificate

must state that each such Related Document has not been modified, amended or rescinded and is in full force and effect on the Effective Date) and an executed original or copy, as appropriate, of each Related Document (other than those specified in clause (i) above) delivered on the Effective Date.

(b) ***Administration Documents.***

(i) Certified copies of the Act.

(ii) Originals (or copies certified by the Administration to be true copies) of all governmental and regulatory approvals, if any, at the time necessary for the Administration with respect to this Agreement and the transactions contemplated hereby.

(iii) A certificate of the Administration certifying the names and true signatures of the officers thereof authorized to sign this Agreement, the other Related Documents to which it is a party and the other documents to be delivered by it hereunder.

(iv) The audited annual financial statements of the Administration for the Fiscal Year ended June 30, 2013, together with the quarterly unaudited financial statements of the Administration for the three fiscal quarters ended since the end of such Fiscal Year.

(v) The following information with respect to guaranteed investment contract exposure of the Administration, if any: (a) the counterparties to such guaranteed investment contracts, (b) the ratings of such counterparties, (c) the amount invested with such counterparties and (d) the expiry date of such guaranteed investment contracts.

(vi) Certifications as to such other matters of fact as may reasonably be requested by the Bank, including, without limitation, the certificate described in Section 4.01(e).

(vii) [Reserved].

(viii) Confirmation that there are no Interest Rate Protection Agreements currently relating to any Housing Revenue Bonds.

(ix) A copy of the Administration's most recent Cash Flow Certificate.

(c) ***Trustee and Tender Agent Documents.*** A certificate of each of the Trustee and the Tender Agent (i) certifying the names and true signatures of the officers thereof authorized to sign this Agreement, the other Related Documents to which it is a party and the other documents to be delivered by it hereunder and (ii) certifying as to the due authorization, execution and delivery of the Related Documents to which it is a party.

(d) ***Opinions.*** The following legal opinions:

(i) From Kutak Rock LLP, as bond counsel, in customary form, dated the Effective Date, addressed to the Bank or on which the Bank is expressly authorized to rely, as to the (A) Resolution and the Series Resolution, (B) validity of the Bonds, (C) creation and validity of the Lien on the Trust Estate to secure the Bonds, (D) due organization and existence of the Administration, (E) validity and enforceability of this Agreement, the Fee Letter and the other Related Documents and (F) such other customary matters as the Bank may reasonably request.

(ii) From an Assistant Attorney General of the State, an opinion as to the power and authority of the Administration to execute, deliver and perform its obligations under this Agreement, the Fee Letter and the other Related Documents, on which opinion the Bank (if not an addressee) is expressly authorized to rely.

(e) ***Closing Certificate of the Administration.*** A certificate signed by an Authorized Officer of the Administration, dated the Effective Date, stating that: (i) the representations and warranties of the Administration contained in Article V and in the other Related Documents are correct on and as of the Effective Date as though made on and as of such date (except for representations and warranties that relate to a specific date, in which case such representations and warranties were true as of such date); (ii) no petition by or against the Administration has at any time been filed under the United States Bankruptcy Code or under any similar act; (iii) no Default has occurred and is continuing or would result from the execution, delivery and performance of this Agreement or the other Related Documents; (iv) no Material Adverse Change has occurred and no material and adverse change has occurred in the ratings, laws, rules, guidelines or regulations currently in effect related to the Administration since June 30, 2013, except as has been disclosed to the Bank in writing before the execution of this Agreement; (v) all governmental and regulatory approvals necessary for the Administration with respect to this Agreement and the transactions contemplated hereby have been obtained and are in full force and effect; and (vi) all conditions precedent to the effectiveness of this Agreement have been satisfied.

(f) ***Fees and Expenses.*** Payment of the Bank's fees and expenses (including attorneys' fees and expenses described in the Fee Letter) payable on the Effective Date.

(g) ***Rating Letters.***

(i) Written confirmation that the Bonds bearing the Investor CUSIP Number have been assigned a rating of at least "Aa2/VMIG 1" by Moody's and "AA+/F1+" by Fitch.

(ii) Written evidence that the Bonds bearing the Bank Bond CUSIP Number have been assigned a rating by Moody's.

(h) ***Other Documents.*** Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

Section 4.02. Conditions Precedent to Bank's Obligation to Purchase Eligible Bonds. The obligation of the Bank to purchase Eligible Bonds hereunder on any Purchase Date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) No Immediate Termination Event has occurred and no Immediate Suspension Event has occurred and is continuing; and

(b) The Bank has received a Notice of Bank Purchase during the Purchase Period in the manner described in Section 2.02(a).

ARTICLE V

REPRESENTATION AND WARRANTIES

The Administration represents and warrants as follows:

Section 5.01. Organization; Corporate Powers; Status. The Administration is a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State created pursuant to the Act. The Administration has full power and authority to conduct its business and to own its properties and is duly licensed or qualified in all jurisdictions where the nature of its activities requires such licensing or qualifying and where its failure to be licensed or qualified could adversely affect its ability to conduct its business or its ability to perform any and all of its obligations under this Agreement and the other Related Documents.

Section 5.02. Authority. The Administration has the requisite power and authority to execute and deliver, accept and agree to, and perform its obligations under, this Agreement and the other Related Documents to which it is a party or under which it has obligations and has taken all necessary action to authorize its execution, delivery and performance of this Agreement and the other Related Documents to which it is a party or under which it has obligations.

Section 5.03. Enforceability. This Agreement and each of the other Related Documents to which the Administration is a party or under which the Administration has any obligations have been duly authorized and executed and constitute the legal, valid and binding obligations of the Administration enforceable in accordance with their terms, subject, as to enforceability, to applicable bankruptcy, moratorium, insolvency or similar laws affecting the rights of creditors generally or rights of creditors against governmental entities and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each of the Related Documents is or will be on the Closing Date in full force and effect.

Section 5.04. No Conflict. The execution, acceptance, delivery and performance of, or agreement to, this Agreement and the other Related Documents to which it is a party by the Administration (a) do not conflict with, violate or contravene any provision of any law, rule or regulation, including the Act, or of any order, writ, judgment, injunction, award or decree of any Governmental Authority and (b) do not and will not conflict with, violate or cause a default under any provision of any bylaws, rules or regulations of the Administration or any bond, note or other evidence of indebtedness or any mortgage, indenture, contract or other undertaking to which the Administration is a party or by which it or its property is bound. The obligations,

duties and liabilities of the Administration hereunder and under the Fee Letter do not contravene or violate any provisions of the Resolution.

Section 5.05. Consents. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with, any court or any other Governmental Authority required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the other Related Documents (including the Bonds) have been obtained and are in full force and effect.

Section 5.06. Litigation. No action, suit, proceeding, inquiry or investigation at law or in equity before or by any Governmental Authority is pending against the Administration or, to the Administration's knowledge, threatened against the Administration (a) with respect to any of the transactions contemplated by this Agreement and the other Related Documents (including the Bonds) or (b) affecting the Administration or any of the Administration's assets, which if adversely determined would have a material adverse effect on (i) the transactions contemplated by or the validity of this Agreement or any of the other Related Documents, (ii) any Material Debt, including the funds and other assets identified in the Administration's audited financial statements which secure the Material Debt, or (iii) the property, assets, operations or conditions, financial or otherwise, of the Administration or its ability to perform its obligations hereunder or under the other Related Documents.

Section 5.07. No Default or Event of Default. No Default or Event of Default has occurred and is continuing.

Section 5.08. Official Statement. The information contained in the Official Statement (except for information relating to DTC and its book entry system and any information under the captions "TAX MATTERS," "UNDERWRITING" and "RATINGS" and in Appendices A-1, A-2 and K through N, as to which no representation is made) does not, as of the date hereof, contain any untrue or misleading statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. A true copy of the Official Statement has been delivered by or on behalf of the Administration to the Bank.

Section 5.09. Bonds. Each Bond has been or, with respect to Bank Bonds, will be, duly and validly issued under the Resolution and entitled to the benefits thereof.

Section 5.10. Ownership of Bank Bonds. The Bank, and any other Bank Bondholders, will hold the sole legal and beneficial interest in and to all Bank Bonds purchased pursuant to Article II, subject to no Lien or claim of any Person other than the Bank Bondholders, except for such consensual Liens or other security interests as may be created by the Bank Bondholders.

Section 5.11. Financial Statements. The audited financial statements of the Administration for the Fiscal Years ended June 30, 2012, and June 30, 2013, each examined and reported on by Reznick Group, P.C., independent public accountants, heretofore delivered to the Bank, are complete and correct, fairly state the financial condition and cash flows of the Administration as of said dates, and the changes in financial position and results of operations of the Administration for such periods, and have been prepared in accordance with generally

accepted accounting principles consistently applied except as stated in the notes thereto; and there has been no Material Adverse Change since June 30, 2013, nor has there been an increase in the Administration's long term debt since June 30, 2013 from that set forth in said financial statements as of, and for the Fiscal Year ended on, that date, except as disclosed to the Bank in writing before the date hereof.

Section 5.12. Complete and Correct Information. All information, reports and other papers and data with respect to the Administration furnished to the Bank or its counsel by the Administration were, when taken as a whole, at the time the same were so furnished, complete and correct in all material respects. Any financial, budget and other projections furnished to the Bank were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented and, as of the date of this representation, represent the best estimate of the Administration of its future financial performance. No fact is known to the Administration that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the security for any of the Bonds, or the ability of the Administration to repay when due its obligations under this Agreement, any of the Bonds and the other Related Documents, that has not been set forth in the Official Statement or in the financial statements and other documents referred to in Section 5.11 or this Section 5.12 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank. Taken as a whole, the documents furnished and statements made by the Administration to the Bank in connection with the negotiation, preparation and execution of this Agreement and the other Related Documents do not contain untrue statements of material facts or omit to state material facts necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Section 5.13. No Proposed Legal Changes. There is no amendment or, to the knowledge of the Administration, proposed amendment to the Constitution of the State certified for placement on a statewide ballot, any published administrative interpretation of the Constitution of the State or any State law, any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect or prohibit (a) the security for any of the Bonds, (b) the execution, acceptance and delivery of, and/or agreement to, this Agreement or any of the other Related Documents, (c) the creation, organization or existence of the Administration or the titles to office of any officers thereof or (d) the ability of the Administration to repay when due its obligations under this Agreement, any of the Bonds, or any of the other Related Documents.

Section 5.14. The Trustee, the Tender Agent and the Remarketing Agent. Manufacturers and Traders Trust Company is the duly appointed and acting Trustee and Tender Agent, and RBC Capital Markets, LLC is the duly appointed and acting Remarketing Agent.

Section 5.15. Margin Stock; Permitted Investments. (a) The Administration is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock and has not incurred any Debt that is to be reduced, retired or purchased by the Administration out of the proceeds of the Bonds for the purpose of purchasing or carrying any Margin Stock, and the Administration does not own any Margin Stock.

(b) The Administration has neither made any investment, nor entered into any agreements for the purpose of effecting any investment, with funds held under the Resolution, which investment is not permitted to be made pursuant to the Act and the Resolution.

(c) No funds available under the Resolution are being used, directly or indirectly, for the purpose of purchasing, acquiring control of or carrying Margin Stock.

Section 5.16. No Tax or Fee. The execution, delivery and performance by the Administration of its obligations under this Agreement and the other Related Documents will not give rise to any tax or fee imposed by any local or state agency or domestic Governmental Authority.

Section 5.17. Sovereign Immunity. Subject to the provisions of Section 12-201 of the State Government Article of the Annotated Code of Maryland, as amended, the Administration is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to the enforcement of its contractual obligations under this Agreement or any of the other Related Documents.

Section 5.18. Incorporation of Representations and Warranties. All representations and warranties made by the Administration in, or incorporated by the Administration in, any of the other Related Documents, as well as the related defined terms contained therein, are hereby made by the Administration to the Bank and are hereby incorporated by reference in this Section 5.18 with the same effect as if each and every such representation and warranty and defined term were set forth in this Section 5.18 in its entirety. No amendment to any such representation and warranty or defined term made pursuant to any other Related Document will be effective to amend such representation and warranty or such defined term as incorporated by reference in this Section 5.18 without the prior written consent of the Bank. The representations and warranties of the Administration in all of the other Related Documents are true and correct in all material respects.

Section 5.19. Employee Benefit Plans. The Administration is not subject to ERISA.

Section 5.20. [Reserved].

Section 5.21. [Reserved].

Section 5.22. Usury. The terms of this Agreement and the other Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws of the State.

Section 5.23. Investment Company Act. The Administration is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.24. Anti-Terrorism Representation. (a) The Administration is not in violation of any laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the USA Patriot Act;

(b) The Administration is not any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the Office of Foreign Asset Control ("OFAC") or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list; and

(c) The Administration does not (i) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (b)(ii) of this Section 5.24, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 5.25. [Reserved].

Section 5.26. Proceeds of Bonds. The proceeds of the Bonds will be used by the Administration solely for the purposes described in the Resolution.

ARTICLE VI

AFFIRMATIVE COVENANTS

During the term of this Agreement, and until the obligations of the Administration to the Bank hereunder, under the Fee Letter and under any outstanding Bank Bonds are paid in full and the Bank has no further commitment hereunder, unless the Bank otherwise consents in writing, the Administration shall perform and comply with each of the following covenants:

Section 6.01. Notice of Default. The Administration shall provide to the Bank immediate (but in any event not more than 5 Business Days after the Administration has obtained knowledge of the occurrence of a Default or Event of Default), written notice of any Default or Event of Default. Such notice must set forth the details of such Default or Event of Default and the action which the Administration proposes to take with respect thereto.

Section 6.02. Compliance with Laws. The Administration shall comply with all laws, rules and regulations (including, to the extent applicable, ERISA) and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; *provided* that the Administration may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts would not constitute a Default or Event of Default, do not affect the Administration's power and authority to execute and deliver this Agreement, the Fee Letter or the Bonds, to perform its obligations and pay all amounts payable by it hereunder, under the Fee Letter and under the Bonds (including any Bank Bonds), or to execute and deliver the other Related Documents and to perform its obligations thereunder.

Section 6.03. Proceeds of Bank Bonds. The Administration shall cause the amounts advanced hereunder to be used only to pay the Purchase Price due and payable on any Purchase Date in connection with any Eligible Bonds.

Section 6.04. [Reserved].

Section 6.05. Related Documents. The Administration shall perform and comply with each and every covenant and agreement set forth in the Related Documents that it is required to observe or perform, and each such covenant and agreement, together with the related definitions of terms contained therein, is hereby incorporated by reference in this Section 6.05 with the same effect as if it were set forth in this Section 6.05 in its entirety for so long as such covenant is in effect. To the extent that any provision of any of the Related Documents incorporated by reference in this Section 6.05 (other than the provisions set forth in any Interest Rate Protection Agreement) permits any Person to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement such provision, if it adversely affects the Bank's interest, will be complied with for purposes of this Section 6.05 only if it is waived by the Bank and such document, opinion or other instrument or event or condition, if material to the Bank, will be acceptable or satisfactory for purposes of this Section 6.05 only if it is acceptable or satisfactory to the Bank. No termination of or amendment or supplement to the covenants and agreements or definitions contained in the Related Document will be effective to terminate or amend or supplement such covenants and agreements or definitions as incorporated by reference in this Section 6.05 without the prior written consent of the Bank; *provided, however*, that (i) with respect to amendments, supplements and modifications to the Related Documents which do not require consent of the Bondholders pursuant to Article IX of the Master Resolution, such consent of the Bank may not be unreasonably withheld, conditioned or delayed and (ii) the consent of the Bank is not required with respect to supplements entered into solely for the purpose of providing for the issuance of a series of Housing Revenue Bonds pursuant to the Master Resolution. The Administration shall give prior written notice to the Bank of any action referred to in this Section 6.05. The Administration further confirms to and agrees with the Bank that this covenant has been made and entered into for the express benefit of the Bank and will constitute a contract among the Administration, the Tender Agent, the Trustee and the Bank and any other Bank Bondholders as holders of any Bonds which are Bank Bonds. The Administration shall use its best efforts to cause each of the Trustee and the Tender Agent at all times to comply with the terms of the Related Documents to which either of them is a party.

Section 6.06. Reporting Requirements. The Administration shall keep proper books of record and account in which full, true and correct entries shall be made of all dealings or transactions of or in relation to the business and affairs of the Administration on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. In the event of a change in the Fiscal Year of the Administration, each of the items described in this Section 6.06 which is furnished to the Bank on an annual or quarterly basis must be prepared such that there is no gap in reporting. Each of the following shall be furnished by the Administration to the Bank by email in the manner provided in Section 9.04:

(a) ***Annual Financial Statements.*** As soon as available, and in any event within 180 days after the end of each Fiscal Year of the Administration, a copy of the complete audited financial statements of the Administration for such Fiscal Year, including the balance sheet as of the end of such Fiscal Year and the related statements of revenues and expenses and changes in financial position for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year and including a balance sheet and a statement of revenues and expenses for the Administration, all in reasonable detail. The financial statements referred to in this paragraph (a) must be accompanied by an audit report of independent certified public accountants stating that they have (except as noted therein) been prepared in accordance with generally accepted accounting principles, consistently applied.

(b) ***Quarterly Financial Statements.*** As soon as available, and in any event within (i) 85 days after the end of each second, third and fourth quarter of each Fiscal Year of the Administration, and (ii) 120 days after the end of each first quarter of each Fiscal Year of the Administration, a copy of the unaudited financial statements of the Administration, including the balance sheet as of the end of such period and the related statements of revenues and expenses.

(c) ***Certificate of Compliance.*** Concurrently with the delivery of each set of financial statements referred to in paragraph (a) or (b) of this Section 6.06:

(i) a certificate signed by an Authorized Officer of the Administration, substantially in the form of Exhibit E hereto, stating (A) that under his/her supervision the Administration has made a review of its activities during the preceding annual or quarterly period, as applicable, for the purpose of determining whether or not the Administration has complied with all of the terms, provisions and conditions of this Agreement and the other Related Documents, (B) that to the best of his/her knowledge, no Default or Event of Default has occurred or, if a Default or Event of Default has occurred, such certificate must specify each such Default or Event of Default, the nature and status thereof and any remedial steps taken or proposed to correct such default and (C) whether the Administration has changed its method of accounting or the dates of commencement or termination of Fiscal Years or other accounting periods and, if so, describing such changes; and

(ii) each of the following, to the extent not already included in the financial statements concurrently being delivered:

(A) a report summarizing the amounts on deposit in the Debt Service Reserve Fund;

(B) the name of each provider of credit enhancement or liquidity support with respect to any Housing Revenue Bonds Outstanding under the Resolution, if any, including the type of facility provided and the related series of bonds;

(C) a list of each provider of an investment agreement, repurchase agreement, forward delivery agreement or similar agreement, if any, which provides for the investment of funds held under the Resolution or any supplement thereto and the type of such agreement; and

(D) a summary of the Housing Revenue Bonds outstanding under the Master Resolution including the principal amounts of each series of Bonds and the final maturities thereof.

(d) **Other Reports.** (i) On an annual basis, concurrently with the delivery of the financial statements pursuant to Section 6.06(a) after the end of each Fiscal Year, (A) a copy of the Swap Report (if the Administration has entered into any Interest Rate Protection Agreement with respect to the Bonds or any other Housing Revenue Bonds) in a form reasonably acceptable to the Bank, certified by an Authorized Officer of the Administration, and (B) a copy of each Interest Rate Protection Agreement (or amendment thereto) not previously provided to the Bank relating to the Bonds or to any other Housing Revenue Bonds for which the Bank provides credit or liquidity support.

(ii) Promptly upon request by the Bank, a copy of any financial statement or report furnished to any other holder of the long term securities of the Administration pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other paragraph of this Section 6.06.

(e) **[Reserved].**

(f) **Cash Flow Certificates.** Concurrently with the delivery of each Cash Flow Certificate pursuant to Section 6.13 of the Master Resolution, a copy of such Cash Flow Certificate.

(g) **Amendments.** Promptly after the adoption or execution thereof, a copy of each amendment of or supplement to the bylaws of the Administration and a copy of each amendment to or other modification of any Related Document to which the Bank is not a party.

(h) **Resolution Information.** Promptly following the filing thereof, copies of all notices, certificates, opinions and other reports or documents required to be filed with the Trustee, the Tender Agent or the Rating Agencies pursuant to the Resolution. The Administration shall provide to the Bank written notice of any change in the identity of

the Trustee, the Tender Agent or the Remarketing Agent upon becoming aware of the same.

(i) ***Additional Obligations.*** Promptly following the date of execution and delivery of any additional Material Debt or Other Obligations (collectively, the “*Additional Obligations*”) under the Master Resolution, written notice of the change in the aggregate principal amount of all such Additional Obligations outstanding thereunder, together with a copy of the final official statement or other final disclosure statement, if any, prepared with respect to such Additional Obligations, and a certification that any limitations with respect to the issuance of such Additional Obligations have been met with respect thereto.

(j) ***Other Information.*** Promptly upon request, such other information respecting the business, properties, condition or operations, financial or otherwise, of the Administration as the Bank may from time to time reasonably request.

Section 6.07. Certain Notices. The Administration shall furnish to the Bank a copy of any notice, certification, demand or other writing or communication solely related to the Bonds given by the Trustee, the Tender Agent or the Remarketing Agent to the Administration or by the Administration to the Trustee, the Tender Agent or the Remarketing Agent under or in connection with any of the Related Documents, in each case promptly after the receipt or giving of the same. The Administration shall give the Bank prompt notice of any action, suit or proceeding against the Administration at law or in equity or by or before any Governmental Authority which involves claims with a stated demand equal to or in excess of \$5,000,000 or which, if adversely determined, could result in a Material Adverse Change. The Administration shall furnish, or cause to be furnished, to the Bank (a) prompt written notice of any failure of the Remarketing Agent, the Tender Agent or the Trustee to perform any of its respective obligations under the Remarketing Agreement or the Resolution or any material dispute which may exist between the Administration and the Trustee, the Tender Agent or the Remarketing Agent or any dispute in connection with any transaction contemplated under this Agreement, (b) promptly after the adoption thereof, copies of any amendments of or supplements to the Master Resolution or the Series Resolution, (c) prompt written notice of the occurrence of any “default” or any “event of default” under the Resolution, (d) promptly, copies of any communications, reports or financial statements delivered or received by the Administration under the Resolution or from any taxing authority with respect to the transactions contemplated hereby, (e) promptly, copies of any written reports from any Rating Agency related to the Bonds, the Resolution or the long-term debt rating assigned to the Housing Revenue Bonds, (f) written notice not later than 30 days prior to the effective date of a Substitute Liquidity Facility, (g) upon the Administration’s actual knowledge thereof, prompt written notice of any change in any material fact or circumstance represented or warranted in this Agreement or in any of the other Related Documents and (h) upon the Administration’s actual knowledge thereof, prompt written notice of the passage of any state or local ordinance, law or rule not of general applicability to all Persons which could reasonably be expected to result in a Material Adverse Change. The Administration shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the Remarketing Agent, a copy of any notice furnished by the Administration to the Remarketing Agent, the Tender Agent or the Trustee indicating a proposed conversion of the interest rate on the Bonds to an interest rate other than the Covered Rate.

Section 6.08. Inspection Rights. The Administration shall permit the Bank and any agents or representatives thereof during normal business hours and from time to time upon three days prior written notice to enter the premises of the Administration, or any parts thereof, to examine and make copies of the Administration's records and books of account and the transactions contemplated by this Agreement and to discuss the affairs, finances and accounts of the Administration with any of the Administration's officers, employees and independent accountants. The Administration shall furnish to the Bank any and all information as the Bank may reasonably request with respect to the performance by the Administration of its covenants in this Agreement and the other Related Documents.

Section 6.09. Liquidity. (a) The Administration shall use its commercially reasonable efforts to obtain a Substitute Liquidity Facility to replace this Agreement or cause the Bonds to be converted to bear interest at a rate other than a Covered Rate in the event that (i) the Bank decides not to extend the Expiration Date pursuant to the terms hereof, (ii) the Administration terminates this Agreement pursuant to the terms hereof, or (iii) the Bank furnishes a Notice of Termination Date to the Trustee or a notice of immediate suspension pursuant to Section 8.03.

(b) The Administration agrees that any Substitute Liquidity Facility will require, as a condition to the effectiveness of such Substitute Liquidity Facility, that the provider of such Substitute Liquidity Facility provide funds to the extent necessary, in addition to other funds available, on the date the Substitute Liquidity Facility becomes effective for the purchase of all Bank Bonds at par plus accrued interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank hereunder or under the Fee Letter, the Bonds or the other Related Documents will be payable in full to the Bank.

(c) The Administration shall not permit a Substitute Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

Section 6.10. Further Assurances. The Administration shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, and, if necessary, file, register and record, and cause to be filed, registered and recorded, from time to time promptly at the request of the Bank, all such instruments and documents as in the reasonable judgment of the Bank are necessary or advisable to carry out the intent and purpose of this Agreement and the Resolution or to perfect, protect and maintain the Lien on the Trust Estate for the payment of the Bonds. Except to the extent it is exempt therefrom, the Administration shall pay or cause to be paid all filing, registration and recording fees incident to such filing, registration, recording or publication, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the other Related Documents and such instruments of further assurance.

Section 6.11. Maintenance of Approvals; Filings, Etc. The Administration shall at all times maintain in effect, renew and comply with all the terms and conditions of all such consents, licenses, approvals and authorizations as may be necessary or appropriate under any

applicable law or regulation for its execution, delivery and performance of this Agreement, the Resolution, and the other Related Documents.

Section 6.12. Conduct of Business; Investments. The Administration shall not make any material change in the nature of the business of the Administration that could reasonably be expected to result in a material adverse effect on the ability of the Administration to satisfy its obligations hereunder and under the other Related Documents. Subject to Section 7.09, the Administration shall make investments only in Permitted Investments as permitted under the Resolution.

Section 6.13. Employee Benefit Plans. In the event the Administration is subject to reporting or other requirements under ERISA, the Administration shall comply with all such requirements.

Section 6.14. Payment of Obligations; Removal of Liens. The Administration shall pay (a) its indebtedness and obligations promptly and in accordance with their terms (including, without limitation, all Material Debt and all other amounts payable by the Administration under this Agreement and the other Related Documents in accordance with the terms hereof and thereof) and (b) all assessments or other governmental charges as the same become due and all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to it or any of its property or assets before the same become in default, other than taxes, assessments and governmental charges or levies which are not delinquent and other than those contested in good faith and for which adequate reserves have been established in accordance with generally accepted accounting principles.

Section 6.15. [Reserved].

Section 6.16. Disclosure to Participants. The Administration agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including, without limitation, the financial information described in Section 6.06, to any Participant.

Section 6.17. Remarketing of Bonds. (a) The parties hereto acknowledge and agree that the Bank is a third party beneficiary of the Remarketing Agreement and that the execution and delivery of a Remarketing Agreement in form and substance acceptable to the Bank, and with a Remarketing Agent acceptable to the Bank, is a condition precedent to the Bank's willingness to enter into this Agreement.

(b) The Administration covenants and agrees that it shall cause to be diligently enforced, and shall take all practicable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Remarketing Agreement.

Section 6.18. Other Facilities. In the event that the Administration, subsequent to the Effective Date, directly or indirectly, enters into or otherwise consents to any contract or agreement (or any amendment, supplement or modification thereto, including any amendment, supplement or modification to any existing contract or agreement) under which, directly or indirectly, any Person undertakes to purchase in a direct placement any Parity Debt of the Administration secured by all or any portion of the Trust Estate or to make, loan or provide

funds, liquidity or credit enhancement to the Administration with respect to any such Parity Debt, or under which, directly or indirectly, the obligation of the Administration to reimburse such Person is secured by all or any portion of the Trust Estate (each, an “*Other Facility*”), which Other Facility (or amendment, supplement or modification thereto, including any amendment, supplement or modification to any existing contract or agreement) gives or grants to such Person (a) covenants (excluding covenants of the Administration to pay a specific price or fee for such Other Facility, to pay interest at specific rates or to pay or redeem such Parity Debt on a more accelerated basis than provided herein with respect to Bank Bonds but including, without limitation, all other covenants such as financial covenants, financial covenant levels or financial covenant testing periods) which are more restrictive or more favorable to the Person which is a party to such Other Facility or (b) additional or greater rights or remedies (including, without limitation, more stringent or shorter periods of time that must elapse prior to such Person’s right to exercise remedies under such Other Facility upon the occurrence of a default or event of default thereunder) (such more favorable covenants or greater rights or remedies in clauses (a) and (b), each a “*More Favorable Provision*”), in each case than are given or granted to the Bank hereunder, then, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (each such event referred to herein as a “*potential default*”) (without regard to a waiver of such potential default or event of default) under such Other Facility (or amendment, supplement or modification thereto, including any amendment, supplement or modification to any existing contract or agreement), simultaneously with any potential default or event of default under such Other Facility (the “*Other Facility Effective Date*”) relating to such More Favorable Provision, the Administration shall provide the Bank a copy of such Other Facility and the More Favorable Provision(s) therein will automatically be incorporated into this Section 6.18 for so long as such Other Facility remains in effect. At the request of the Bank, the Administration shall promptly enter into an amendment to this Agreement to include such More Favorable Provision(s) for so long as such Other Facility remains in effect (*provided* that the Bank will maintain the benefit of the More Favorable Provision(s) even if the Administration fails to provide such amendment). Upon receipt by the Bank of a copy of such Other Facility, the Bank may elect within sixty (60) days after the Other Facility Effective Date, in its sole discretion, that any More Favorable Provision therein will not be incorporated into this Section 6.18 and, upon such determination, any incorporation of such More Favorable Provision into this Section 6.18 will be deemed to be void ab initio and of no force and effect. Notwithstanding anything to the contrary contained in this Section 6.18, each party hereto agrees that (i) to the extent that the incorporation of any More Favorable Provision adds any Immediate Termination Event or Immediate Suspension Event or changes any existing Immediate Termination Event or Immediate Suspension Event, such More Favorable Provision will become effective only upon an amendment to this Agreement pursuant to Section 9.13, and (ii) no More Favorable Provision will be deemed incorporated into this Section 6.18 if such incorporation would affect provisions related to automatic termination or suspension of the Bank’s obligation to advance funds for the purchase of Eligible Bonds or the conditions precedent to the Bank’s obligation to make such advances unless, prior to such provisions being incorporated, the rating agencies then providing a rating on the Bonds have confirmed that the incorporation of such provisions will not, by themselves, cause a reduction, suspension or withdrawal of the rating they assign to the Bonds.

Section 6.19. CUSIP Numbers; Bank Bond Rating. The Administration shall at all times (i) cause Bonds which are not Bank Bonds to be assigned the Investor CUSIP Number and

(ii) cause Bank Bonds to be assigned the Bank Bond CUSIP Number. The Administration shall maintain a rating from either Moody's or Fitch on Bonds bearing the Bank Bond CUSIP Number.

Section 6.20. Ratings. The Administration shall at all times maintain a rating on the Material Debt of no less than "A3" from Moody's and "A-" by Fitch.

Section 6.21. Redemption of Bank Bonds Prior to Redemption of Other Bonds. Upon any partial redemption of the Bonds, the Administration shall cause Bank Bonds to be redcmcd as provided in Section 2.09 of the Series Resolution.

Section 6.22. Appointment of Successors. If the position of Trustee, Tender Agent or Remarketing Agent becomes vacant, the Administration shall promptly appoint a successor in accordance with Section 7.05. In addition, upon written notice from the Bank that the Remarketing Agent is failing to perform its duties as Remarketing Agent (including, without limitation, failure to give any required notice) under the Remarketing Agreement or the Series Resolution (as determined by the Bank in its sole and absolute discretion), the Administration shall replace or cause to be replaced the Remarketing Agent with a successor approved by the Bank in accordance with the terms of the Remarketing Agreement and the Series Resolution.

Section 6.23. Accuracy of Information. All data, certificates, reports, opinions of counsel, documents and other information furnished to the Bank by the Administration, whether pursuant to this Agreement or in connection with or pursuant to an amendment or modification of or waiver under this Agreement must, at the time the same are so furnished, (a) be complete and correct in all material respects to the extent necessary to give the Bank true and accurate knowledge of the subject matter thereof and (b) not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading, and the furnishing of the same to the Bank will constitute a representation and warranty by the Administration to that effect (it being understood that, with regard to the documentation that has been provided to the Bank pursuant to Section 4.01 representing documents executed and delivered in connection with the issuance of the Bonds, the representation of the Administration in this Section 6.23 as it relates to those documents is only that such documents so provided are true and accurate copies of such documents executed and delivered in connection with the issuance of the Bonds). Each audited financial statement furnished to the Bank by the Administration, whether pursuant to this Agreement or in connection with or pursuant to an amendment or modification of or waiver under this Agreement, must, at the same time it is so furnished, fairly present the financial condition and results of operations of the Administration at the date or for the period covered by such financial statement.

Section 6.24. Voluntary Withdrawals from Resolution. The Administration shall not exercise any rights it may have to make voluntary withdrawals of cash or other assets from the Lien of the Resolution except under the following circumstances and within the following limits:

(a) The Administration may withdraw cash from the Revenues to pay ordinary and customary, as reasonably determined by the Administration, administrative and operating expenses of the Administration and to fund or reimburse the cost of

programs sponsored by the Administration, to the extent such voluntary withdrawal will not adversely affect the then current rating on the Bonds.

(b) The Administration may withdraw cash or other assets from the Revenues for any purpose of the Administration other than as set out in paragraph (a) above, if, prior to and as a condition to such withdrawal, the Administration obtains and furnishes to the Bank evidence that the Parity Ratio is at least 102%.

(c) Notwithstanding anything to the contrary contained in paragraph (a) or (b) above, no withdrawals (other than ordinary and customary, as reasonably determined by the Administration, administrative and operating expenses of the Administration) whatsoever may be made during any period that Bank Bonds are Outstanding.

Section 6.25. Appropriation. The Administration agrees to exercise all lawful authority available to it to satisfy the requests for payment that may arise under Section 9.03 hereof. The Administration shall, for each fiscal period, include in the budget application the amount necessary, if any, to fund requests for payment under Section 9.03 hereof.

ARTICLE VII

NEGATIVE COVENANTS

During the term of this Agreement, and until the obligations of the Administration to the Bank hereunder, under the Fee Letter and under any outstanding Bank Bonds are paid in full and the Bank has no further commitment hereunder, unless the Bank otherwise consents in writing, the Administration shall perform and comply with each of the following covenants:

Section 7.01. Related Documents. The Administration shall not amend or modify, or permit to be amended or modified, any of the other Related Documents or consent to or permit or suffer to occur, any waiver, action, course of dealing or omission which results in, or is equivalent to, an amendment, supplementation, termination, modification or waiver of any provision of any of the other Related Documents (other than any Interest Rate Protection Agreement) in any way adversely affecting the security or rights or remedies of the Bank hereunder or under any other Related Document or having an adverse effect on the Administration's ability to pay when due principal of or interest on the Bonds or to make payments due hereunder or under the Fee Letter. Notwithstanding the foregoing, no waiver, amendment or other modification of any Related Document will be effective until the Administration provides to the Bank a final (or substantially final) draft of such waiver, amendment or other modification and the Bank determines in its sole discretion whether such waiver, amendment or other modification in any way adversely affects the security or rights or remedies of the Bank hereunder or under any other Related Document and whether such waiver, amendment or other modification would have an adverse effect on the Administration's ability to pay the principal of or interest on the Bonds or to make payments due hereunder or under the Fee Letter. The Administration shall not effect or permit the cancellation, acceleration or termination of, or release or permit the release of any collateral held under any, of the Related Documents in any manner not contemplated thereby.

Section 7.02. Offering Documents. Except as provided in the Official Statement dated October 31, 2013, the Administration shall not refer to the Bank in any offering document or disclosure materials with respect to the Bonds or make any changes in any reference to the Bank in any such offering document or disclosure. The Bank hereby gives its written consent to references to the Bank in any notices given pursuant to the continuing disclosure undertakings of the Administration entered into in connection with the Bonds and in the Administration's voluntary disclosure reports. Any references herein to an offering document or disclosure materials may include the Administration's posting of same on its website or on EMMA. The Bank further consents to the references to the Bank as the provider of this Agreement in support of the Bonds in offering materials related to other bonds of the Administration.

Section 7.03. Voluntary Redemption. The Administration shall not redeem any Bonds (other than Bank Bonds) executed and delivered under the Resolution (a) prior to redeeming all of the Bank Bonds Outstanding in full or (b) if, after giving effect to such redemption, any amounts payable to any Bank Bondholder hereunder or in respect of any Bank Bonds will not have been paid in full.

Section 7.04. Conversions; Additional Bonds; Defeasance. The Administration shall not permit the conversion of the Bonds to Bonds bearing interest at a rate other than a Covered Rate and, in the event that the long-term unenhanced rating assigned by either Moody's or Fitch to any Parity Debt has been reduced below "A1" or "A+," respectively, shall not issue any Material Debt or Other Obligations if, after giving effect to such conversion or issuance, any Bonds remain as Bank Bonds. In addition, the Administration shall not defease, nor allow the defeasance of, the Bonds in whole without having contemporaneously satisfied all of its obligations hereunder, including the Bank Bonds, and under the Fec Letter.

Section 7.05. Appointment of Successors. The Administration shall not appoint a successor Trustee, Tender Agent or Remarketing Agent without the prior written consent of the Bank (which consent must not be unreasonably withheld).

Section 7.06. Liens, Etc. The Administration shall not create or suffer to exist any Lien upon or with respect to the Trust Estate except for Liens expressly permitted under the terms of the Resolution.

Section 7.07. [Reserved].

Section 7.08. [Reserved].

Section 7.09. Permitted Investments; Other Investment Activities. (a) Subsequent to the Effective Date, the Administration may invest any proceeds from the sale of the Bonds or any amounts held under the Resolution in accounts related to the Bonds for the payment of the principal of or interest on the Bonds in any Permitted Investments except with respect to the following, which Permitted Investments must be approved in writing by the Bank:

- (i) Permitted Investments described in paragraph (8) or (9) of the definition of Permitted Investments under the Master Resolution or in the definition of Permitted Investments in the Series Resolution (a "*Repurchase or Guaranteed Investment Agreement*") if the provider of such Repurchase or

Guaranteed Investment Agreements provides more than 25% of the total investments held by the Administration under the Resolution; and

(ii) Permitted Investments which are Repurchase or Guaranteed Investment Agreements if the provider of such Repurchase or Guaranteed Investment Agreements is at any time rated (A) lower than "Aa2/P-1" by Moody's or "AA/A-1+" by Fitch or (B) lower than the rating necessary to maintain the then current rating on the Bonds by each Rating Agency.

(b) The Administration shall not, directly or indirectly, use or permit the use of any moneys advanced by the Bank pursuant to this Agreement for any purpose other than as contemplated herein, including, without limitation, not using or permitting the use of such moneys to purchase, acquire control of or carry Margin Stock and, except as permitted herein, the Administration shall not use, nor permit the use of, any moneys advanced pursuant to this Agreement to purchase and/or make investments in the interests of any other Person (including the equity shares or stock of any company).

Section 7.10. Preservation of Existence. The Administration shall not dissolve, nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets, except to any body, authority, agency or other Person that may hereafter by law succeed to the powers, duties and functions of the Administration and assume the obligations of the Administration hereunder, under the Fee Letter and under the other Related Documents.

Section 7.11. Margin Stock. The Administration shall not acquire any Margin Stock and shall not use the proceeds of the Bonds so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.

Section 7.12. Qualified Hedges. The Administration shall not enter into any Qualified Hedge unless its obligation to make any termination payment or similar amount thereunder (but excluding regularly scheduled payments under the Qualified Hedge) constitutes a Subordinate Contract Obligation.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

The occurrence of any of the events set forth in Sections 8.01 and 8.02 constitutes an event of default (each, an "*Event of Default*"). Upon the occurrence and during the continuance of an Event of Default the Bank may exercise those applicable rights and remedies provided in Section 8.03.

Section 8.01. Events of Default not Permitting Immediate Termination.

(a) **Payments.** The Administration fails to pay (i) when due any amount owed by the Administration to the Bank pursuant to Section 2.07, 3.01 or 3.02 (other than as specified in Section 8.02); or (ii) within three (3) Business Days after the same becomes due any amount owed to the Bank pursuant to any other Section of this Agreement (other than as specified in Section 8.02) or the Fee Letter.

(b) **Representations.** Any representation or warranty made by or on behalf of the Administration in this Agreement or in any other Related Document or in any certificate or statement delivered hereunder or thereunder proves to have been incorrect or untrue when made or deemed to have been made.

(c) **Covenants.** The Administration fails to observe or perform any covenant in Section 6.01, 6.03, 6.09, 6.14, 6.19, 6.20, 6.21, 6.24 or 6.25 or in Article VII.

(d) **Other Covenants.** The Administration fails to perform or observe any term, covenant or agreement (other than ones described in any other paragraph of this Section 8.01) contained in this Agreement or any other Related Document on its part to be performed or observed which failure continues for 30 days or more after the earlier of (i) receipt of written notice of such failure from the Bank and (ii) the date of the Administration's actual knowledge of such failure.

(e) **Other Documents.** Any Event of Default under any of the other Related Documents occurs.

(f) **Downgrade.** The rating assigned to the Bonds or to any other Parity Debt (without regard to third party credit enhancement) by Moody's or Fitch is withdrawn or suspended for credit related reasons or fall below "A3" by Moody's or "A-" by Fitch.

(g) **Cross Acceleration.** Any act or omission by the Administration shall occurs under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued which results in such Material Debt becoming, or being capable of becoming, immediately due and payable.

(h) **Cross Default.** The Administration defaults (other than those referred to in Section 8.02(b) hercof) under any mortgage, agreement or other instrument under or pursuant to which any Material Debt is incurred or issued, and such default continues beyond the period of grace, if any, allowed with respect thereto.

(i) **Invalidity or Contest of Validity.** Other than as described in Section 8.02, (i) this Agreement, any other Related Document or any provision hereof or thereof at any time for any reason ceases to be valid and binding on the Administration or is declared in a final, non appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable or (ii) the Administration, the State or any other Governmental Authority with appropriate jurisdiction contests the validity or enforceability of the Administration's obligations hereunder or under the other Related Documents or denies that the Administration has any further liability or obligation hereunder or under the other Related Documents.

(j) **[Reserved].**

(k) **Default.** The Administration defaults in the payment of any regularly scheduled amount due in respect of any Interest Rate Protection Agreement with a notional amount equal to or greater than \$5,000,000 entered into with the Bank or in the payment due in respect of any principal of or interest on any Debt outstanding in a principal amount equal to or greater than \$5,000,000 owed to the Bank.

- (l) **[Reserved]**.

Section 8.02. Events of Default Permitting Immediate Suspension or Termination.

(a) ***Event of Insolvency.*** An Event of Insolvency has occurred with respect to the Administration.

(b) ***Payment Default.*** Any principal or interest due with respect to the Bonds (including regularly scheduled payments of principal and interest on Bank Bonds) is not paid when due or the Administration fails to make or otherwise defaults in any regularly scheduled payment of principal of or interest on any other Material Debt beyond any grace period provided with respect thereto.

(c) ***Invalidity.*** (i) The Act, the Bonds (including Bank Bonds), this Agreement, the Resolution, any Material Debt, or any material provision hereof or thereof relating to the payment of principal of or interest on the Bonds or other Material Debt, at any time for any reason ceases to be valid and binding on the Administration or is declared in a final, non appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable; (ii) the pledge of and Lien on the Trust Estate at any time for any reason ceases to be valid and binding on the Administration or is declared in a final, non appealable judgment by any court of competent jurisdiction to be null and void, invalid or unenforceable; or (iii) any Governmental Authority with jurisdiction to rule on the validity of this Agreement, the Act, the Bonds (including Bank Bonds), the Resolution or any Material Debt finds or rules that any of the Act, this Agreement, the Bonds (including Bank Bonds), the Resolution or any Material Debt, as the case may be, or any provision hereof or thereof relating to (A) the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) the pledge of and Lien on the Trust Estate is not valid or not binding on the Administration or is null and void.

(d) ***Contest of Validity.*** The Administration or any Governmental Authority with appropriate jurisdiction: (i) repudiates or denies that the Administration has any further liability or obligation hereunder, under the Bonds (including Bank Bonds), the Act, the Resolution or any Material Debt; (ii) claims that any of the provisions that provide (A) for the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate, in the Resolution, the Bonds (including Bank Bonds) or this Agreement, is not valid or not binding on the Administration; (iii) initiates any legal proceedings to seek an adjudication that any of the provisions that provide (A) for the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate in the Resolution, the Bonds (including Bank Bonds) or this Agreement is not valid or not binding on the Administration; or (iv) has taken or permitted to be taken any official action, or has duly enacted any statute, which would materially adversely affect the enforceability of any of the provisions that provide (A) for the payment of principal of or interest on the Bonds (including Bank Bonds) or any Material Debt or (B) for the pledge of and Lien on the Trust Estate in the Resolution, the Bonds (including Bank Bonds) or this Agreement.

(e) ***Investment Grade Rating.*** The unenhanced rating of the Bonds or any other Material Debt is (i) withdrawn or suspended for credit-related reasons or reduced below

“Baa3” by Moody’s and (ii) withdrawn or suspended for credit-related reasons or reduced below “BBB-” by Fitch.

(f) **Judgment.** (i) One or more final, non appealable judgments or orders for the payment of money are rendered against the Administration and the uninsured amount of such judgments or orders is in an amount in excess of \$10,000,000 in the aggregate and (ii) such judgments or orders are not paid in accordance with the terms of such judgments or orders or discharged, vacated, satisfied or stayed within 60 days after entry thereof or if, after the expiration of any such stay, such judgments or orders are not paid in accordance with the terms of such judgments or orders or discharged.

Section 8.03. Remedies. Upon the occurrence of an Event of Default, the Bank may take one or more of the following actions:

(a) **Immediate Termination.** Upon the occurrence of any Event of Default described in Section 8.02(a), (b), (c)(i), (c)(ii), (d), (e) or (f) (each an “*Immediate Termination Event*”), the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Eligible Bonds will immediately terminate without notice or demand, and thereafter the Bank will be under no obligation to purchase Eligible Bonds. Upon an Immediate Termination Event, the Bank shall promptly give written notice of the same to the Administration, the Trustee, the Tender Agent and the Remarketing Agent; *provided* that the Bank will incur no liability of any kind by reason of its failure to give such notice, and such failure will in no way affect the termination of the Available Commitment, the Purchase Period and the Bank’s obligation to purchase Eligible Bonds pursuant to this Agreement.

(b) **Termination with Notice.** Upon the occurrence of any Event of Default described in Section 8.01, the Bank may terminate the Available Commitment and Purchase Period by giving a Notice of Termination Date to the Administration, the Tender Agent, the Trustee and the Remarketing Agent, specifying the date on which the Available Commitment and Purchase Period will terminate, which must not be less than thirty (30) days after the date of receipt of such Notice of Termination Date by the Trustee. On and after the date specified in a Notice of Termination Date, the Available Commitment and the Purchase Period will terminate and the Bank will be under no further obligation to purchase Eligible Bonds hereunder.

(c) **Suspension Events.** In the case of an Event of Default specified in Section 8.02(c)(iii) (following the entry of a judgment subject to further proceedings and prior to the entry of a final, non appealable judgment) (an “*Immediate Suspension Event*”), the Bank’s obligation to purchase Eligible Bonds will be immediately suspended without notice or demand and thereafter the Bank will be under no obligation to purchase Eligible Bonds until such obligation is reinstated pursuant to this Section 8.03(c). Promptly upon the Bank obtaining knowledge of any such Immediate Suspension Event, the Bank shall give written notice to the Administration, the Tender Agent, the Trustee and the Remarketing Agent of such suspension; *provided* that the Bank will incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the suspension of the Bank’s obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of the provisions described in Section 8.02(c)(iii) enters a final, non appealable judgment that any such provision is not valid and binding on the Administration, then the Purchase Period, the Available

Commitment and the Bank's obligation to purchase Eligible Bonds will immediately terminate. If a court with jurisdiction to rule on the validity of the provisions described in Section 8.02(c)(iii) thereafter finds or rules that such provisions are valid and binding on the Administration, the Bank's obligation to purchase Eligible Bonds under this Agreement will be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the obligation of the Bank to purchase Eligible Bonds hereunder has otherwise terminated or been suspended as provided in this Agreement). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period and the date which is two (2) years after the effective date of suspension of the Bank's obligation pursuant to this Section 8.03(c), litigation is still pending and a judgment regarding the validity of the provisions described in Section 8.02(c)(iii) that are the cause of such Immediate Suspension Event has not been obtained, then the Available Commitment, the Purchase Period and the obligation of the Bank to purchase Eligible Bonds will at such time immediately terminate and thereafter the Bank will be under no obligation to purchase Eligible Bonds.

(d) **Other Remedies.** In addition to the rights and remedies provided in Section 8.03(a), (b) and (c), upon the occurrence and during the continuation of any Event of Default specified herein, upon the election of the Bank: (i) all amounts payable hereunder, under the Fee Letter and under the Bank Bonds will, on demand by the Bank given to the Administration and the Trustee, become immediately due and payable without other presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Administration; and (ii) all Bank Bonds will, on demand by the Bank made to the Administration and the Trustee, become subject to immediate mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium. Upon the occurrence of any Event of Default specified herein, the Bank will have all the rights and remedies available to it under this Agreement, the other Related Documents or otherwise pursuant to law or equity; *provided, however*, that the Bank will not have the right to terminate its obligation to purchase Eligible Bonds or to declare any amount due hereunder due and payable except as expressly provided herein.

(e) **Remedies Non-exclusive.** The remedies provided in this Section 8.03 are exclusive with respect to Events of Default only to the extent described in this Section 8.03 and to the extent they are obtained by the Bank. If, for any reason whatsoever, the Bank is not able to obtain all such remedies, then the Bank hereby reserves the right and will have the right to pursue any other available remedies, whether provided by law, equity, or any Related Document.

Notwithstanding the provisions of Section 8.03(a), if, upon the occurrence and during the continuation of an Event of Default under Section 8.01, the Bank exercises its rights under Section 8.03(d) or under Section 3.02 (with respect to the first sentence therein) to declare the amounts owed hereunder, under the Fee Letter and under the Bank Bonds to be immediately due and payable or to have the Bank Bonds become subject to immediate mandatory redemption, the failure by the Administration to pay such accelerated amounts will not, by itself, permit the immediate termination of the Available Commitment, the Purchase Period or the Bank's obligation to purchase Eligible Bonds pursuant to Section 8.03(a).

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Administration under this Agreement and the Fee Letter are absolute, unconditional and irrevocable and must be paid or performed strictly in accordance with the terms of this Agreement and the Fee Letter under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of this Agreement or any other Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set off, defense or other right that the Administration may have at any time against the Trustee, the Remarketing Agent, the Tender Agent, the Bank or any other Person, whether in connection with this Agreement, any other Related Document or otherwise; or

(d) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Section 9.02. Liability of the Bank. With respect to the Bank, the Administration assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Administration and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank hereunder. Neither the Bank nor any of the officers, directors, employees or agents thereof will be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank hereunder or any acts or omissions of the Trustee, the Tender Agent, the Administration or the Remarketing Agent in connection therewith; or (b) any other circumstances whatsoever in making or failing to make payment hereunder, except only that the Administration will have a claim against the Bank, and the Bank will be liable to the Administration, to the extent, but only to the extent, of any direct damages, as opposed to consequential or punitive damages (the right to receive consequential, indirect, special or punitive damages being hereby waived), suffered by the Administration which are determined by a final and nonappealable judgment of a court of competent jurisdiction to be caused by the Bank's gross negligence or willful misconduct; *provided, however*, that the maximum amount of damages recoverable by the Administration as provided above is expressly limited to the Available Commitment. Nothing herein precludes the Administration from asserting against any third party any defense to liability it has under applicable law.

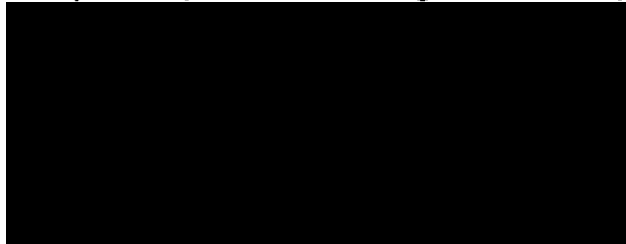
Section 9.03. Indemnification. (a) To the extent permitted by law (including, in the case of the Administration, the law of the State), the Administration agrees to indemnify the Bank, each Participant and their respective officers, directors, employees and agents for any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which any such

Person may incur (or which may be claimed against such Person) by reason of or in connection with the transactions contemplated by this Agreement or the other Related Documents, including, without limitation, (i) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Bonds (but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided in writing by the Bank for inclusion therein); (ii) the validity, sufficiency or genuineness of the Related Documents or the Official Statement; (iii) the execution and delivery or transfer of, or payment or failure to pay under, this Agreement; (iv) the issuing, offering, sale, remarketing or resale of the Bonds; or (v) the proposed use of the proceeds of the Bonds or any amounts drawn hereunder; *provided* that the Administration will not be required to indemnify the Bank, any Participant or any their respective officers, directors, employees and agents for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (A) the willful misconduct or gross negligence of the Bank or (B) the failure of the Bank to purchase Eligible Bonds as and when required under this Agreement. Nothing under this Section 9.03 is intended to limit the Administration's payment obligations hereunder or under the Fee Letter.

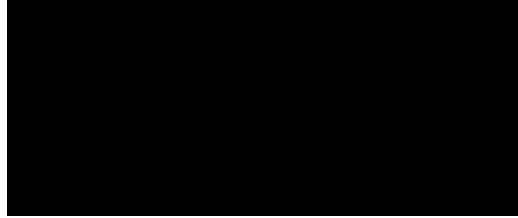
(b) The provisions of this Section 9.03 will survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the Administration hereunder and under the Fee Letter.

Section 9.04. Notices. (a) Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein will be deemed to have been given (i) in the case of notice by letter, when delivered, or (ii) in the case of notice by facsimile or email, upon confirmation of receipt, addressed as follows or to such other address, facsimile number or email address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

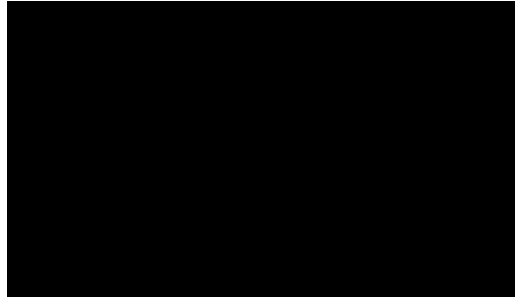
Administration: Community Development Administration
Maryland Department of Housing and Community Development



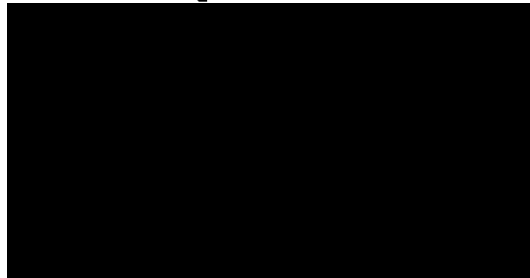
With a copy to: Office of the Attorney General



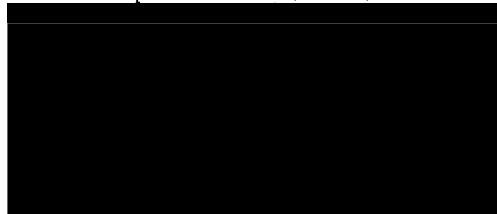
Trustee : Manufacturers and Traders Trust Company,
as Trustee



Tender Agent: Manufacturers and Traders Trust Company,
as Tender Agent

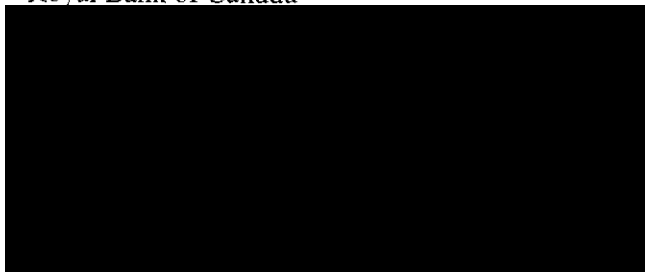


Remarketing Agent: RBC Capital Markets, LLC, as Remarketing Agent



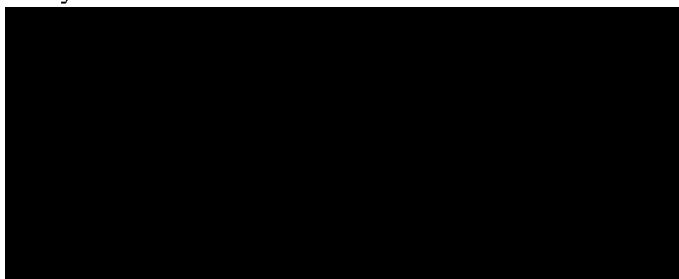
Bank: For all matters (including Notices of Bank Purchase):

Royal Bank of Canada



and

Royal Bank of Canada



(b) Unless otherwise specified herein, certain notices and other information to be furnished pursuant to the terms of this Agreement must be delivered as follows:

(i) For each Notice of Bank Purchase, by email transmission in accordance with paragraph (a), with receipt immediately confirmed telephonically as required by Section 6.03(b) of the Series Resolution. The Tender Agent shall promptly deliver an original of such Notice of Bank Purchase by postage prepaid, U.S. mail in accordance with paragraph (a); *provided* that the receipt of such original is not a condition to the Bank's obligation to advance funds hereunder.

(ii) For each item to be delivered by the Administration to the Bank pursuant to Section 6.06, by email transmission in accordance with paragraph (a).

Section 9.05. Successors and Assigns. This Agreement is binding upon and inures to the benefit of the Trustee, the Tender Agent, the Administration, the Bank and their respective permitted successors and assigns, except that the Administration may not assign or transfer its rights or obligations hereunder (other than as contemplated by Section 7.10) without the prior written consent of the Bank. This Agreement is a continuing obligation and will survive the Expiration Date and the payment in full of the Bonds and the obligations of the Administration hereunder and under the Fee Letter. The Bank may grant interests in its rights hereunder as provided in Section 9.11; *provided, however*, that no such grant will affect the obligation of the Bank to purchase Eligible Bonds as herein provided.

Notwithstanding any other provision of this Agreement, the Bank may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, rights to payment under this Agreement and the Fee Letter) to secure obligations of the Bank to a Federal Reserve Bank, without notice to or consent of the Administration; *provided* that no such pledge or grant of a security interest will release the Bank from any of its obligations hereunder or substitute any such pledgee or grantee for the Bank as a party hereto. Any such assignment will not create any greater or broader obligation of the Administration.

Section 9.06. *Governing Law; Waiver of Jury Trial.* (a) This Agreement is deemed to be a contract under, and is governed by, and to be construed and interpreted in accordance with, the law of the State of New York and applicable federal law without regard to choice of law rules (other than Section 5-1401 of The New York General Obligations Law); provided, however, that the authorization, organization, corporate powers and legal capacity of the Administration and issues related to sovereign immunity and usury will be governed by the law of the state, without regard to choice of law rules.

(b) To the extent permitted by law (including, in the case of the Administration, the law of the State), each party hereto hereby knowingly, voluntarily and intentionally waives any rights it may have to a trial by jury in respect of any litigation (whether as a claim, counter-claim, affirmative defense or otherwise) based on, or arising out of, under or in connection with, this Agreement or the fee letter or any course of conduct, course of dealing, statements (whether oral or written) or actions of any party hereto. Each party hereto acknowledges and agrees that it has received full and sufficient consideration for this provision and recognizes and agrees that this provision is a material inducement for the other parties hereto entering into this Agreement. Each party hereto represents and acknowledges that it has reviewed this provision with its legal counsel and that it has knowingly and voluntarily waived any jury trial rights it may have following consultation with such legal counsel.

(c) Each of the parties hereto irrevocably consents to the service of any and all process in any suit, action or other legal proceeding arising out of or relating to this Agreement or the Fee Letter by the mailing of copies of such process to the respective address for such party as provided in Section 9.04. Notwithstanding anything in this Agreement to the contrary, all mailings under this Section 9.06 must be by certified mail, return receipt requested.

(d) The covenants and waivers made pursuant to this Section 9.06 are irrevocable and unmodifiable, whether in writing or orally, and are applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court to the extent permitted by applicable law.

Section 9.07. *Counterparts.* This Agreement may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

Section 9.08. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be funds of the Bank and not directly or indirectly provided from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Administration or any Participant.

Section 9.09. Extension of Expiration Date. The Expiration Date may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Administration given to the Bank in the form of Exhibit C no sooner than 150 days prior to and no later than 90 days prior to the then Expiration Date. Within 45 days after receipt of a request for extension, the Bank shall either notify the Administration, the Trustee, the Tender Agent, the Remarketing Agent, Fitch and Moody's that the Expiration Date will be extended effective on the then Expiration Date to a new expiration date acceptable to the Bank or notify the Administration, the Trustee, the Tender Agent, the Remarketing Agent, Fitch and Moody's that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "*Notice of Extension or No Extension*"). The Bank's failure to so respond to a requested extension of the Expiration Date will constitute the Bank's denial of such request. If the Expiration Date is extended, the Administration will, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the extension of the Expiration Date is effective.

Section 9.10. [Reserved.]

Section 9.11. Participations. The Administration acknowledges and agrees that the Bank may grant participations in its obligations hereunder and with respect to the Bank Bonds and any other Related Documents (collectively, the "*Participated Obligations*") to other financial institutions without notice to or the consent of the Administration and without diminishing the obligations of the Bank hereunder in any manner. The Administration further acknowledges and agrees that upon any such grant the Participants will become owners of a pro rata portion of the Participated Obligations, and the Administration waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Administration has no obligation to provide information to any Participant; the grant of such participation does not limit the obligations of the Bank hereunder; and the Bank will continue to serve as the only contact for the Administration for all matters relating to this Agreement.

Section 9.12. Duration. All representations and warranties of the Administration contained herein or made in connection herewith (including, but not limited to, any statements made in or in connection with any amendment hereto) will survive the making of and will not be waived by the execution and delivery of any of the Related Documents or any investigation by the Bank. All covenants and agreements of the Administration contained herein or in the Fee Letter will continue in full force and effect from and after the date hereof until all obligations owed to the Bank hereunder and under the Fee Letter have been indefeasibly paid in full and fully discharged; *provided, however*, that the obligations of the Administration under Articles II and III and Sections 9.02 and 9.03 and under each other provision of any Related Document granting a right of indemnity or reimbursement in favor of the Bank will survive any expiration or termination of this Agreement and the payment in full of the Bonds and the obligations of the Administration hereunder and under the Fee Letter.

Section 9.13. Amendments and Waivers. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Administration from any such provision will in any event be effective unless the same is in writing and signed by the Bank in the case of waivers and signed by the parties hereto in the case of amendments; *provided, however*, that the Expiration Date may be extended in accordance with Section 9.09 hereof by instruments in writing signed solely by the Bank and with written notice to the Trustee, the Tender Agent, the Remarketing Agent, the Administration, Fitch and Moody's; *provided, further*, that no amendment to any Immediate Termination Event or Immediate Suspension Event (each an "*EMMA Amendment*") will become effective for (a) ten (10) calendar days after the Administration has posted such EMMA Amendment on Electronic Municipal Market Access ("*EMMA*") (or such other service or services of the Municipal Securities Rulemaking Board ("*MSRB*"), or any successor to the MSRB, that may replace EMMA) and (b) fifteen (15) calendar days after the Trustee has provided notice of such EMMA Amendment to the holders of the Bonds. In the event that the Administration and the Bank enter into any EMMA Amendment, the Administration hereby covenants to (1) post a final draft of such EMMA Amendment on EMMA ten (10) calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the Administration and the Bank) and (2) to cause the Trustee to provide notice of such EMMA Amendment to the holders of the Bonds fifteen (15) calendar days prior to the effective date of such EMMA Amendment (such effective date to be a date as determined by the Administration and the Bank). Failure of the Administration to comply with the covenants described in the preceding sentence will be considered a covenant default under Section 8.01(c). Notwithstanding anything set forth in this Section 9.13, any amendment to any provision of this Agreement other than an EMMA Amendment, whether or not contained in an amendment to this Agreement which includes an EMMA Amendment, will become effective on the date set forth in such amendment whether or not the Administration has complied with the third to last sentence of this paragraph prior to the effective date of such amendment.

Any waiver of or amendment to any provision of this Agreement will be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Agreement should be breached by the Administration and thereafter waived by the Bank, such waiver will be limited to the particular breach so waived for the specific period set out in such waiver and such waiver will not constitute a waiver of such breach for any other period and will not waive any other or similar breach hereunder.

Section 9.14. No Implied Waiver; Cumulative Remedies. No course of dealing and no delay or failure of the Bank in exercising any right, power or privilege under any of the Related Documents will affect any other or future exercise thereof or exercise of any right, power or privilege; nor will any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Bank under this Agreement and the Fee Letter are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have under any Related Document, at law or in equity.

Section 9.15. Severability. Any provision of this Agreement or the Fee Letter that is prohibited, unenforceable or not authorized in any jurisdiction will, as to such jurisdiction, be

ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or thereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.16. Headings. Section headings in this Agreement and the Fee Letter are included herein for convenience of reference only and will not have any effect for purposes of interpretation or construction of the terms of this Agreement or the Fee Letter.

Section 9.17. Waiver of Rule of Construction. Each party hereto hereby waives any and all provisions of law to the effect that an ambiguity in a contract or agreement should be interpreted against the party responsible for its drafting.

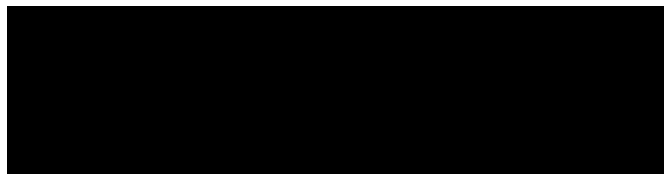
Section 9.18. Complete and Controlling Agreement. This Agreement and the other Related Documents completely set forth the agreements among the Bank, the Trustee, the Tender Agent and the Administration and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Tender Agent and the Administration relating to all matters set forth herein and in the other Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument, and no oral agreements, practices, standards or other extrinsic communications or facts will have any bearing on the interpretation or enforcement of this Agreement or the other Related Documents except as otherwise expressly agreed to in writing by the parties hereto or to such other Related Document.

Section 9.19. USA Patriot Act. The Bank hereby notifies the Administration that, pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001); the "*USA Patriot Act*"), it is required to obtain, verify and record information that identifies the Administration, which information includes the name and address of the Administration and other information that will allow the Bank to identify the Administration in accordance with said Act. The Administration shall promptly provide such information upon request.

[Signature pages follow]

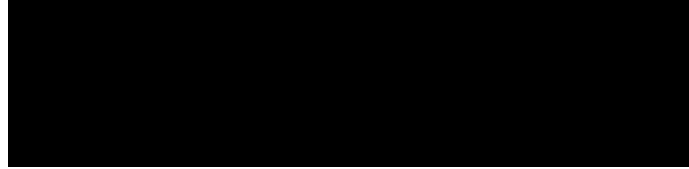
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized representatives, all as of the day and year first above written.

COMMUNITY DEVELOPMENT ADMINISTRATION



[Signatures continued on following page]

MANUFACTURERS AND TRADERS TRUST COMPANY,
as Trustee and as Tender Agent



[Signatures continued on following page]

ROYAL BANK OF CANADA



EXHIBIT A

FORM OF NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of Manufacturers and Traders Trust Company (the "*Tender Agent*"), hereby certifies on behalf of the Tender Agent to Royal Bank of Canada (the "*Bank*"), in accordance with the Standby Bond Purchase Agreement (Series 2013 E) dated as of November 1, 2013 (as in effect on the date hereof, the "*Standby Bond Purchase Agreement*"), by and among the Community Development Administration (the "*Administration*"), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, the Trustee, the Tender Agent and the Bank relating to the Administration's Housing Revenue Bonds, Series 2013 E (Federally Taxable) (Variable Rate) (any capitalized term used herein and not defined has its respective meaning as set forth in the Standby Bond Purchase Agreement), that:

1. Eligible Bonds have been tendered or deemed tendered for purchase pursuant to Section [2.14(a)] [2.15(a)] of the Series Resolution.

2. To the Tender Agent's actual knowledge, no Immediate Termination Event or Immediate Suspension Event described in Section 8.02 of the Standby Bond Purchase Agreement has occurred.

3. Insufficient moneys are available for such purchase pursuant to Section 5.01(a) of the Series Resolution.

4. The Tender Agent hereby requests the payment of Purchase Price in the amount of \$_____.

5. The portion of the Purchase Price requested hereby relating to principal of the Eligible Bonds for which there are not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Principal Commitment, and the portion of the Purchase Price requested hereby relating to Accrued Interest on the Eligible Bonds for which there are not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Tender Agent shall cause such Eligible Bonds to be registered or, if an Eligible Bond to be purchased pursuant to Section 2.15 of the Series Resolution has not been delivered, a new Eligible Bond issued in replacement of the undelivered Eligible Bond, in the name of the Bank or, if directed in writing by the Bank, the Bank's nominee or designee on the bond register and shall promptly deliver such Eligible Bonds to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery shall hold such Eligible Bonds in trust for the benefit of the Bank, *provided* that if the Bonds are in book entry form, the Tender Agent shall hold Bank Bonds in its participant account for the benefit of the Bank until credited to the Bank Book Entry Account, as described in Section 2.02 of the Standby Bond Purchase Agreement.

7. The funds requested hereunder must be transferred to the Tender Agent as follows:

[PLEASE PROVIDE]

8. The Purchase Date is _____, ____.

9. The Investor CUSIP Number is _____, and the Bank Bond CUSIP Number is _____.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Notice of Bank Purchase as of the ____ day of _____, ____.

MANUFACTURERS AND TRADERS TRUST COMPANY,
as Tender Agent

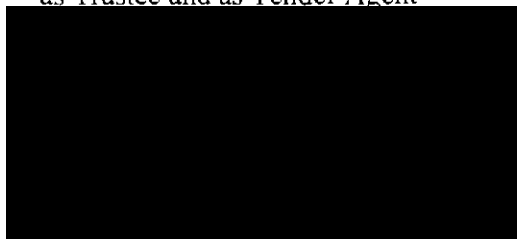
By _____
Name: _____
Title: _____

EXHIBIT B

FORM OF NOTICE OF TERMINATION DATE

[DATE]

Manufacturers and Traders Trust Company,
as Trustee and as Tender Agent



Community Development Administration
Maryland Department of Housing and
Community Development



RBC Capital Markets, LLC,
as Remarketing Agent



\$41,795,000
Community Development Administration
Maryland Department of Housing and Community Development
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate)

Ladies and Gentlemen:

Royal Bank of Canada (the “*Bank*”), pursuant to Section 8.03 of the Standby Bond Purchase Agreement (Series 2013 E) dated as of November 1, 2013 (the “*Agreement*”), by and among the Community Development Administration (the “*Administration*”), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, Manufacturers and Traders Trust Company, as Trustee and as Tender Agent, and the Bank, relating to the captioned bonds (any capitalized term used herein and not defined has its respective meaning as set forth in the Agreement), hereby requests that the Trustee call all Eligible Bonds for mandatory tender pursuant to Section 2.15 of the Series Resolution as described in Section 8.03(b) of the Agreement and notifies you that an Event of Default pursuant to Section 8.01 of the Agreement has occurred and that as a result thereof the Agreement will terminate on the date that is 30 days after the Trustee’s receipt of this notice.

Sincerely,

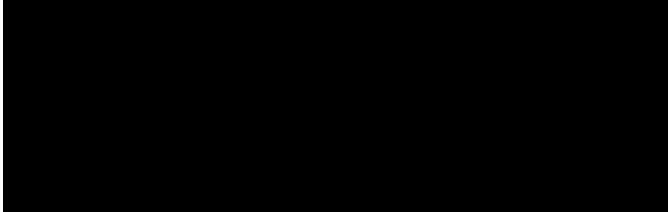
ROYAL BANK OF CANADA

By _____
Name: _____
Title: _____

EXHIBIT C

FORM OF REQUEST FOR EXTENSION

Royal Bank of Canada



\$41,795,000

Community Development Administration
Maryland Department of Housing and Community Development
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate)

Ladies and Gentlemen:

Reference is hereby made to the Standby Bond Purchase Agreement (Series 2013 E) dated as of November 1, 2013 (the "*Agreement*"), by and among the Community Development Administration (the "*Administration*"), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, Manufacturers and Traders Trust Company, as Trustee and as Tender Agent, and Royal Bank of Canada (the "*Bank*"), relating to the captioned bonds. Any capitalized term used herein and not defined has its respective meaning as set forth in the Agreement. The Administration hereby requests, pursuant to Section 9.09 of the Agreement, that the Expiration Date for the Agreement be extended to [DATE]. We have enclosed along with this request the following information:

1. The outstanding principal amount of the Bonds;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

[Remainder of page intentionally left blank]

The Bank is requested to notify the Administration of its decision with respect to this request for extension within 45 days after the date of receipt hereof. If the Bank fails to notify the Administration of its decision within such 45-day period, the Bank will be deemed to have rejected such request.

Very truly yours,

COMMUNITY DEVELOPMENT ADMINISTRATION

By _____
Name: _____
Title: _____

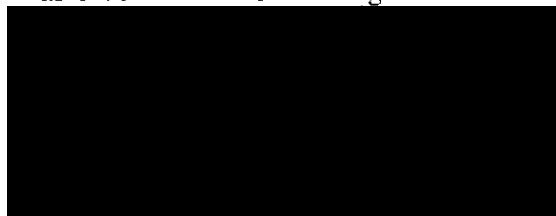
cc: Manufacturers and Traders Trust Company,
as Trustee and as Tender Agent
RBC Capital Markets, LLC,
as Remarketing Agent

EXHIBIT D

FORM OF NOTICE OF EXTENSION OR NO EXTENSION

[Date]

Manufacturers and Traders Trust Company,
as Trustee and as Tender Agent



Fitch Ratings, Inc.



Moody's Investors Service, Inc.



Community Development Administration
Maryland Department of Housing and
Community Development



RBC Capital Markets, LLC,
as Remarketing Agent



\$41,795,000

Community Development Administration
Maryland Department of Housing and Community Development
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate) (the "*Bonds*")

Ladies and Gentlemen:

Reference is hereby made to the Standby Bond Purchase Agreement (Series 2013 E) dated as of November 1, 2013 (the "*Agreement*"), by and among the Community Development Administration (the "*Administration*"), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of

the State of Maryland, Manufacturers and Traders Trust Company, as Trustee and as Tender Agent, and Royal Bank of Canada (the "*Bank*"), relating to the Bonds. The Bank hereby advises you, with reference to the Bonds (any capitalized term used herein and not defined has its respective meaning as set forth in the Agreement), that **[Complete as Appropriate]**[:

1. At the request and for the account of the Administration, we hereby extend the date referenced in the definition of "*Expiration Date*" in the Agreement (as such date may have been extended previously from time to time) to [DATE].

2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.

3. This Notice of Extension or No Extension is an integral part of the Agreement.]

— OR —

[the Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the Bank has executed and delivered this Notice of Extension or No Extension as of the ___ day of _____, 20____.

Sincerely,

ROYAL BANK OF CANADA

By _____

Name: _____

Title: _____

EXHIBIT E

FORM OF CERTIFICATE OF COMPLIANCE

\$41,795,000

Community Development Administration
Maryland Department of Housing and Community Development
Housing Revenue Bonds
Series 2013 E (Federally Taxable) (Variable Rate) (the "*Bonds*")

The undersigned, an Authorized Officer of Community Development Administration (the "*Administration*"), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, pursuant to Section 6.06(c) of the Standby Bond Purchase Agreement (Series 2013 E) dated as of November 1, 2013 (as in effect on the date hereof the "*Standby Bond Purchase Agreement*"), by and among the Administration, Manufacturers and Traders Trust Company, as Trustee and as Tender Agent, and Royal Bank of Canada (the "*Bank*"), relating to the Bonds, hereby certifies to the Bank, in connection with the delivery of the financial statements attached hereto (any capitalized term used herein and not defined has its respective meaning as set forth in the Standby Bond Purchase Agreement), that:

(i) under his/her supervision the Administration has made a review of its activities during the annual or quarterly period covered by the attached financial statements for purposes of determining whether or not the Administration has complied with all the terms, provisions and conditions of the Standby Bond Purchase Agreement and the other Related Documents (as defined in the Standby Bond Purchase Agreement);

(ii) to the best of his/her knowledge, no Default or Event of Default has occurred or, if a Default or Event of Default has occurred, the nature and status of such Default or Event of Default and the remedial steps taken or proposed to be taken to correct such Default or Event of Default are set forth in Annex I to this Certificate of Compliance; and

(iii) the Administration ____ has / ____ has not (*check one*) changed its method of accounting or the dates of commencement or termination of Fiscal Years or other accounting periods. If the Administration has made a change such change is described in Annex III to this Certificate of Compliance.

[The information required by the terms of Section 6.06(c)(ii) is attached hereto as Annex II.]

Dated this _____ day of _____, 20__.

COMMUNITY DEVELOPMENT ADMINISTRATION

By _____
Name: _____
Authorized Officer

ANNEX I

LIST OF DEFAULTS OR EVENTS OF DEFAULT AND REMEDIAL ACTIONS

[Complete as Appropriate]

ANNEX II

INFORMATION REQUIRED BY SECTION 6.06(C)(ii)

Annex III

DESCRIPTION OF ACCOUNTING CHANGES

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APPENDIX N

CERTAIN INFORMATION CONCERNING ROYAL BANK OF CANADA

Royal Bank of Canada (“Royal Bank”) is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank’s corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada. Royal Bank is the parent company of RBC Capital Markets, LLC, the Underwriter and the Remarketing Agent for the Series 2013 E Bonds.

Royal Bank and its subsidiaries operate under the master brand name RBC. Royal Bank is Canada’s largest bank as measured by assets and market capitalization and is among the largest banks in the world based on market capitalization. Royal Bank is one of North America’s leading diversified financial services companies and provides personal and commercial banking, wealth management services, insurance, investor services and wholesale banking on a global basis. Royal Bank and its subsidiaries employ approximately 80,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 44 other countries.

Royal Bank had, on a consolidated basis, as at July 31, 2013, total assets of C\$851.3 billion (approximately US\$828.8 billion*), equity attributable to shareholders of C\$47.2 billion (approximately US\$46.0 billion*), and total deposits of C\$546.2 billion (approximately US\$531.7 billion*). The foregoing figures were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and have been extracted and derived from, and are qualified by reference to, Royal Bank’s unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended July 31, 2013.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA- (stable outlook) by Standard & Poor’s Ratings Services, Aa3 (stable outlook) by Moody’s Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank’s common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol “RY.” Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Official Statement is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations.

The delivery of this Official Statement does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

* As of July 31, 2013: C\$1.00 = US\$0.97352.

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