NEW ISSUE — BOOK ENTRY ONLY

RATINGS: *Fitch: "AA"/"AAA" (insured)*
Moody's: "Aa3"/"Aaa" (insured)
S&P: "AA"/"AAA" (insured)
See "RATINGS" herein.

In the opinion of Hawkins, Delafield & Wood, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants as described herein, (i) interest on the Series 2003 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Series 2003 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes the Series 2003 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is 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 franchise taxes or estate or inheritance taxes.

D·H·C·D

$94,295,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
CAPITAL FUND SECURITIZATION REVENUE BONDS
Series 2003

Dated: Date of Delivery **Due:** July 1, as shown below

The above-captioned Series 2003 Bonds (the "Series 2003 Bonds") will be issuable as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Series 2003 Bonds. Individual purchases of beneficial interests may be made in book entry form only, in the denominations of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2003 Bonds purchased. Principal of and interest on the Series 2003 Bonds will be paid by Manufacturers and Traders Trust Company (the "Trustee") to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursements to the beneficial owners of the Series 2003 Bonds as described herein. See "Appendix E - DTC AND BOOK ENTRY."

Interest on the Series 2003 Bonds is payable semiannually on each January l and July 1, with the first interest payment date being July 1, 2004. The Series 2003 Bonds are subject to redemption, including mandatory sinking fund redemption, prior to maturity as described in this Official Statement. The Series 2003 Bonds are being issued to provide funding for loans (each a "Loan" and collectively the "Loans") to be made by the Administration to those public housing authorities (each a "Participating Authority" and collectively the "Participating Authorities") in the State that execute a Loan Agreement (each a "Loan Agreement" and collectively the "Loan Agreements") among such Participating Authority, the Administration and the Trustee. The proceeds of the Loans will be used for the purpose of financing accelerated renovations and repairs of public housing developments undertaken by the Participating Authorities under the Capital Fund Program (the "Capital Fund Program") of the United States Department of Housing and Urban Development ("HUD"). See "THE PARTICIPATING AUTHORITIES" and "CAPITAL FUND PROGRAM" herein. Bond Proceeds will also be used to pay Costs of Issuance and Capitalized Interest, and to fund the Liquidity Accounts established under each Loan Agreement.

The Series 2003 Bonds are repayable from Loan payments received by the Administration pursuant to Loan Agreements. HUD and each Participating Authority have agreed, pursuant to ACC Financing Amendments between each Participating Authority and HUD (each an "ACC Financing Amendment"), that HUD will make payments of Capital Fund Program moneys ("Capital Funds") each Participating Authority would have received under its Annual Contributions Contract ("ACC") directly to the Trustee, rather than to the Participating Authorities, in an amount sufficient to make each Participating Authority's Loan Debt Service payments. Under the Loan Agreements, each Participating Authority has pledged and assigned to the Administration such Capital Funds as security for its Loan.

The scheduled payment of principal of and interest on the Series 2003 Bonds as and when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003 Bonds by Financial Security Assurance, Inc ("Financial Security").

FSA

THIS COVER PAGE CONTAINS ONLY A SUMMARY OF INFORMATION REGARDING THE SERIES 2003 BONDS. POTENTIAL INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES HERETO, PRIOR TO MAKING AN INVESTMENT DECISION. THE REVENUES PLEDGED UNDER THE INDENTURE AS PART OF THE TRUST ESTATE ARE SUBJECT TO THE AVAILABILITY OF ANNUAL APPROPRIATIONS FROM CONGRESS FOR THE PURPOSES OF THE CAPITAL FUND PROGRAM ADMINISTERED BY HUD, AS WELL AS OTHER RISK FACTORS. SEE "RISK FACTORS RELATING TO THE SERIES 2003 BONDS" HEREIN.

THE SERIES 2003 BONDS ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION, AN AGENCY IN THE DIVISION OF DEVELOPMENT FINANCE OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, A PRINCIPAL DEPARTMENT IN THE GOVERNMENT OF THE STATE OF MARYLAND, PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. THE ADMINISTRATION HAS NO TAXING POWER. THE SERIES 2003 BONDS DO NOT CONSTITUTE A DEBT OF THE STATE OF MARYLAND, 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 2003 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, THE UNITED STATES OF AMERICA OR HUD. THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA IS NOT PLEDGED TO THE PAYMENT OF DEBT SERVICE ON THE SERIES 2003 BONDS. THE PAYMENT OF DEBT SERVICE ON THE SERIES 2003 BONDS IS NOT GUARANTEED BY THE UNITED STATES OF AMERICA OR HUD.

Maturity Schedule

Maturity (July 1)	Principal Amount	Rate	Yield	CUSIP Number	Maturity (July 1)	Principal Amount	Rate	Yield	CUSIP Number
2004	$ 230,000	2.00%	1.05%	57419NC93	2014	$ 600,000	3.75%	3.76%	57419NE59
2005	585,000	2.00	1.30	57419ND27	2014	4,225,000	5.00	3.76	57419NE67
2006	3,745,000	2.00	1.69	57419ND35	2015	560,000	3.85	3.88	57419NE75
2007	3,840,000	2.00	2.02	57419ND43	2015	4,515,000	5.00	3.88	57419NE83
2008	3,925,000	2.40	2.40	57419ND50	2016	965,000	3.95	3.99	57419NE91
2009	4,035,000	2.75	2.68	57419ND68	2017	2,520,000	4.05	4.09	57419NF25
2010	4,160,000	3.00	2.97	57419ND76	2018	1,615,000	4.15	4.19	57419NF33
2011	4,295,000	3.20	3.25	57419ND84	2019	1,320,000	4.25	4.28	57419NF41
2012	2,770,000	3.50	3.51	57419ND92	2020	570,000	4.35	4.36	57419NF58
2012	1,680,000	4.00	3.51	57419NE26	2021	5,100,000	4.40	4.43	57419NF66
2013	600,000	5.00	3.63	57419NE42	2022	7,050,000	4.50	4.52	57419NF82
2013	4,030,000	3.50	3.63	57419NE34	2023	7,390,000	4.55	4.58	57419NF90

$23,970,000 4.40% Term Bond due July 1, 2021 (Yield: 4.43%; CUSIP: 57419NF74)

The Series 2003 Bonds are offered when, as and if issued and received by the underwriters listed below (the "Underwriters"), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of validity by Hawkins, Delafield & Wood, Washington, D.C., Bond Counsel, and certain other conditions. 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 and for the Underwriters by Holland & Knight LLP, Washington, D.C. and McKenzie & Associates, Washington, D.C. It is expected that the Series 2003 Bonds will be available for delivery in book entry form through the facilities of DTC in New York, New York on or about December 16, 2003

UBS Financial Services Inc.

Citigroup

Bear, Stearns & Co. Inc. **Ferris, Baker Watts Incorporated** **Goldman, Sachs & Co.**

Legg Mason Wood Walker Incorporated **Lehman Brothers**

Loop Capital Markets, L.L.C. **Merrill Lynch & Co.**

M.R. Beal & Company **Siebert Brandford Shank & Co., L.L.C.**

November 21, 2003

No dealer, broker, salesperson or other person has been authorized by the Administration, the Participating Authorities or the Underwriters to give any information or to make any representations with respect to the Series 2003 Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2003 Bonds offered herein, nor shall there be any sale of the Series 2003 Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Series 2003 Bonds. This Official Statement speaks only as of its date, and the information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder may, under any circumstances, create any implication that there has been no change in the affairs of the Administration or the Participating Authorities since the date hereof. Information in this Official Statement under the heading "THE PARTICIPATING AUTHORITIES" has been provided by the Participating Authorities.

References in this Official Statement to the Indenture, the Loan Agreements and other documents do not purport to be complete, and reference should be made to such documents for full and complete details of their contents.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2003 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2003 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2003 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2003 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Other than with respect to information concerning Financial Security contained under the caption "Bond Insurance" and Exhibit H specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003 Bonds; or (iii) the tax-exempt status of the interest on the Series 2003 Bonds.

TABLE OF CONTENTS

OFFICIAL STATEMENT

$94,295,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
CAPITAL FUND SECURITIZATION REVENUE BONDS
Series 2003

INTRODUCTION

The purpose of this Official Statement is to furnish certain information in connection with the sale by the Maryland Community Development Administration (the "Administration") of its Capital Fund Securitization Revenue Bonds, Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds will be issued under the Master Trust Indenture (the "Master Indenture"), dated as of December 1, 2003, by and between the Administration and Manufacturers and Traders Trust Company, as trustee (the "Trustee"), as supplemented and amended by the First Supplemental Trust Indenture, dated as of December 1, 2003, by and between the Administration and the Trustee (the "First Supplemental Indenture," and, together with the Master Indenture, the "Indenture"). Certain terms used herein are defined in APPENDIX A.

The Series 2003 Bonds are being issued to provide funds to the Administration to (i) pay Costs of Issuance and Capitalized Interest, (ii) fund the Liquidity Accounts established under each Loan Agreement, and (iii) make loans (each a "Loan" and collectively the "Loans") to those public housing authorities in the State (each a "Participating Authority" and collectively the "Participating Authorities") that execute a Loan Agreement (each a "Loan Agreement" and collectively the "Loan Agreements") among the Administration, the Trustee and such Participating Authorities. The proceeds of the Loans will be used for the purpose of financing accelerated renovations and repairs under the Capital Fund Program (as defined below) for those community development projects ("Public Housing Developments"), as defined in Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland (as amended from time to time, the "Act"), owned by Participating Authorities that constitute "public housing" projects within the meaning of the United States Housing Act of 1937, as amended (42 U.S.C. §1437) (the "1937 Act").

The Series 2003 Bonds are Senior Obligations under the Indenture and are payable from the Revenues and other funds, rights and interests of the Administration pledged for payment of Senior Obligations under the terms of the Indenture. Under the Indenture, "Revenues" consist primarily of payments made by Participating Authorities pursuant to Loan Agreements, including those made by the United States Department of Housing and Urban Development ("HUD") on behalf of Participating Authorities, and received by the Trustee for deposit in the Revenue Fund.

The "Capital Fund Program" administered by HUD provides annual capital grants ("Capital Funds") to Authorities (as defined in Appendix A) to enable Authorities to construct, modernize, renovate or rehabilitate public housing developments. Amounts payable to or for the benefit of the Authorities pursuant to the Capital Fund Program are subject to the availability of annual appropriations for such purposes by the Congress of the United States of America ("Congress"). See "SECURITY FOR THE BONDS," "CAPITAL FUND PROGRAM" and "RISK FACTORS RELATING TO THE BONDS."

Prior to the issuance of the Series 2003 Bonds, HUD will have approved the issuance thereof pursuant to letters from HUD to the Administration and each Participating Authority (the "HUD Approval Letters"), in substantially the form attached hereto as APPENDIX B. Authorities traditionally receive capital grant funds from HUD pursuant to Annual Contributions Contracts (each an "ACC") with respect to the related Public Housing Developments. HUD has authorized Participating Authorities to pledge and assign Capital Funds to the payment of the Loans pursuant to capital fund financing amendments to the ACCs (each an "ACC Financing Amendment") between HUD and each Participating Authority that provide generally for the use of Capital Funds to pay Loan Debt Service (as defined below). The form of the ACC Financing Amendments is attached hereto as APPENDIX C. See "CAPITAL FUND PROGRAM—HUD Approval Letters" and "—ACC Financing Amendment."

The Bonds are special obligations of the Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department in the government of the State of Maryland, payable solely from and secured by the property comprising the Trust Estate described in the Indenture. The Administration has no taxing power. **The Bonds do not constitute a debt of the State of Maryland, 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 Bonds are not, under any circumstances, payable from or secured by any other assets of the Administration not expressly pledged to payment of the Bonds, including, without limitation, the Administration's General Bond Reserve Fund.**

The Bonds are not a debt or liability of, or guaranteed by, the United States of America or HUD. The full faith and credit of the United States of America is not pledged to the payment of Bond Debt Service. The payment of Bond Debt Service is not guaranteed by the United States of America or HUD.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's nominee). One fully registered Series 2003 Bond certificate will be issued for each maturity of the Series 2003 Bonds, each in a principal amount equal to the aggregate principal amount of such maturity, and will be deposited with DTC. Individual purchases may be made in book entry form only, in the denominations of $5,000 and integral multiples thereof. See APPENDIX E " DTC AND BOOK ENTRY."

Brief descriptions of the security for the Bonds, the Administration and HUD's Capital Fund Program are included in this Official Statement. The descriptions of the Bonds and other documents are qualified in their entirety by reference to them. Copies of the Indenture and certain other documents are available from the Administration upon request. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Appendices, which are integral parts of this Official Statement, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in APPENDIX A, which also contains summaries of certain provisions of the Indenture.

THE BONDS

The following is a summary of certain provisions of the Series 2003 Bonds. Reference is made to the Indenture and to the summary of the Indenture included in APPENDIX A hereto for a more complete description of the Bonds and the security for the Bonds. The discussion herein is qualified by such references.

General

The Series 2003 Bonds will be issued as fully registered bonds in the denominations of $5,000 and authorized integral multiples thereof and will be dated the date of their delivery (the "Delivery Date"). The Series 2003 Bonds will bear interest from the later of their date or the most recent interest payment date to which interest has been paid or duly provided for, until paid, payable semiannually on January 1 and July 1 of each year, with the first interest payment date being July 1, 2004. The Series

2003 Bonds will bear interest at the rates per annum, and will mature in the principal amounts on July 1 of each year, as set forth on the cover page of this Official Statement. Interest on the Series 2003 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Principal of, and premium, if any, on the Series 2003 Bonds are payable upon presentation and surrender thereof at the Designated Corporate Trust Office of the Paying Agent. Interest on the Series 2003 Bonds will be paid by check or draft drawn upon the Paying Agent and mailed (by first class mail) to registered owners as of the Record Date at the addresses shown on the registration books maintained by the Registrar, *provided* that, at the written request of the registered owner of at least $1,000,000 principal amount of Series 2003 Bonds (which request may provide that it will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Administration. Payment shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Redemption of Bonds

Optional Redemption. The Series 2003 Bonds are subject to redemption prior to maturity at the option of the Administration as a whole, or in part in integral multiples of $5,000 in any order of their maturity as determined by the Administration (less than all of the Series 2003 Bonds of a single maturity to be selected by lot by the Trustee), on July 1, 2013, and on any date thereafter, at a redemption price equal to the principal amount of Series 2003 Bonds to be redeemed plus accrued interest to the redemption date. The funds available for such redemption shall be net of that amount needed to pay the costs and expenses referenced in the Loan Agreements.

Special Optional Redemption. The Series 2003 Bonds are subject to redemption prior to maturity in part at any time, at a redemption price of par plus accrued interest to the redemption date:

(i) at the direction of HUD or the Administration in the event that HUD imposes administrative sanctions on a Participating Authority which would have the effect of reducing the payment of Capital Funds to such Participating Authority in any year by at least 20%, or

(ii) at the option of the Administration, in the event that a Participating Authority defaults under its Loan Agreement;

in either event, in an amount not to exceed the outstanding amount of such Participating Authority's Proportionate Share of Series 2003 Bonds.

With respect to special optional redemptions, the unexpended proceeds of the affected Participating Authority's Loan, less amounts (i) already obligated or encumbered for the payment of Eligible Costs and (ii) needed to be deposited in the Liquidity Account in order to meet the Liquidity Account Requirement, shall be used for such redemption.

Mandatory Sinking Fund Redemption. The Series 2003 Bond maturing July 1, 2021, in the principal amount of $23,970,000 (the "Term Bond"), is subject to mandatory redemption, in integral multiples of $5,000 selected by lot by the Trustee, at a redemption price of par plus accrued interest to the redemption date, on July 1 of each of the years and in the principal amounts as follows:

Date (July 1)	**Principal Amount**
2016	$4,370,000
2017	3,075,000
2018	4,235,000
2019	4,815,000
2020	5,850,000
2021	1,625,000

The principal amount of the Term Bond to be mandatorily redeemed in each year may be reduced through the earlier optional or special optional redemption thereof, with any partial optional redemptions of such Term Bond credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the Administration may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date, the Trustee may, and if directed by the Administration shall, purchase the Term Bond required to be retired on such mandatory redemption date. Any such Term Bond so purchased shall be cancelled and the principal amount thereof shall be credited against the mandatory sinking fund redemption required on such next mandatory sinking fund redemption date.

Special Mandatory Redemption. Each Loan Agreement provides that, in the event that any Participating Authority's public housing units are damaged or destroyed, or taken by eminent domain, such Participating Authority will apply the proceeds of any insurance or condemnation award ("Insurance/Condemnation Proceeds") received with respect thereto to the repair, rebuilding or replacement of the affected property to the extent permissible under law.

If for any reason repair, rebuilding or replacement is not permitted with respect to any such destroyed or damaged units, such Participating Authority's Loan will become due and payable to the extent of Insurance/Condemnation Proceeds received in the event that any Rating Agency determines that the failure to apply such proceeds to the redemption of Series 2003 Bonds would result in a reduction or withdrawal of the underlying rating on the Series 2003 Bonds.

Thus, the Series 2003 Bonds shall be redeemed in part, at a redemption price of par plus accrued interest to the redemption date, in the event that:

(i) a Participating Authority's public housing development or developments are substantially damaged or destroyed by casualty or taken by eminent domain,

(ii) the proceeds of any insurance or condemnation awards with respect thereto are not applied towards the repair, rebuilding or replacement of such developments, and

(iii) any Rating Agency determines, after written notice of such damage or condemnation, that the failure to apply such proceeds to the redemption of the Series 2003 Bonds would result in a reduction or withdrawal of the underlying rating on the Series 2003 Bonds.

Upon any such Rating Agency determination pursuant to clause (iii) above, the Administration shall direct the Trustee to publish a notice of redemption in accordance with the Indenture. Insurance/Condemnation Proceeds shall be used for such redemption.

General. The Series 2003 Bonds shall be redeemed only in the principal amount of $5,000 and integral multiples thereof. For purposes of any redemption of less than all of the outstanding Series 2003 Bonds of a single maturity, the particular Series 2003 Bonds or portions of Series 2003 Bonds to be redeemed shall be selected by lot by such method of lottery as the Trustee shall deem proper in its sole discretion; *provided* that such lottery shall provide for the selection for redemption of Series 2003 Bonds or portions of Series 2003 Bonds in principal amounts of $5,000 and integral multiples thereof.

With respect to any redemption of Series 2003 Bonds other than mandatory sinking fund redemptions, unless moneys sufficient to pay the redemption price of the Series 2003 Bonds to be redeemed shall have been received by the Trustee prior to the giving of the notice of redemption, such notice may, at the option of the Administration, state that such redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Administration shall not redeem such Series 2003 Bonds, and the Trustee shall give notice, in the same manner in which the notice of redemption shall have been given, that such moneys were not so received and that such Series 2003 Bonds will not be redeemed.

Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Series 2003 Bonds, priority and maturity, the Trustee shall assign to each such Outstanding Series 2003 Bond a distinctive number for each minimum denomination of the principal amount thereof so as to distinguish each such minimum denomination from each other portion of the Series 2003 Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection it shall deem proper in its sole discretion, from the numbers of all such Series 2003 Bonds then Outstanding of such maturity, as many numbers as, at the minimum denomination for each number, shall equal the principal amounts of such Series 2003 Bonds to be redeemed. The Series 2003 Bonds to be redeemed shall be the Series 2003 Bonds to which were assigned numbers so selected; but only so much of the principal amount of each such Series 2003 Bonds of a denomination of more than the minimum denomination shall be redeemed as shall equal the minimum denomination for each number assigned to it and so selected. For the purposes of this selection process, Series 2003 Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

Any integral multiple of a minimum denomination may be utilized in connection with the partial redemption of Series 2003 Bonds and such Series 2003 Bonds shall be subject to selection for redemption in the amount of such multiple but otherwise in accordance with the procedure described above.

Notice of Redemption

Unless waived in writing by any holder of Series 2003 Bonds to be redeemed, notice of the call for any such redemption shall be given by the Trustee on behalf of the Administration by mailing the redemption notice by first class mail or registered or certified mail, return receipt requested (such delivery method to be determined by the Trustee) at least thirty (30) days and not more than forty-five (45) days prior to the date fixed for redemption to DTC (or, if the Series 2003 Bonds are not Book Entry Bonds, to the registered Owners thereof).

Transfer and Exchange

Each Series 2003 Bond shall be transferable only upon the books of the Administration, which shall be kept for such purpose at the Designated Corporate Trust Office of the Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Series 2003 Bond, the Administration shall issue in the name of the transferee a new Bond or Bonds, of the same aggregate principal amount, Series, priority, interest rate and maturity as the surrendered Bond.

SECURITY FOR THE BONDS

General. Pursuant to the Indenture, the Administration has assigned and pledged to the Trustee the Trust Estate, consisting of (i) all Revenues; (ii) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (excluding the Costs of Issuance Fund); (iii) and moneys and securities from time to time held by the Trustee under each Loan Agreement, subject to use and application in accordance with the provisions thereof; (iv) all right, title and interest of the Administration in each Loan Agreement, reserving, however, the Reserved Rights, including all rights to receive the payments to be made thereunder and all rights to enforce and exercise remedies thereunder; and (v) any and all other real or personal property of every name and nature, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Administration or by anyone on its behalf or with its written consent to the Trustee; provided, however, that in exercising any rights under a Loan Agreement pursuant to clause (iii) or (iv) above, the Trustee may only exercise such rights against a Participating Authority that has defaulted under its Loan Agreement, as provided in the Indenture.

The Bonds and all other Senior Obligations issued under the Indenture are limited, not general, obligations of the Administration, payable solely from the Trust Estate, including all Revenues and moneys and securities on deposit in any of the accounts established under the Indenture (other than the Costs of Issuance Fund), including the investments, if any, thereof (other than earnings and income derived from amounts on deposit in the Costs of Issuance Fund), subject to the application of such funds to the purposes and on the conditions permitted by the Indenture. The Bonds are not secured by a mortgage or security interest on any of the Administration's assets or properties (other than those pledged under the Indenture). See "CAPITAL FUND PROGRAM" and "RISK FACTORS RELATING TO THE BONDS."

Each Participating Authority will provide to HUD a schedule that sets forth the annual payments of principal and interest on the Loan that such Participating Authority is obligated to make pursuant to its respective Loan Agreement ("Loan Debt Service"). HUD has agreed, pursuant to each ACC Financing Amendment and HUD Approval Letter, to pay directly to the Trustee from Capital Funds available to each Participating Authority an amount equal to Loan Debt Service (unless otherwise paid from Capitalized Interest) in accordance with the schedule provided by such Participating Authority. In order to permit such payments to be made, each Participating Authority has agreed to execute and deliver annually an ACC Amendment to the applicable ACC (each an "Annual ACC Amendment") that directs HUD to pay directly to the Trustee from Capital Funds available to such Participating Authority an amount equal to annual Loan Debt Service plus any previously unpaid Loan Debt Service and/or the amount required to restore the Liquidity Account to the Liquidity Account Requirement. Each Participating Authority shall deliver an Annual ACC Amendment not later than 75 days prior to the first date for the first payment of Loan Debt Service scheduled to be made from Capital Funds pursuant to such Annual ACC Amendment or by the earliest date on which such Annual ACC Amendment may be executed under the rules and regulations of HUD, if such date is later. See "CAPITAL FUND PROGRAM—HUD Approval Letters" and "—ACC Financing Amendment."

Pursuant to each Loan Agreement, and unless otherwise paid from Capitalized Interest, the Trustee shall receive for deposit in the Revenue Account established under such Loan Agreement payments from HUD pursuant to the Capital Fund Program in the amount of Loan Debt Service due on each Participating Authority's Loan. Pursuant to each Loan Agreement, the Trustee will deposit in the Revenue Fund for the Bonds an amount equal to Loan Debt Service, less an amount equal to the Administration's Fee, and such amount so transferred shall constitute Revenues under the Indenture. Collectively, the Revenues have been calculated to be sufficient to pay principal of, premium, if any and interest on, the Bonds when due.

In addition, as further security for each Participating Authority's Loan, a portion of the initial Loan to each Participating Authority will be deposited into a Liquidity Account for such Loan, to be held by the Trustee under the Loan Agreement, in an amount equal to the Liquidity Account Requirement. Amounts in the separate Liquidity Accounts held under a Loan Agreement are pledged to the Administration as security for the related Loan. In the event a Loan Payment is not made when due by HUD, the Trustee will apply amounts on deposit in the Liquidity Account to pay Loan Debt Service due on such Loan. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS."

Under the Loan Agreements, the Participating Authorities have irrevocably pledged and assigned to the Administration and the Trustee as security for their Loans such of their Capital Funds as are paid to the Trustee by HUD pursuant to the ACC Financing Amendments. Bondholders have no further recourse, however, to any assets of the Participating Authorities in the event that such pledged Capital Funds are insufficient to pay Bond Debt Service.

The occurrence of a default under a Loan Agreement with respect to a particular Participating Authority does not cause a default to occur under the Loan Agreements for the other Participating Authorities. A failure by HUD to make Capital Funds available to pay Loan Debt Service on any Participating Authority's Loan, after depletion of such Participating Authority's Liquidity Account and any other available funds, will result in a default on the Bonds.

HUD has agreed to pay the Capital Funds directly to the Trustee under the Loan Agreements on behalf of the Participating Authorities pursuant to ACC Financing Amendments. HUD has further agreed that it will not permit disbursements of the amounts due the Participating Authorities under the Capital Fund Program in any fiscal year for purposes other than Loan Debt Service to the extent that any such disbursement would reduce the amounts available for such fiscal year below the amounts scheduled for Loan Debt Service and related costs in such fiscal year.

Additional Bonds. The Indenture and the Loan Agreements provide that the Administration may issue additional Series of Bonds ("Additional Bonds") from time to time subsequent to the issuance of the Series 2003 Bonds on a parity with the Series 2003 Bonds and secured by an equal charge and lien on the Revenues and assets pledged under the Indenture if the Administration files with the Trustee (a) HUD's written approval of the issuance of such Additional Bonds, (b) a Certificate demonstrating that, for each Participating Authority, the lesser of (y) the Capital Funds received by such Participating Authority in the immediately preceding Federal fiscal year and (z) the average annual amount of Capital Funds received by such Participating Authority in the three Federal fiscal years immediately preceding the issuance of the Additional Bonds, equals or exceeds an amount equal to three (3) times the Loan Debt Service of such Participating Authority, determined in reference to all Loans outstanding and the additional Loan proposed to be made, provided that such multiple (A) may be less than three (3) upon (i) the written consent of each Bond Insurer and (ii) advice from each Rating Agency that such lower multiple will not result in a lower rating on the then Outstanding Bonds than the rating in effect prior to the issuance of the Additional Bonds and (B) must be greater than or equal to four (4) with respect to the Housing Authority of the City of Annapolis, unless otherwise advised by each Rating Agency, and (c) (i) the written consent of each Bond Insurer and (ii) advice from the Rating Agencies that such action will not have an adverse effect on the then-current ratings of the Bonds Outstanding, but only in the event that one or more of the Participating Authorities in relation to the Additional Bonds is different from the Authorities that are Participating Authorities prior to the issuance of the Additional Bonds.

Additional Senior Obligations consisting of Credit Facilities or Qualified Hedge Agreements may be incurred on the conditions and as provided in the Indenture.

The Series 2003 Bonds are the first Bonds to be issued under the Indenture. There are no other Bonds outstanding under the Indenture.

The Series 2003 Bonds, together with any Additional Bonds secured on a parity basis, are referred to collectively as the "Bonds." The Administration may issue Additional Bonds to fund additional Loans to the Participating Authorities described in "THE PARTICIPATING AUTHORITIES" herein or to fund Loans to other Authorities in the State. See APPENDIX A, "ADDITIONAL BONDS AND REFUNDING BONDS."

In addition, Participating Authorities may issue bonds or enter into loan agreements for additional bonds or loans secured by the Capital Funds available to such Participating Authorities. However, the Participating Authorities covenant in the Loan Agreements that the claim of any such bonds or loans on such Participating Authority's Capital Funds shall be subordinate to the pledge of such moneys given to secure the Loans and that the Rating Agencies confirm that such bonds or loans will not adversely affect the then current rating of the Bonds.

Subordinated Debt. The Indenture provides that the Administration may issue Subordinate Obligations from time to time thereunder or under other indentures or resolutions of the Administration secured by (i) the pledge of amounts which may be withdrawn from the Subordinate Obligation Debt Service Fund as long as such pledge is expressly junior and subordinate to the pledge in favor of Senior Obligations contained in the Indenture or (ii) assets and revenues of the Administration other than the Revenues and assets pledged pursuant to the Indenture.

BOND INSURANCE

There follows under this caption certain information concerning Financial Security Assurance Inc. ("Financial Security") and its Municipal Bond Insurance Policy for the Series 2003 Bonds (the "Policy")which has been supplied by Financial Security. Financial Security has also supplied the specimen of the Policy attached hereto as Appendix H. No representation is made by the Administration, the Underwriters or any of their counsel as to the accuracy, completeness or adequacy of such information, or as to the absence of any materially adverse changes in such information subsequent to the date hereof. Neither the Administration, the Underwriters or any of their counsel has made any independent investigation of Financial Security or the Policy. Except for payment of the premium for the Policy by the Administration, neither the Administration nor the Underwriters have any responsibility whatsoever with respect to the Policy, including the maintenance or enforcement therefor or the collection of amounts payable thereunder.

Bond Insurance Policy

Concurrently with the issuance of the Series 2003 Bonds, Financial Security will issue the Policy. The Policy guarantees the scheduled payment of principal of and interest on the Series 2003 Bonds when due as set forth in the form of the Policy included as Exhibit H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,021,327,000 and its total unearned premium reserve was approximately $1,281,769,000 in accordance with statutory accounting practices. At September 30, 2003, Financial Security's total shareholders' equity was approximately $2,208,123,000 and its total net unearned premium reserve was approximately $1,098,686,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 2003 Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2003 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2003 Bonds or the advisability of investing in the Series 2003 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Administration the information presented under this caption for inclusion in the Official Statement.

THE ADMINISTRATION

The Administration is an agency in the Division of Development Finance of the Department, which is a principal department of the government of the State.

The Bonds are not, under any circumstances, payable from or secured by any other funds or assets of the Administration not expressly pledged to payment of the Bonds, including, without limitation, the Administration’s General Bond Reserve Fund.

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 an agency in the Division of Development Finance of the Department.

The Secretary of Housing and Community Development (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 six divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, the Division of Historical and Cultural Programs and the Division of Information Technology.

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 an agency within 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 Executive Directors of the Administration and the other senior staff members of the Administration. The Act establishes a Housing Finance Review Committee (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.

The Division of Finance and Administration under the direction of the Chief Financial Officer of the Department 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, under the direction of the Chief Financial Officer of the Department who reports to the Director of the Administration with respect to its financial functions.

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

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 costs and expenses of operating its programs from earnings received from its programs financed by bond indentures and resolutions 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 Anne P. Konrad, Director, Finance, at (410) 514-7326 or at konrad@dhcd.state.md.us.

Limited Involvement of the Administration

The Administration has no obligation to review, control or oversee the activities of the Participating Authorities or the compliance by them with any covenants or provisions of any related documents, including (without limitation) any covenants that relate to the excludability from gross income of interest on the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the issuance of the Series 2003 Bonds are shown below:

Sources:	
Series 2003 Bonds	$94,295,000.00
Net Bond Premium	758,204.85
Total Sources	$95,053,204.85
Uses:	
Deposit to Loan Fund	$86,491,089.96
Capitalized Interest	5,601,083.96
Underwriters' Discount	830,138.83
Administration's Fee	942,950.00
Other Costs of Issuance*	557,942.00
Total Uses	$95,053,204.85

* Includes bond insurance premium, rating agency fees, bond counsel and other legal fees, and trustee's fees.

CAPITAL FUND PROGRAM

Public Housing Program

Public Housing Generally. The public housing program was created by the 1937 Act to provide improved housing for low-income households and to stimulate employment in the construction industry during the Great Depression. Under the system established by the 1937 Act, local governments adopted legislation to create Authorities. Authorities, such as the Participating Authorities, develop, own, operate and maintain housing for rental to low-income families (those with incomes at or below 80% of area median income) and very low-income families (those with incomes at or below 50% of area median income). Currently, the 1937 Act requires, generally, that at least 40% of the public housing units of a particular Authority which become available in a given year be rented to families with incomes at or below 30% of area median income.

Since 1965, the public housing program has been administered at the Federal level by HUD. Of the almost 1.3 million public housing units in the United States, which are divided among approximately 13,000 developments, nearly ninety percent were constructed prior to 1975. Average total family income for families in public housing as of December 2000 was $10,012; eighty-four percent of households had incomes below $15,000. Seventy-eight percent of public housing tenants had annual incomes below 50% of area median income, and of these, almost three-quarters had incomes below 30% of area median income.

Funding. Historically, the Federal Government has paid nearly all of the costs of developing, maintaining, modernizing and operating public housing to the extent that rents collected from tenants were insufficient for those purposes. Authorities generally financed the construction of public housing by issuing tax-exempt bonds, with respect to which principal and interest payments were guaranteed by the Federal Government through forty-year subsidy contracts known as Annual Contributions Contracts ("ACCs"), or through direct loans from HUD under the ACCs, while property rents paid operating costs. Rents were set at a level sufficient to pay those costs.

Throughout the 1950s and the 1960s, as average tenant incomes in public housing declined, tenants paid an increasing share of income for rent. In response to concerns over rent burdens and the ability of Authorities to meet operating costs, the Federal Government, beginning in 1969, made significant changes to the public housing program. Tenant rental payments were limited to 25% of household income, resulting in a substantial reduction in rent receipts for Authorities. (The limit on tenant rental payments was increased to 30% of tenant income in 1981.) To offset this loss of income, the Federal Government provided funds to Authorities for the operation and maintenance of public housing. These Federal operating subsidies rose from $75 million in 1970 to more than $1 billion annually ten years later.

Renovation—Modernization Programs and Funding. The original funding mechanism for public housing construction did not provide funding for a capital replacement reserve or for modernization. As the public housing stock aged and operating revenues declined, capital replacement and repair needs grew, and as a result, in 1968, HUD and Congress began a series of efforts to fund major repairs and renovation - referred to generally under the term "modernization." Initially, modernization costs were paid by HUD through the ACCs, either by increasing amounts payable under the original ACC with respect to a project or through a separate contract. In 1980, Congress enacted the Comprehensive Improvement Assistance Program ("CIAP"), which provided modernization funds to Authorities through a grant process based on need. After 1986, the Major Reconstruction of Obsolete Projects ("MROP") program increased modernization funding, targeting the most seriously deteriorated properties. Between 1981 and 1990, more than $12 billion in CIAP and MROP modernization funding was approved. See Table 2 below.

Modernization funding was increased and the method of funding for large Authorities was changed in 1990 with the adoption of the Comprehensive Grant Program ("Comp Grant"). Comp Grant was limited to Authorities with more than 250 units and, unlike CIAP, was a formula based program, under which large Authorities were assured of receiving capital funding based on their size, modernization needs and replacement needs, among other criteria. The CIAP program continued to serve smaller Authorities.

Establishment of the Capital Fund Program

In 1998, Congress passed the Quality Housing and Work Responsibility Act ("QHWRA"), which contained a major revision of the public housing laws. QHWRA amended Section 9 of the 1937 Act to replace the Comp Grant and CIAP programs with a new Capital Fund Program for Authorities. Under the Capital Fund Program, Authorities receive formula-based capital funding grants from HUD which may be used, among other things, to finance the renovation and modernization of public housing developments. QHWRA also revised the way in which operating subsidies are provided by establishing the public housing Operating Fund.

The amount of Capital Fund and Operating Fund subsidies allocated to each Authority is set according to formulas developed by HUD through negotiated rulemaking procedures, taking into account factors provided by the statute. HUD has issued a final rule governing Capital Fund allocations and an interim rule containing the interim formula for Operating Fund allocations. The Capital Fund allocation rule is set forth at 24 C.F.R. Part 905. The Capital Funds, which are allocated annually by HUD, based upon annual appropriations from the Congress, represent the major source of funding for modernization and other capital activities at Authorities and are the source of the moneys pledged by the Participating Authorities for payment of the Loans, and consequently of the Revenues to pay the Bonds.

Capital Fund Authorization and Appropriations by Congress

Under Article I, § 9 of the United States Constitution, the power to appropriate funds to be spent by the Federal Government belongs to the Congress. Typically, when Congress creates a new program such as the Capital Fund Program, it authorizes the expenditure of Federal funds in the prescribed manner for the stated purposes. This authorizing legislation may limit the amount of money to be spent on a given purpose and/or the period of time in which the program may operate, or it may establish the program permanently and permit the spending of such funds as may be necessary for the legislative purpose. In either such event, in addition to an expenditure of funds being generally authorized by law, the amounts to be spent must also be specifically appropriated by the Congress. Appropriations are typically made in various Appropriations Acts that fund the operation of all activities of the Federal Government. Appropriations Acts are normally adopted annually by Congress, as an outcome of the process by which the Executive Branch proposes a budget to Congress and the elements of that budget are negotiated within Congress and between Congress and the President.

Section 519(a) of QHWRA authorized the appropriation of $3 billion for the Capital Fund Program for Federal fiscal year 1999, and such sums as may be necessary for Federal fiscal years 2000 through 2003. Although there is no authorization for appropriations under the Capital Fund Program or the Operating Fund after Federal fiscal year 2003, those programs remain in effect and Congress regularly provides appropriations for programs without a specific authorization to appropriate. In Federal fiscal year 2000, the appropriation for the Capital Fund Program was $2.90 billion; in Federal fiscal year 2001, it was $2.99 billion; in Federal fiscal year 2002 it was $2.84 billion; and in Federal fiscal year 2003 it was $2.73 billion. As of the date hereof, the House of Representatives and the Senate have agreed to a Capital Fund Program allocation of $2.71 billion for Federal fiscal year 2004 in a Conference Agreement but have not passed final appropriation legislation, notwithstanding the absence of an authorization for such appropriations. See "RISK FACTORS RELATING TO THE BONDS—Termination of Capital Fund Program."

History of Modernization Funding

Appropriations. The amount of funds appropriated by Congress for public housing modernization has varied from year to year. Table 1 below shows such appropriations between 1975 and 2003. The column headed "President's Budget" reflects the budget formally proposed to the Congress by the President for the applicable public housing modernization program(s) for the Federal fiscal years listed. The column headed "Enacted Appropriation Utilized" reflects the actual appropriations by the Congress for such programs for the particular Federal fiscal years, adjusted by rescission, carryovers and technical items. Data is not presented for Federal fiscal years prior to 1975, because prior to the enactment of the Budget and Impoundment Control Act of 1974, the means by which such expenditures were expressed were not comparable to those used in subsequent years. Specifically, Presidential Budgets through Federal fiscal year 1975 and Congressional Appropriations Acts through Federal fiscal year 1974 did not calculate "budget authority," which is the primary measure of Federal spending authority today.

Table 1 — Appropriations for Public Housing Modernization: 1975 — 2003

Federal Fiscal Year	President's Budget	Enacted Appropriation Utilized	
1975		$ 800,000,000	(1)
1976	$ 800,000,000	421,932,000	
1977	420,000,000	721,000,000	
1978	735,000,000	838,404,000	
1979	750,000,000	997,040,000	
1980	750,000,000	999,559,000	
1981	1,000,000,000	1,699,186,000	
1982	1,500,000,000	1,799,873,000	
1983	1,800,000,000	2,476,984,000	
1984	1,400,000,000	1,612,750,000	
1985	1,550,000,000	1,676,400,000	
1986	175,000,000	1,441,020,000	
1987	225,000,000	1,437,000,000	
1988	1,000,000,000	1,728,000,000	
1989	1,000,000,000	1,647,000,000	
1990	1,000,000,000	2,030,000,000	
1991	1,847,000,000	2,500,000,000	
1992	2,267,000,000	2,801,000,000	
1993	2,292,000,000	3,100,000,000	
1994	3,100,000,000	3,230,000,000	
1995	2,786,000,000	2,885,000,000	
1996	4,884,000,000	2,500,000,000	
1997	2,407,000,000	2,500,000,000	
1998	2,400,000,000	2,500,000,000	
1999	2,550,000,000	3,000,000,000	
2000	2,555,000,000	2,900,000,000	
2001	2,955,000,000	2,993,000,000	
2002	2,293,000,000	2,843,400,000	
2003	2,426,000,000	2,730,000,000	
2004	2,641,000,000	2,712,255,000	(2)

Source: HUD Office of Public and Indian Housing, Office of the Budget.

(1) The actual amount appropriated for FY 1975 was $1,577,040,000; however, all but $800 million represented a "catch-up appropriation" for the preceding Federal fiscal year.
(2) As of the date hereof, the House of Representatives and the Senate have agreed to a Capital Fund Program allocation of $2.71 billion for Federal fiscal year 2004 in a Conference Agreement but have not passed final appropriation legislation.

Allocations of Modernization Funds by HUD. Once Congress has appropriated funds for modernization, HUD is responsible for allocating those funds among the Authorities. The following table shows total annual HUD allocations to Authorities for the different modernization programs from 1968 to 2002. The categories of expenditure relate to the various funding methods and programs discussed at "Public Housing Program—*Renovation—Modernization Programs and Funding*," above. "Extended Amortization" refers to the period in which modernization was paid for through amendments to existing ACCs, and assumes equal distribution of the amounts over the period. "20-Year Mod Program" refers to the period in which modernization was funded through separate 20-year ACCs. The acronyms "CIAP," "MROP" and "CFP" refer, respectively, to the Comprehensive Improvement Assistance Program, the Major Reconstruction of Obsolete Projects Program and the Capital Fund Program, all discussed above.

Amounts allocated by HUD for modernization in a year (beginning with Federal fiscal year 1987) may vary from the appropriation figure for such year, as shown in Table 1, principally because of set-asides for other uses appropriated within this account.

Table 2 — HUD Allocations for Public Housing Modernization: 1968 — 2002

Federal Fiscal Year	Extended Amortization	20-Year MOD Program	CIAP/MROP	Comp Grant	CFP	Annual Total
1968	$106,880,000					$106,880,000
1969	106,880,000					106,880,000
1970	106,880,000					106,880,000
1971	106,880,000					106,880,000
1972	106,880,000					106,880,000
1973	106,880,000					106,880,000
1974	106,880,000					106,880,000
1975	106,880,000	$420,336,419				527,216,419
1976	106,880,000	217,558,855				324,438,855
1977	106,880,000	352,668,540				459,548,540
1978	106,880,000	454,960,519				561,840,519
1979		550,629,284				550,629,284
1980		552,040,232				552,040,232
1981			$ 900,182,577			900,182,577
1982			870,592,954			870,592,954
1983			1,245,600,798			1,245,600,798
1984			785,036,156			785,036,156
1985			822,897,921			822,897,921
1986			754,509,388			754,509,388
1987			1,516,889,551			1,516,889,551[1]
1988			1,680,561,427			1,680,561,427
1989			1,644,712,554			1,644,712,554
1990			1,967,541,173			1,967,541,173
1991			2,491,746,779			2,491,746,779
1992			551,888,392	$2,017,312,508		2,569,200,900
1993			338,826,806	2,605,819,065		2,944,645,871
1994			317,645,448	2,721,552,741		3,039,198,189
1995			300,911,690	2,597,146,155		2,898,057,845
1996			296,492,293	2,200,036,976		2,496,529,269
1997			322,063,915	2,082,200,443		2,404,264,358
1998			304,664,477	2,121,002,666		2,425,667,143
1999			356,289,781	2,448,714,883		2,805,004,664
2000					$2,766,251,218	2,766,251,218
2001					2,876,138,906	2,876,138,906
2002					2,706,551,413	2,706,551,413

Source: HUD Office of Public and Indian Housing, Office of the Budget.

(1) Beginning with Federal fiscal year 1987, HUD changed the manner in which it accounted for allocations of modernization funds to Authorities. Previously, HUD calculated allocations to Authorities in terms that did not relate directly to Congressional appropriations for the particular Federal fiscal year in which an actual commitment of funds was made. The pre-fiscal year 1987 amounts in Table 2 are not comparable either to amounts for corresponding years in Table 1 or to later amounts in Table 2. The tables, although different, show the trends in modernization funding. In 1987, under new legislative authority, HUD began accounting for modernization expenditures by means of "capital cost" or "grant" levels, directly comparable to the means by which funds were appropriated.

Withholding of Capital Funds; Recapture of Capital Funds

The 1937 Act requires an Authority to obligate for expenditure at least 90% of its allocation of Capital Funds within 24 months of the date such funds become available to the Authority (or of the date on which adequate funds to undertake modernization, substantial rehabilitation or new construction are accumulated) (the "Obligation Requirement"). An Authority cannot be awarded Capital Funds for any month during a fiscal year in which such Authority has unobligated Capital Funds from prior fiscal years in violation of the Obligation Requirement. However, if an Authority cures its failure to obligate the previously allocated Capital Funds within such fiscal year, Capital Funds will be made available to the Authority in an amount proportional to the number of months remaining in such fiscal year.

The Secretary of HUD may grant extensions to an Authority giving it more time to obligate its Capital Funds. The Secretary may extend the applicable period for up to 12 months based on the size of an Authority, the complexity of its Capital Funds program, any limitation on the Authority's ability to obligate Capital Funds as a result of state or local law, or for any other reason determined by the Secretary to be relevant. In addition, the Secretary may grant an extension for such period as the Secretary determines to be necessary if the Secretary determines that the failure to timely obligate the Capital Funds is due to litigation, obtaining approvals from the Federal, state or local government, complying with environmental assessment and abatement requirements, relocating residents, or an event beyond the control of the Authority, or for any other reason established by the Secretary pursuant to a notice published in the Federal Register.

In addition to the Obligation Requirement discussed above, Authorities are required to expend Capital Funds within four years of the date on which such funds become available to the Authority for obligation. Failure to do so may result in recapture of the funds upon action by the Secretary of HUD.

The withholding and recapture of Capital Funds are discussed in more detail in the "RISK FACTORS RELATING TO THE BONDS" section.

HUD Approval Letters

The following summary of the HUD Approval Letters is qualified in its entirety by reference to the form of the letters attached as APPENDIX B. Prior to the issuance of the Series 2003 Bonds, HUD will have approved, pursuant to the HUD Approval Letters, the issuance of the Series 2003 Bonds and the making of the Loans to Participating Authorities. In addition, the HUD Approval Letters will address the following matters, among others:

- HUD's approval of the estimated Loan Debt Service schedule, subject to the requirement that, unless approved by HUD, the final Loan Debt Service schedule shall not exceed the estimated Loan Debt Service schedule in any year by more than 10%.

- HUD's statement that the Administration constitutes a "public housing agency" within the meaning of section 3(b)(6) of the 1937 Act and that the Series 2003 Bonds constitute housing program obligations issued by a public housing agency in connection with low-income housing projects as described in section 11(b) of the 1937 Act.

- HUD's agreement, subject to the availability of appropriations, to make payments needed to make Bond Debt Service automatically and directly to the Trustee for the benefit of the Participating Authorities.

- HUD's agreement that amounts paid to the Trustee to make Bond Debt Service payments are authorized and under current law are not subject to recapture, and that no regulatory waiver is necessary to disclaim effectively any right, title and interest of the United States in and to such amounts. Nothing in the previous sentence shall prevent HUD from recapturing funds from one or more Participating Authorities (as opposed to the Administration or the Trustee) in accordance with applicable law.

- HUD's agreement that interest earned on amounts paid to the Trustee to make Bond Debt Service payments may be applied to pay Bond Debt Service or other Capital Fund Program eligible work items and need not be returned to HUD. In addition, HUD determines that no regulatory waiver is necessary to permit such use.

- HUD's statement that nothing in the HUD Approval Letters is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction provided by law; subject to HUD's agreement that no subsequent change in the permissible use of Capital Funds and no administrative sanction regarding the Participating Authorities would affect the eligibility of expenditures for Loan Debt Service or reduce Capital Fund Program allocations to the Participating Authorities below the levels needed to pay Loan Debt Service, except as required by law.

- HUD's agreement that, to the extent that allocations of Capital Funds to a Participating Authority are reduced or recaptured because Capital Funds previously allocated to such Participating Authority remain unobligated or unexpended in violation of Section 9(j)(1) or (5)(A) of the 1937 Act (or any successor(s) thereto), unless otherwise prohibited by law, (i) any unobligated Capital Funds that are available to such Participating Authority shall be used, on a first priority basis, to the extent necessary, to pay Loan Debt Service and (ii) to the extent permitted by law, the recapture of all funds unobligated or unexpended in violation of said provisions of Section 9(j) shall serve to cure such violation(s).

- HUD's statement that the pledge and assignment of "Revenues" under the Indenture and of Capital Funds payable to the Participating Authorities under the Loan Agreements is authorized for the purpose of securing the payment of principal of and interest on the Loans and the Series 2003 Bonds.

- HUD's waiver of any additional notice or consent required under the Federal Assignment of Claims Act.

- HUD's agreement that, upon issuance of the Series 2003 Bonds, HUD will enter into an ACC Financing Amendment with each Participating Authority, incorporating various agreements and undertakings by HUD and the applicable Participating Authority, and HUD's statement that the Administration shall be authorized to rely upon and enforce all such agreements and undertakings contained in the ACC Financing Amendments.

- HUD's statement that the Series 2003 Bonds are not obligations of or guaranteed by HUD or the United States of America.

ACC Financing Amendments

The following summary of the ACC Financing Amendments is qualified in its entirety by reference to the actual text of the form of the amendment, appended hereto as APPENDIX C. Pursuant to the ACC Financing Amendments, HUD and each Participating Authority have agreed, among other things, as follows:

- Amounts payable by HUD pursuant to the Capital Fund Program and pledged to the payment of Loan Debt Service on a Participating Authority's Loan shall be used exclusively for payment of such Participating Authority's Proportionate Share of Bond Debt Service and related purposes approved by HUD, and shall not be available for any other purpose, including but not limited to, (a) the repayment of any loans to such Participating Authority by HUD pursuant to Section 4 of the 1937 Act, or (b) the repayment of any notes or bonds other than the portion of the Series 2003 Bonds allocable to such Participating Authority.

- The Series 2003 Bonds do not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States is not pledged to the payment of Bond Debt Service, and the payment of Bond Debt Service and payment of principal and interest on the applicable Loan are not guaranteed by HUD or the United States.

- Nothing in the ACC Financing Amendment is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction or remedy provided by law; provided, however, that except as required by law, HUD will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Funds to the applicable Participating Authority below the level necessary to pay Loan Debt Service on the applicable Loan or delay the time for payment of such moneys such that required amounts would not be available to pay Loan Debt Service on such Loan when due. In the event that HUD shall determine to impose administrative sanctions upon such Participating Authority which would have the effect of reducing the payment of Capital Funds to such Participating Authority in any year by at least 20%, HUD shall have the right (in addition to all other rights and remedies available to HUD), while such sanctions remain in effect, to require that unexpended proceeds of the such Loan (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve or other structural purposes of such issue(s)) be applied, at the earliest permissible date, to redeem outstanding Series 2003 Bonds.

- Payment of Loan Debt Service is a permissible use of Capital Funds. Once the making of the applicable Loan and the issuance of Series 2003 Bonds have been approved by HUD, no further approval shall be required for payment of Loan Debt Service on such Loan (including any additional Loan that may subsequently be approved by HUD) with Capital Funds available to such Participating Authority.

- The adoption of an ACC Financing Amendment does not supersede or preclude the adoption of annual Capital Fund plans and Annual ACC Amendments; provided, however, that if in any fiscal year, (i) the applicable annual Capital Fund plan shall not have been approved by HUD or (ii) the Annual ACC Amendment shall not have been executed, in either case by the later of (i) October 1 of the first year following the end of the applicable Federal fiscal year with respect to which such funds were appropriated or (ii) 60 days prior to the first scheduled Loan Debt Service payment on the applicable Loan following such October 1, HUD agrees, subject to the availability of appropriations, to approve immediately upon receipt from the applicable Participating Authority (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund plan and/or Annual ACC Amendment to the extent and in an amount sufficient to make the applicable Loan Debt Service payment on the such Loan.

- Subject to the availability of appropriations and approval of the annual Capital Fund plan and Annual ACC Amendment, HUD will make Capital Funds automatically and directly available to the Trustee in accordance with the approved Loan Debt Service schedule, to the extent required for payment of Loan Debt Service on the applicable Loan. Such direct payment shall be implemented by whatever means are available to HUD at the applicable time, but in any event, the Trustee shall be able to receive, based upon the direction of the applicable Participating Authority pursuant to and as embodied in the ACC Financing Amendment, the necessary amounts without the need for payment to flow through such Participating Authority.

- Amounts requisitioned by or payable to the Trustee for principal and interest on the applicable Loan shall not be paid earlier than three (3) business days prior to the date upon which they are required to make payment of Bond Debt Service. HUD agrees that, upon determining the amount of Capital Funds available to the applicable Participating Authority in any fiscal year, it will not permit disbursements of such moneys for purposes other than Loan Debt Service on such Loan and related costs to an extent that would reduce the amounts available for such fiscal year below the amounts scheduled for Loan Debt Service on such Loan and related costs in such fiscal year.

- The proceeds of the Series 2003 Bonds and the applicable Loan may be expended only for purposes for which Capital Funds may be expended. The applicable Participating Authority shall provide for the application of the proceeds of such Loan (in such detail as shall be reasonably required by HUD) in its annual and 5-year Capital Fund plans. All such uses of Loan proceeds shall be subject to HUD approval (as part of HUD's approval of such Participating Authority's annual plan) and such Participating Authority shall report to HUD annually with respect to such expenditures in the same manner as it accounts for the expenditure of Capital Funds.

- If the Administration shall issue Additional Bonds for the purpose of funding one or more additional Loans to the Participating Authority or increasing the amount of the Loan, HUD agrees that it will enter into an amendment to the ACC Financing Amendment or a new such amendment substantially similar to the ACC Financing Amendment (reflecting, as appropriate, any changes in law or the Capital Fund Program) in order to permit application of Capital Funds to pay Bond Debt Service on any such Additional Bonds and such increase in the Loan or such additional Loan in a manner comparable to and with a priority equal to payments of Loan Debt Service on the Loan, provided that (i) HUD shall have approved the issuance of any such Additional Bonds and the making of any such additional Loan or increase in the Loan and (ii) the total Loan Debt Service attributable to the Loan, as increased, and any additional loan shall not exceed 33 1/3% of the annual allocation of Capital Fund moneys that the Participating Authority may reasonably expect to receive.

THE PARTICIPATING AUTHORITIES

The Series 2003 Bonds are being issued to provide funds to the Administration to make Loans to Participating Authorities pursuant to Loan Agreements for the purpose of financing Public Housing Developments by means of accelerating renovations and repairs under the Capital Fund Program. The Participating Authorities are Authorities established pursuant to the Maryland "Housing Authorities Law," Article 44A of the Annotated Code of Maryland. See "CAPITAL FUND PROGRAM – Public Housing Program."

The Participating Authorities intend to spend the proceeds of the Loans on Public Housing Developments described in their respective HUD-approved annual and five-year plans. A chart summarizing the appropriations made by HUD under the Capital Fund Program to each of the Participating Authorities for federal fiscal years 1998 through 2002 and a description of each Participating Authority's history of obligating and expending such Capital Funds is set forth in APPENDIX F, "THE PARTICIPATING AUTHORITIES." Additional Bonds may be issued to fund Loans to Authorities other than those Participating Authorities listed in Appendix F or to fund additional Loans to such Participating Authorities, subject to the requirements noted above. See "SECURITY FOR THE BONDS - Additional Bonds" herein.

RISK FACTORS RELATING TO THE BONDS

The factors discussed below should be considered in evaluating the ability of the Administration to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the Bonds. This discussion of the risk factors involved in purchasing and owning the Bonds is not, and is not intended to be, exhaustive.

The factors discussed below relate to the risk of failure to pay Bond Debt Service and early redemption of Series 2003 Bonds. The payment of Bond Debt Service, however, is insured by Financial Security pursuant to the Policy. See "BOND INSURANCE" above.

General

The ability of the Administration to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the Bonds could be adversely affected by the occurrence of certain events, including, without limitation, the events and circumstances described below. Any of these events could adversely affect the ability of the Administration to make payments on the Bonds. Some of these risks are discussed in more detail below.

Delay, Reduction or Elimination of Appropriations

Since 1968, Congress has provided funds to Authorities for public housing modernization in the amounts and under the conditions discussed above. See "CAPITAL FUND PROGRAM—History of Modernization Funding" above for information regarding historical levels of appropriations by Congress to HUD. Appropriations must be determined by Congress each year. There can be no assurance that Congress will reauthorize the expenditure of Capital Funds, maintain appropriations for the Capital Fund Program at levels sufficient to assure payment of the Loans, and consequently the Bonds, or make a specific year's appropriation under the Capital Fund Program in a timely manner. A decrease in the level of appropriated funds by Congress to HUD or a delay in appropriations could have a materially adverse effect on the Participating Authorities' ability to pay Loan Debt Service, and consequently on the Administration's ability to pay Bond Debt Service.

Withholding of Capital Funds; Recapture of Capital Funds

The Secretary of HUD (i) is required to withhold Capital Funds that would otherwise be allocated to an Authority if the Authority fails to *obligate* its Capital Funds within the time period required by the 1937 Act and (ii) may recapture obligated Capital Funds that are not *expended* within the time period required by the 1937 Act, as such periods may be extended by the Secretary of HUD. See "CAPITAL FUND PROGRAM—Withholding of Capital Funds; Recapture of Capital Funds" above.

In addition to the withholding and recapture remedies provided by the 1937 Act, the Fiscal Year 2003 Consolidated Appropriations Act (Pub. L. 108-7) ("2003 Appropriations Act") directs HUD to recapture any Capital Funds made available for the fiscal years 1999 through 2003 that remain unobligated within the time period required by the 1937 Act (24 months from the time the funds become available to an Authority, subject to extensions). This provision thus directs HUD to exercise two remedies to address a failure by an Authority to timely obligate Capital Funds — the recapture of prior-year Capital Funds that are not timely obligated and the withholding of the then-current year's Capital Funds until the Authority comes into compliance. The direction to exercise both remedies is reflected only in the 2003 Appropriations Act.

Any such withholding or recapture may have a materially adverse effect on the affected Participating Authority's ability to pay Loan Debt Service and consequently on the Administration's ability to pay Bond Debt Service. The likelihood of any potential withholding or recapture of Capital Funds adversely affecting the Administration's ability to pay Bond Debt Service is reduced by a number of factors, including:

1. The Secretary of HUD may grant extensions of time to obligate for a wide variety of reasons.

2. Unobligated amounts are disregarded if they do not exceed 10% of the original amount made available.

3. If an Authority cures its failure to obligate a prior year's Capital Funds, the Authority shall receive for the then-current fiscal year a share equal to its original share multiplied by a fraction equal to the number of months remaining in the year subsequent to the month in which the cure occurred, divided by 12.

4. The Loan Debt Service for each Participating Authority is equal to not more than one-third of its Capital Fund allocation for 2003.

5. HUD has agreed that Loan Debt Service may be paid from any Capital Fund Program moneys, including any unobligated funds. Accordingly, to the extent that the withholding of a particular year's allocation of Capital Funds is due to the presence of unobligated funds in violation of the 1937 Act's obligation deadlines, those earlier unobligated funds would be available to enable the affected Participating Authority to pay Loan Debt Service. Such payment would also help to cure the condition giving rise to the withholding of Capital Funds.

6. If unobligated Capital Funds remaining from prior fiscal years are insufficient fully to meet debt service requirements in a particular year and the application of such funds comes too late in the year to permit receipt of sufficient funds in the current year to permit full payment of debt service with such current amounts, Liquidity Accounts may be used to pay Loan Debt Service. Full application of amounts remaining unobligated from prior years to Loan Debt Service would enable the affected Participating Authority to receive a full allocation of Capital Funds for the subsequent fiscal year, enabling it to restore its Liquidity Account and pay current Loan Debt Service.

7. With respect to the ambiguity created by the 2003 Appropriations Act, HUD has agreed in the HUD Approval Letter that any recapture pursuant to the directive in such law results in an Authority no longer having any unobligated funds on hand, thereby releasing any Capital Funds for the then-current fiscal year that were being withheld by HUD.

8. Loan Debt Service once paid cannot be recaptured because such amounts are obligated and expended on a current, ongoing basis.

See APPENDIX F, "Participating Authorities" for each Participating Authority's recent history of allocation and expenditure of Capital Funds.

Termination of Capital Fund Program

As described above under "CAPITAL FUND PROGRAM—Capital Fund Authorization and Appropriations by Congress," the funding authorization for the Capital Fund Program expires at the end of Federal fiscal year 2003. As is discussed above under "CAPITAL FUND PROGRAM—Public Housing Program—*Renovation—Modernization Programs and Funding*," HUD and the Congress have provided assistance to Authorities for modernization and other capital activities in a variety of forms. There can be no assurance that the Congress will maintain the Capital Fund Program in its present form or reauthorize the expenditure of funds thereunder. Although the Participating Authorities have pledged to the Administration amounts received under any successor to the Capital Funds Program in the Loan Agreements, there can be no assurance that, upon discontinuation or termination of the Capital Fund Program, a substantially similar program will be established by the Congress in lieu of the Capital Fund Program or that amounts provided under any such successor will be comparable to those provided under the Capital Fund Program. Accordingly, a discontinuation or termination of the Capital Fund Program could result in decreased funding by HUD to the Participating Authorities for capital needs and could have a materially adverse effect on the Participating Authorities' ability to pay Loan Debt Service, and consequently on the Administration's ability to pay Bond Debt Service.

Change in Allocation Formula

As described above under "CAPITAL FUND PROGRAM—Capital Fund Program," HUD allocates Capital Funds to Authorities on the basis of a formula authorized by law (the "Capital Funds Formula"). As described above under "CAPITAL FUND PROGRAM—History of Modernization Funding," HUD has allocated amounts to Authorities under predecessor programs for the modernization of public housing by formula or upon such other bases as were established by the Congress with respect to the particular program. There can be no assurance that Congress will not change the basis upon which moneys will be allocated to Authorities (including the Participating Authorities) under the Capital Fund Program (or any successor thereto). There can be no assurance that HUD will not change the manner in which the Capital Funds Formula for calculating amounts allocated to Authorities (including the Participating Authorities) under the Capital Fund Program is determined or applied. A change in the Capital Funds Formula or basis upon which amounts under the Capital Fund Program (or any successor thereto) are allocated to Authorities could decrease the amount of such funds allocated by HUD to the Participating Authorities and could, therefore, have a materially adverse effect on the Participating Authorities' ability to pay Loan Debt Service, and consequently on the Administration's ability to pay Bond Debt Service.

Other Changes in Law or Regulations

There can be no assurance that the laws and regulations presently applicable to the Capital Fund Program will not be rescinded, revised or supplemented in such a way as to have a materially adverse effect on the Participating Authorities' ability to pay Loan Debt Service, and consequently on the Administration's ability to pay Bond Debt Service.

Reduction in Allocation Under Formula

There is no assurance that any one or more of the Participating Authorities' allocations of Capital Funds will not be reduced in any year through application of the Capital Funds Formula, as a result of a reduction in the number of units eligible for improvements funded by Capital Funds or otherwise. Any such reduction may have a materially adverse effect on the affected Participating Authority's ability to pay Loan Debt Service, and consequently on the Administration's ability to pay Bond Debt Service.

HUD Administrative Sanctions

The Capital Fund Program and the public housing program generally operate under a series of regulations and requirements prescribed by the 1937 Act and by HUD pursuant to its administrative authority over those programs. Various sanctions may be imposed by HUD upon Authorities that violate HUD program requirements, including, under specified circumstances, the withholding of funds to which an Authority might otherwise be entitled. The statute provides for various extensions and exceptions which would avoid the withholding of assistance in particular cases. HUD regulations permit withholding of assistance in other circumstances, as well. See "Withholding of Capital Funds; Recapture of Capital Funds" above. In addition, there can be no assurance that HUD and the Congress will not impose additional conditions upon the receipt of assistance pursuant to the Capital Fund Program or any successor, with which the Participating Authorities may be unable to comply.

HUD has agreed that, except as required by law, it will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Funds to a Participating Authority below the level necessary to pay such Participating Authority's Loan Debt Service or delay the time for payment of such moneys such that the required amounts would not be available to pay Loan Debt Service when due.

Pursuant to the 1937 Act and contracts entered into by HUD and Authorities throughout the country, in the event of a substantial default in the performance of the obligations of an Authority thereunder, HUD is entitled to pursue a wide range of administrative sanctions and remedies, including requiring possession of an Authority's assets to be transferred to HUD and the "taking over" of full management and operational control from such authority. Such a takeover would not impair the payment of Bond Debt Service. The Participating Authorities have covenanted to comply with the requirements of the Capital Fund Program.

Early Redemption

A variety of factors described herein will result in an early redemption at par of the Series 2003 Bonds. See "THE BONDS - Redemption of Bonds." The possibility of an early redemption could affect the ability of the Series 2003 Bonds to be valued or sold with a market premium. Early redemption would also result in a Bondholder not receiving any market premium upon the redemption of his or her Series 2003 Bond.

Special Mandatory Redemption

The Series 2003 Bonds are subject to special mandatory redemption at par if a Participating Authority's public housing development is substantially damaged or destroyed or taken by eminent domain, the proceeds of any insurance or condemnation award are not used to repair, rebuild or replace such development and any Rating Agency determines, after written notice of such damage or condemnation, that the failure to apply such proceeds to the redemption of Series 2003 Bonds would result in a reduction or withdrawal of the underlying rating on the Series 2003 Bonds. See "THE BONDS - Redemption of Bonds - *Special Mandatory Redemption*." Although each Participating Authority has covenanted in its Loan Agreement to repair such Participating Authority's developments if destroyed and to maintain an insurance policy covering such Participating Authority's developments, neither the Administration nor the Trustee has a mortgage on the developments or is a named insured on the Participating Authorities' insurance policies. There is therefore no assurance that funds would be available to redeem Series 2003 Bonds even if failure to do so would result in a reduction or withdrawal of the underlying rating on the Series 2003 Bonds.

RATING

Fitch Ratings ("Fitch"), has assigned its municipal bond rating of "AAA", Moody's Investors Services ("Moody's") has assigned its municipal bond rating of "Aaa," and Standard & Poor's Corporation ("S&P") has assigned its municipal bond rating of "AAA" to the Series 2003 Bonds, each with the understanding that the Policy will be issued by Financial Security. Fitch has assigned an underlying rating of "AA," Moody's has assigned an underlying rating of "Aa3" and S&P has assigned an underlying rating of "AA." Any explanation of the significance of such ratings may be obtained only from Fitch, Moody's or S&P. There is no assurance that such ratings will be maintained for any given period of time or that such ratings may not be raised, lowered or withdrawn entirely if in the judgment of Fitch, Moody's or S&P circumstances so warrant. Any downward change in or withdrawal of the ratings may have an adverse effect on the price at which the Series 2003 Bonds may be resold.

UNDERWRITING

UBS Financial Services Inc., Citigroup Global Markets Inc., Bear, Stearns & Co. Inc., Ferris, Baker Watts, Incorporated, Goldman, Sachs & Co., Legg Mason Wood Walker Incorporated, Lehman Brothers Inc., Loop Capital Markets, L.L.C., Merrill Lynch, Pierce Fenner & Smith Incorporated, M.R. Beal & Company and Siebert Brandford Shank & Co., L.L.C. (collectively, the "Underwriters") have agreed to purchase the Series 2003 Bonds at an aggregate purchase price of $94,223,066.02, reflecting the aggregate principal amount of the Series 2003 Bonds of $94,295,000 plus a net original issue premium of $758,204.85 and less an Underwriters' discount of $830,138.83. The Underwriters have agreed to purchase all of the Series 2003 Bonds if any are purchased. The Underwriters may offer and sell Series 2003 Bonds to certain dealers (including dealers depositing Series 2003 Bonds into investment trusts) and others at prices lower than the offering prices stated on the cover of this Official Statement. After the initial public offering, the public offering prices of the Series 2003 Bonds may be changed from time to time by the Underwriters.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Hawkins, Delafield & Wood, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2003 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2003 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer and the Participating Authorities in connection with the Series 2003 Bonds, and Bond Counsel has assumed compliance by the Issuer and the Participating Authorities with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2003 Bonds from gross income under Section 103 of the Code. In addition, in the opinion of Bond Counsel, under existing statutes the Series 2003 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is 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 franchise taxes or estate or inheritance taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2003 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2003 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code imposes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2003 Bonds in order that interest on the Series 2003 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2003 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2003 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Issuer and the Participating Authorities have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2003 Bonds from gross income under Section 103 of the Code. The Issuer will deliver its Tax Certificate concurrently with the issuance of the Series 2003 Bonds which will contain provisions relating to compliance with the requirements of the Code. The Issuer also has or will require Participating Authorities to make certain covenants in the Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Issuer or the owners of the Series 2003 Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series 2003 Bonds for Federal income tax purposes.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2003 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2003 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2003 Bonds.

Prospective owners of the Series 2003 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2003 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2003 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2003 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2003 Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2003 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2003 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2003 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2003 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2003 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2003 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the Internal Revenue Service after the issuance of the Series 2003 Bonds involving either the Series 2003 Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2003 Bonds.

CONTINUING DISCLOSURE

Each Participating Authority whose Loan is equal to at least 5% of the aggregate principal amount of the Series 2003 Bonds will enter into a Continuing Disclosure Agreement (each a "Disclosure Agreement") with the Trustee, acting as the Dissemination Agent, obligating such Participating Authority to send, or cause to be sent, certain financial information to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board and a state information repository, if any, of certain enumerated events for the benefit of the beneficial owners and holders of any of the Series 2003 Bonds, pursuant to the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the "Rule"). The Administration will also enter into a Disclosure Agreement with the Dissemination Agent obligating the Administration to notify the Dissemination Agent of certain listed material events and to cause the Dissemination Agent to provide notice of the occurrence of such events to certain information repositories in accordance with the Rule. The Administration will not undertake any obligations with respect to the annual reporting of financial information required to be undertaken by certain Participating Authorities as described above. The remainder of the Participating Authorities will not enter into a Disclosure Agreement. Such Participating Authorities agree in the applicable Loan Agreement, however, to notify the Trustee, the Rating Agencies and the Administration not less than five business days after receiving notification from HUD of any event which materially adversely affects the Capital Funds that such Participating Authority receives from HUD. See APPENDIX G— "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

A failure by a Participating Authority or the Administration to comply with the provisions of the relevant Disclosure Agreement will not constitute a default under the Indenture (although Bondholders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2003 Bonds in the secondary market. Consequently, such a failure may materially adversely affect the transferability and liquidity of the Series 2003 Bonds.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of any of the Series 2003 Bonds or in any way contesting or affecting the validity of any of the Series 2003 Bonds, the Indenture or other proceedings of the Administration taken with respect to the authorization, issuance or sale of any of the Series 2003 Bonds, or the pledge or application of any moneys under the Indenture, or the existence or powers of the Administration.

FINANCIAL ADVISOR

Columbia Equity Financial Corp., in association with Caine Mitter & Associates Incorporated (collectively, the "Financial Advisor"), has served as Financial Advisor to the Administration in connection with the sale of the Series 2003 Bonds.

LEGAL MATTERS

The authorization, issuance and sale of the Series 2003 Bonds are subject to receipt of the opinion of Hawkins, Delafield & Wood, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in Appendix I. 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 Underwriters by their counsel, Holland & Knight LLP, Washington, D.C., and McKenzie & Associates, Washington, D.C.

LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The enforceability of the rights and remedies of the Trustee or the Owners of the Series 2003 Bonds under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the enforceability of such rights and remedies under the Indenture may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Series 2003 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

MISCELLANEOUS

The references herein to the Indenture and other documents are brief summaries of certain provision thereof. Such summaries do not purport to be complete and, for full and complete statements of the provisions thereof, reference is made to the Indenture and the other documents in their entirety. Copies of forms of such documents are on file at the offices of the Underwriters during the offering period and, following delivery of the Series 2003 Bonds, copies of such documents will be on file at the office of the Trustee.

* * * * *

This Official Statement is not to be construed as a contract or agreement between the Administration, the Participating Authorities or any owners of the Series 2003 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 and the Borrower.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/ Stephen D. Silver
Stephen D. Silver
Acting Director of the Community Development Administration

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APPENDIX A
DEFINITIONS; SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture not summarized elsewhere in this Official Statement. Reference is made to the Indenture for a complete description thereof. The discussion herein is qualified by such reference.

Definitions of Certain Terms

"*Account*" means any of the trust funds and accounts created and established by, or pursuant to, the Indenture, as described in this APPENDIX A under the heading "ESTABLISHMENT OF ACCOUNTS AND APPLICATION THEREOF."

"*Accountant*" means a firm of independent certified public accountants of recognized national or regional standing, and which may be the firm of accountants which regularly audits the books of the Administration.

"*Accountant's Certificate*" means a Certificate signed by an Accountant.

"*Act*" means Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended from time to time.

"*Additional Bonds*" means the additional parity bonds authorized to be issued by the Issuer pursuant to the Indenture.

"*Administration's Fee*" means the Administration's annual fee pursuant to each Loan Agreement in an amount equal to three-eighths (3/8) of one (1) percent per annum on the outstanding principal balance of the applicable Loan, payable semiannually in advance as part of the Loan Debt Service.

"*Authenticating Agent*" means the Trustee or any other Fiduciary as may be authorized pursuant to a Supplemental Indenture to perform the acts required of such agent in conformance with the provisions of the Indenture and such Supplemental Indenture.

"*Administration*" means the Maryland Community Development Administration.

"*Authorized Officer*" means the Secretary, the Deputy Secretary of Housing and Community Development, the Chief Financial Officer, the Director, either Deputy Director of the Administration, 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.

"*Beneficial Owner*" means, for any Bond, which is held by a nominee, the beneficial owner of such Bond.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Administration.

"*Bondholder*" means when used with reference to a Bond, any Person who shall be the registered owner of any Outstanding Bond as set forth on the registration books maintained by the Registrar.

"*Bond Insurance Policy*" means any municipal bond new issue insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof, and all payments of the Administration under a Qualified Hedge Agreement, when due, relating to such Series or such maturities, as may be provided in the Supplemental Indenture authorizing such Series.

"*Bond Insurer*" means any Person that issues a Bond Insurance Policy with respect to a Series of Bonds.

"*Bond Payment Date*" means the date specified in any Supplemental Indenture for payment of principal of or interest on the Bonds.

"*Bonds*" means the Capital Fund Securitization Revenue Bonds authorized by and issued under the Indenture pursuant to the Act, including the Series 2003 Bonds.

"*Bond Premium*" means the amount, if any, paid by the initial purchasers of the Series 2003 Bonds in excess of the principal amount of the Series 2003 Bonds.

"*Bond Year*" means, with respect to the Series 2003 Bonds, the initial period beginning on the Date of Issue of the Series 2003 Bonds and terminating on July 1, 2004, and thereafter each period of twelve (12) consecutive months terminating on July 1.

"*Book Entry Bonds*" means that part of a Series for which a Securities Depository or its nominee is the Bondholder.

"*Business Day*" means a day of the year, except (a) Saturday or Sunday, (b) days on which banks located in the city in which the Designated Corporate Trust Office of the Trustee is located, in the city in which the principal office of any Paying Agent, Credit Facility Provider or Hedge Provider pursuant to a Supplemental Indenture is located, or in the city in which the principal office of a remarketing agent or tender agent, as appointed by a Supplemental Indenture, is located, are required or authorized to remain closed, or (c) any day on which the New York Stock Exchange is closed.

"*Calendar Year*" means the period commencing on January 1 of each year and terminating on the next succeeding December 31.

"*Capital Fund Financing Amendment*" means each Capital Fund Financing Amendment to the Consolidated Annual Contributions Contract between a Participating Authority and HUD.

"*Capital Fund Program*" means the federal housing assistance program established by Section 9(d) of the United States Housing Act of 1937, as amended (42 U.S.C. §1437g(d)), together with all successor or replacement federal programs pursuant to which Authorities receive funds for the purpose of development, financing, modernization or otherwise in connection with the capital costs of public housing projects and the other purposes specifically set forth in said Section 9(d), including, without limitation, any program under which the Participating Authorities receive funds that may be used for capital costs through a tenant-based assistance program (as described in the body of this Official Statement under the heading "CAPITAL FUND PROGRAM".)

"*Capital Funds*" means those funds allocated to Authorities under the Capital Fund Program.

"*Capitalized Interest*" means the initial deposit to the Debt Service Fund representing capitalized interest on the Series 2003 Bonds.

"*Cash Flow Statement*" means, with respect to any particular Series of Bonds, a certificate prepared by or on behalf of the Administration with respect to Cash Flows setting forth, for the period extending from the date of such certificate to the latest maturity of the Bonds then outstanding, (i) all amounts expected to be received by the Trustee under the Loan Agreements during such period; (ii) the application of all Revenues in accordance with the Indenture; (iii) the resulting balances on each Bond Payment Date and payment date with respect to all Qualified Hedge Agreements, including earnings in all Accounts resulting from reinvestment of existing balances (to the extent such earnings are retained in such Accounts and are not subject to withdrawal by the Participating Authorities); and establishing under the scenario included in the Cash Flows, that anticipated Revenues will be at least sufficient to pay the principal of and interest on the Bonds and all payments of the Administration under each Qualified Hedge Agreement, when due. Each Cash Flow Statement shall be accompanied by all supporting Cash Flows and shall be sent by the Administration to each Rating Agency.

"*Cash Flows*" means cash flow schedules prepared by or on behalf of the Administration.

"*Certificate*" means a written document signed by an Authorized Officer or Authorized Officers attesting to or acknowledging the circumstances or other matters therein stated, which Certificate shall not be required to be approved, adopted or ratified by action of the governing body of the Administration.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to the Administration and related to the authorization, sale and issuance of Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, bond insurance premiums, surety bond premiums, fees and expenses of any Credit Facility Provider or Hedge Provider, underwriting fees, initial fees and charges of any Fiduciary, legal fees including bond and underwriter counsel fees and charges, fees and disbursements of consultants and professionals, cost of credit ratings, fees and charges for preparation, execution, initial registration, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Credit Facility*" means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement, a surety bond or other credit or liquidity enhancement device, as may be provided in the Supplemental Indenture authorizing such Series; notwithstanding the foregoing, "Credit Facility" does not include a Bond Insurance Policy.

"*Credit Facility Provider*" means, as to any particular Series of Bonds, the Person providing a Credit Facility, as may be provided in the Supplemental Indenture authorizing such Series.

"*Date of Issue*" means for any particular Series of Bonds, the actual date of authentication and delivery by the Trustee and issuance by the Administration of the Bonds of such Series.

"*Dated Date*" means for each Series of Bonds issued pursuant to the Indenture, the date specified in the Supplemental Indenture authorizing such Series as the date from which interest on such Series shall begin to accrue.

"*Debt Service*" or "*Bond Debt Service*" means, with respect to any particular Bond Year and any particular Series of Bonds, an amount equal to the sum of (i) the Interest Requirement payable on such Bonds during such Bond Year, plus (ii) any Principal Requirements of such Bonds during such Bond Year, plus (iii) any additional applicable premium payable on such Bonds during such Bond Year, but shall not include the purchase price of Bonds which may be required to be purchased other than as part of a regularly scheduled mandatory sinking fund redemption, including redemptions required pursuant to the terms of any credit facility or liquidity facility, relating to any Bonds bearing interest at a variable rate.

"*Debt Service Fund*" means the Debt Service Fund established pursuant to the Indenture, as further described in this APPENDIX A under the heading "ESTABLISHMENT OF ACCOUNTS AND APPLICATION THEREOF."

"*Defeasance Obligations*" means (i) Investment Securities described in clause (1) or (4) of the definition thereof, (ii) certificates, receipts or other evidences of the beneficial ownership of obligations of the type described in clause (1) of the definition of Investment Securities or in the principal of or interest on such obligations; and (iii) any other obligations used to effect defeasance of Bonds if upon such defeasance the Bonds so defeased are rated "AAA" or "Aaa" (as appropriate) by each Rating Agency, and which, in any case, (x) are not subject to redemption by the obligor thereon prior to their maturity, and (y) are at the time of acquisition a legal investment of the Administration.

"*Department*" means the Department of Housing and Community Development, a principal department of the government of the State.

"*Depositary*" means any commercial bank, trust company or national banking association selected by the Administration or the Trustee as a depositary of moneys or securities held under the provisions of the Indenture, and may include the Trustee or any Paying Agent.

"*Designated Corporate Trust Office*" means the office or offices of the Trustee, the Registrar or any Paying Agent designated by such Trustee, Registrar or Paying Agent to perform certain duties or receive certain notices under the Indenture, the notice address or addresses of which are set forth in, or provided pursuant to the Indenture.

"*Eligible Costs*" means costs permitted to be financed by the Administration under the Act, Section 9(d) of the United States Housing Act of 1937 and the Code that are incurred by a Participating Authority, reflected in the Participating Authority's 5-Year Plan and applicable Annual Plan to the extent required under the policies and procedures of HUD, and reimbursable under the rules and regulations of HUD under the Capital Fund Program, including Capitalized Interest, Loan Debt Service, deposits to the Liquidity Account, costs for items described in the Participating Authority's spending plan attached to the applicable Loan Agreement, payment of rebate amounts and Costs of Issuance.

"*Event of Default*" means (i) with respect to each Loan Agreement, those events defined as such in the Loan Agreements, and (ii) with respect to the Indenture, any of the events specified in the Indenture and further discussed in "DEFAULTS AND REMEDIES" in this APPENDIX A.

"*Federally Taxable Bonds*" means Bonds so designated by the Supplemental Indenture pursuant to which they are issued.

"*Fiduciary*" means the Trustee, the Registrar, the Authenticating Agent, any Depositary, any Paying Agent or tender agent and any such additional fiduciary as may be authorized pursuant to a Supplemental Indenture, or any or all of them as may be appropriate.

"*Fiscal Year*" means the annual accounting period of the Administration as established by the Administration or by applicable law from time to time.

"*Fitch*" means Fitch Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*Fitch*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Administration.

"*Government Obligations*" means (i) any direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"*Hedge Provider*" means any person with which the Administration enters into a Qualified Hedge Agreement.

"*Holder*," "*Owner*," "*owner*" or words of similar import, when used with reference to a Senior Obligation, means the holder or owner of any Outstanding Senior Obligation as set forth on the registration books maintained by the Registrar.

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

"*Indenture*" means the Master Indenture, as from time to time amended or supplemented by Supplemental Indentures.

"*Interest Payment Date*" means (a) any date upon which interest on the Bonds is due and payable in accordance with their terms, including (b) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, and (c) for all Bonds, any date determined pursuant to the Indenture.

"*Interest Period*" means the period from the date interest accrues on any Senior Obligations to and including the day immediately preceding the first Interest Payment Date, and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"*Interest Requirement*" for any Bond Year or any Interest Period, as the context may require, as applied to any Senior Obligations then Outstanding, shall mean the total of the sums that would be deemed to accrue on such Senior Obligations during such Bond Year or Interest Period if the interest on such Senior Obligations were deemed to accrue daily during such Bond Year or Interest Period in equal amounts; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely. Unless the Administration shall otherwise provide in a Supplemental Indenture, interest expense on Section 2.7 Obligations drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of Interest Requirement. For the purpose of determining the Interest Requirement, except as provided in the Indenture, interest on variable rate Senior Obligations shall be calculated at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet Outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, and (iii)(1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (2) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus 50 basis points.

"*Investment Securities*" means, except as may be otherwise provided in a Supplemental Indenture, one or more of the following investments, but only if and to the extent any such investment is at the time of acquisition by the Administration a legal investment for the funds of the Administration under the laws of the State then in force:

(1) Government Obligations;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

Export-Import Bank
Farm Credit System Financial Assistance Corporation
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association (GNMA)
U.S. Department of Housing & Urban Development
Federal Housing Administration;

(3) Senior debt obligations which at the time of purchase are rated "AAA" by S&P, "Aaa" by Moody's, and "AAA" by Fitch, issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(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 of "A-1+" by S&P, "P-1" by Moody's, and "F1+" by Fitch, 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 in the single highest classification, "A-1+" by S&P, "P-1" by Moody's, and "F1+" by Fitch, and which matures not more than 180 days after the date of purchase;

(6) Investments in a money market fund which at the time of purchase is rated "AAAm" or "AAAm-G" or better by S&P, "Aaa" or better by Moody's and "AAA" or better by Fitch, including any proprietary mutual fund of the Trustee or an affiliate of the Trustee for which the Trustee or an affiliate of the Trustee serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor;

(7) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued thereunder with counterparties (or affiliated guarantors) rated "AA" or better by S&P, "Aa3" or better by Moody's and "AA-" or better by Fitch at the time of the execution and delivery of the agreement. The government securities that are the subject of such repurchase agreements, unless registered or inscribed in the name of the Administration, shall be purchased through banks or trust companies authorized to do business in the State;

(8) Obligations the interest upon which is tax-exempt under the provisions of Section 103 of the Code, subject to such tax-exempt obligations being rated at the time of purchase within the two (2) highest general classifications established by each Rating Agency;

(9) Pre-refunded Municipal Obligations; and

(10) Investment agreements with providers (or affiliated guarantors) rated "AA" or better by S&P, "Aa3" or better by Moody's and "AA-" or better by Fitch at the time of the execution and delivery of the agreement, or investment agreements otherwise approved in writing by S&P, Moody's and Fitch.

"*Letter of Representations*" means, when all of the Bonds of a Series are Book Entry Bonds, the Blanket Letter of Representations executed by the Issuer and delivered to the Securities Depository and any amendments thereto or successor blanket agreements between the Issuer and any successor Securities Depository relating to a system of Book Entry Bonds to be maintained by the Securities Depository with respect to any bonds, notes or other obligations issued by the Issuer.

"*Liquidity Account Requirement*" means an amount equal to the maximum Loan Debt Service payments (less an amount equal to the Administration's Fee for such year of calculation) due on the Loan in any given 12-month period (excluding the final twelve month period) occurring on or after the date of calculation.

"*Loan*" means each loan made to a Participating Authority from the proceeds of a Series of Bonds, as evidenced by a Loan Agreement, in the amount of such Participating Authority's Proportionate Share of the aggregate principal amount of Series 2003 Bonds on the date of their issuance.

"*Loan Agreement*" means a loan agreement among the Administration, the Trustee and a Participating Authority; collectively referred to as the "Loan Agreements."

"*Loan Debt Service*" means, with respect to each Loan, the payments of interest and principal due on such Loan as set forth in the related Loan Agreement.

"*Loan Fund*" means the Loan Fund established pursuant to the Indenture.

"*Master Indenture*" means the Master Trust Indenture, dated as of December 1, 2003, by and between the Administration and the Trustee, authorizing the issuance of Capital Program Revenue Bonds, including the Bonds.

"*Moody's*" means Moody's Investors Service, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "*Moody's*" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Administration.

"*Opinion of Counsel*" means a written opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to the matter addressed by such opinion, selected by the Administration.

"*Outstanding*" when used with reference to Senior Obligations, shall mean, as of any date, all Senior Obligations, including any Bonds held in custody for the benefit of any Credit Facility Provider, under a Supplemental Indenture, theretofore or thereupon being authenticated and delivered under the Indenture except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date (including Bonds purchased by the Administration, or by the Trustee at the direction of the Administration);

(2) on or after any purchase date for Bonds subject to tender pursuant to the provisions of any Supplemental Indenture, all Bonds or portions thereof (excluding any Bonds held in custody for the benefit of any Credit Facility Provider, under a Supplemental Indenture) which are tendered or deemed to have been tendered for purchase, provided that money sufficient for such purchase is on deposit with the tender agent;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(4) any Bond deemed to have been paid as provided in the Indenture.

"*Participating Authority*" means an Authority in the State that has entered into a Loan Agreement.

"*Paying Agent*" means the Trustee or any commercial bank or trust company with trust powers designated as paying agent for any Series of the Bonds, and its successor or successors hereafter appointed in the manner provided in the Indenture.

"*Person*" or "*person*" means and includes an association, unincorporated organization, a corporation, a partnership (including limited partnerships), a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"*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 which are rated, based on an irrevocable escrow account or fund (the "*escrow*"), in the highest rating category of each Rating Agency.

"*Principal Payment Date*" means, with reference to any Series or portion of a Series of Bonds, the date upon which the Outstanding principal amount of such Bonds becomes payable.

"*Principal Requirement*" for any Bond Year, as applied to any Senior Obligations then Outstanding, means an amount of money equal to the aggregate of the principal amount of such Senior Obligations which mature during said Bond Year (including all required Sinking Fund Payments), reduced by the aggregate principal amount of such Senior Obligations which would at or before such Bond Year be retired by reason of the payment when due and application in accordance with the Indenture and the Supplemental Indenture creating such Senior Obligations of Sinking Fund Payments payable before such Bond Year for the retirement of Outstanding Bonds.

"*Program*" means the Administration's program of making Loans to Participating Authorities that have executed Loan Agreements, pursuant to the provisions of the Indenture.

"*Proportionate Share*" means (i) the outstanding principal amount of a given Participating Authority's Loan divided by (ii) the aggregate outstanding principal amount of all Loans made with the proceeds of the Series 2003 Bonds as of the Delivery Date, expressed as a percentage.

"Public Housing Development" means community development projects, as defined in the Act, owned by Participating Authorities that constitute "public housing" projects within the meaning of the 1937 Act.

"*Qualified Hedge Agreement*" means (A) a financial agreement between the Administration and a Hedge Provider, including, without limitation, a cap, floor or collar; forward rate; interest rate swap (based on either a notional amount or a particular principal amount of Bonds, whether to-be-issued or outstanding), which may be either floating-to-fixed or fixed-to-floating; asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction or agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, where (i) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Hedge Provider or its guarantor) has assigned to the unsecured obligations of the Hedge Provider or of the Person who guarantees the obligation of the Hedge Provider to make its payments to the Administration, as of the date the agreement is entered into, a credit rating approved by the Administration, and (ii) the Administration has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Hedge Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the agreement of its intention to enter into the agreement and has received from such Rating Agency written confirmation that the entering into of the agreement by the Administration will not in and of itself cause a reduction or withdrawal by such Rating Agency of its rating on the Outstanding Bonds or (B) such other agreement or agreements, including forward payment conversion agreements, and agreements or contracts providing for payments based on levels of or changes in interest rates, to exchange cash flows or a series of payments, or to hedge payment, rate spread or similar exposure between the Administration and a Hedge Provider pursuant to which each Rating Agency has provided written confirmation that the entering into of such agreement by the Administration will not in and of itself cause a reduction or withdrawal by such Rating Agency of its rating on any of the Outstanding Bonds; provided, however, that prior to entering into a Qualified Hedge Agreement, the Administration has received an opinion from Bond Counsel and from the Assistant Attorney General of the State as counsel to the Department that the Administration has the authority to enter into such Qualified Hedge Agreement, and that it constitutes the legal, valid and binding obligation of the Administration, enforceable in accordance with its terms.

"*Rating Agency*" means (i) Moody's, (ii) S&P, (iii) Fitch, and (iv) any other nationally recognized securities rating agency, to the extent any such agency described in (i), (ii), (iii) or (iv) above has been requested by the Administration to issue a rating on the Bonds and such agency has issued and continues to assign a rating on such Bonds at the time in question.

"*Record Date*," means (a) with respect to any Interest Payment Date described in subsection (a) of that defined term, (1) in the case of Bonds which are not Book Entry Bonds, the Trustee's close of business on the 15th day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day, and (2) in the case of Book Entry Bonds, the Trustee's close of business on the Business Day preceding the Interest Payment Date, and (b) with respect to any other Interest Payment Date, a date selected by the Trustee.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to the Indenture.

"*Redemption Price*" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bonds*" means any Bond issued to refund Bonds previously issued pursuant to the Indenture, as further described in this APPENDIX A under the heading "ADDITIONAL BONDS AND REFUNDING BONDS".

"*Registrar*" means the Trustee, the Authenticating Agent or any other agent of the Administration at the office of which Bonds may be presented for registration, transfer, or exchange as provided in the Indenture.

"Reserved Rights" means those certain rights of the Administration under each Loan Agreement to indemnification, to payment of the Administration's Fee, and to payment or reimbursement of other fees and expenses of the Administration, and its right to give and receive notices and to enforce notice and reporting requirements, its right to specifically enforce the Participating Authority's covenants (provided that any such enforcement may not impair or conflict with any rights of the Trustee or the Bond Insurer to enforce the provisions of such Loan Agreement or the Indenture) and its right to give or withhold consent to amendments, changes, modifications and alterations to the Loan Agreement.

"Regulations" means any applicable Internal Revenue Service Regulations promulgated in proposed, temporary or final form. Proposed regulations are "applicable" only if, in the event they are adopted in final form, such regulations would apply to the Bonds.

"*Revenue Fund*" means the Revenue Fund established pursuant to the Indenture, as described further in this APPENDIX A under the heading "ESTABLISHMENT OF ACCOUNTS AND APPLICATION THEREOF."

"*Revenues*" means all moneys received by the Trustee for deposit into the Revenue Fund established under the Indenture, including without limitation all payments made by a Participating Authority (or by HUD on its behalf) to the Trustee pursuant to its Loan Agreement with the Administration.

"*S&P*" means Standard & Poor's Ratings Group, New York, New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Administration.

"*Section 2.7 Obligations*" means any obligations incurred by the Administration to reimburse the issuer or issuers of one or more Credit Facilities securing one or more Series of Bonds as described in the Indenture, including any fees or other amounts payable to the Credit Facility Provider, whether such obligations are set forth in one or more reimbursement agreements entered into between the Administration and the Credit Facility Provider, or in one or more notes or other evidences of indebtedness executed and delivered by the Administration pursuant thereto, or any combination thereof.

"*Section 2.8 Obligations*" means any obligations incurred by the Administration to any one or more Hedge Providers pursuant to the Indenture, including any fees or amounts payable by the Administration under each related Qualified Hedge Agreement.

"Securities Depository" means a person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

"*Senior Obligation*" means (a) any Bonds issued by the Administration under the Indenture, (b) any Section 2.7 Obligations secured on a parity with Bonds and (c) any Section 2.8 Obligations secured on a parity with Bonds.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, pursuant to the same Supplemental Indenture and designated as a Series in such Supplemental Indenture regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid by the Administration on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Administration by reason of the maturity of a Bond or by call for redemption at the election of the Administration. See also "THE BONDS — Redemption of Bonds" in the body of this Official Statement.

"*State*" means the State of Maryland.

"*Subordinate Obligation*" means any bonds, notes or evidences of indebtedness, other than Senior Obligations, issued by the Administration as permitted by the Indenture, as further described in this APPENDIX A under the heading "ADDITIONAL BONDS AND REFUNDING BONDS."

"*Subordinate Obligation Debt Service Fund*" means the Subordinate Obligation Debt Service Fund established pursuant to the Indenture.

"*Supplemental Indenture*" means any indenture in full force and effect which has been duly executed and delivered by the Administration and the Trustee, but only if and to the extent such Supplemental Indenture is executed and delivered in accordance with the provisions of the Master Indenture.

"*Tax Certificate*" means the Federal Tax Certificate executed by an Authorized Officer in connection with the issuance of each Series of Bonds.

"*Trust Estate*" means the property conveyed to the Trustee pursuant to the Indenture. The Costs of Issuance Fund established pursuant to the Indenture are not part of the Trust Estate.

"*Trustee*" means Manufacturers and Traders Trust Company, and its successor or successors and any other person at any time substituted in its place pursuant to the Indenture.

Pledge of Trust Estate

In order to secure the payment of the Senior Obligations (including any Sinking Fund Payments for the retirement thereof), the Administration in the Indenture assigns to the Trustee, to the extent provided in the Indenture, all of the following:

(1) all Revenues;

(2) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (excluding the Costs of Issuance Fund);

(3) and moneys and securities from time to time held by the Trustee under each Loan Agreement, subject to use and application in accordance with the provisions thereof;

(4) all right, title and interest of the Administration in each Loan Agreement, reserving, however, the Reserved Rights, including all rights to receive the payments to be made thereunder and all rights to enforce and exercise remedies thereunder; and

(5) any and all other real or personal property of every name and nature, from time to time conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Administration or by anyone on its behalf or with its written consent to the Trustee;

provided, however, that in exercising any rights under a Loan Agreement pursuant to clause (3) or (4) above, the Trustee may only exercise such rights against a Participating Authority as provided in the Indenture.

Terms of the Bonds

The Series 2003 Bonds shall be issued as Senior Obligations and shall have a pari passu lien on the Trust Estate with any future Senior Obligations issued under the Master Indenture and shall be payable on a parity basis with any future Senior Obligations issued under the Master Indenture. See also "THE BONDS—General."

General Provisions for the Issuance of Bonds

No Bonds shall be issued unless they are part of an issue described in a Supplemental Indenture and until the conditions listed below are met. The Bonds of each Series shall be executed by the Administration and delivered to an Authenticating Agent and thereupon authenticated and delivered upon order of the Administration, but only upon the receipt by an Authenticating Agent of:

(1) a copy of the Supplemental Indenture authorizing such Series of Bonds, executed and delivered by the Administration and the Trustee and containing the following:

(A) the authorized principal amount and designation of such Bonds;

(B) the purposes for which the proceeds of such Bonds shall be used, as permitted by the Indenture;

(C) the Dated Dates and maturity dates of such Series of Bonds;

(D) the interest rates, if any, of and principal amounts payable upon such Bonds (or the manner of determining such rates or amounts) and the Interest Payment Dates, if any, and Principal Payment Dates therefor;

(E) the denominations of, and the manner of dating, numbering and lettering such Bonds;

(F) subject to the Indenture, the Paying Agents and the places of payment of such Bonds or the manner of appointing and designating the same;

(G) provisions concerning the forms of such Bonds and of the Authenticating Agent's certificate of authentication;

(H) any other provisions deemed advisable by the Administration as shall not conflict with the provisions of the Master Indenture;

(I) the Redemption Price, if any, of and, subject to the provisions of the Master Indenture, the redemption terms for such Bonds;

(J) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds;

(K) the Credit Facility Provider or Hedge Provider, if any; and

(L) if applicable, designation that the Bonds of such Series are Federally Taxable Bonds;

(2) a Bond Counsel's Opinion regarding the validity and enforceability of the Bonds, as provided in the Master Indenture;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer;

(4) evidence of the receipt by the Trustee of the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the Master Indenture;

(5) executed Loan Agreements which, in the aggregate, provide for the payment of the debt service of such Series of Bonds;

(6) in the case of Bonds (other than the initial Series of Bonds) issued pursuant to the Indenture, evidence that the provisions of the Master Indenture have been complied with as of the date of delivery of such Series; and

(7) such further documents and moneys as are required by the provisions of the Indenture.

Additional Bonds and Refunding Bonds

Issuance of Additional Bonds. The Administration shall not create or permit the issue of any Additional Bonds which will be secured by a charge or lien on the Revenues and assets pledged under the Indenture, except that Additional Bonds may be issued, subject to the provisions of the Indenture, on a parity with the Bonds and secured by an equal charge and lien on the Revenues and assets pledged under the Indenture and payable equally therefrom, and except that Section 2.7 Obligations and Section 2.8 Obligations may be entered into from time to time with the priority and secured as provided in the Indenture.

Any Subordinate Obligations will be subordinate to the Bonds and any other Senior Obligations and shall have the terms established in the indenture, ordinance or resolution authorizing such issuance of Subordinate Debt Obligations.

No Additional Bonds shall be issued subsequent to the issuance of the Series 2003 Bonds under the Indenture unless:

(1) the principal amount of the Additional Bonds then to be issued, together with the principal amount of bonds, notes and other obligations theretofore issued pursuant to applicable law, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) prior to the issuance and delivery of any such Additional Bonds, the Administration shall file with the Trustee (a) HUD's written approval of the issuance of such Additional Bonds, (b) a Certificate demonstrating that, for each Participating Authority, the lesser of (y) the Capital Funds received by such Participating Authority in the immediately preceding Federal fiscal year and (z) the average annual amount of Capital Funds received by such

Participating Authority in the three Federal fiscal years immediately preceding the issuance of the Additional Bonds, equals or exceeds an amount equal to three (3) times the Loan Debt Service of such Participating Authority, determined in reference to all Loans outstanding and the additional Loan proposed to be made provided that such multiple (A) may be less than three (3) upon (i) the written consent of each Bond Insurer and (ii) advice from each Rating Agency that such lower multiple will not result in a lower rating on the then Outstanding Bonds than the rating in effect prior to the issuance of the Additional Bonds and (B) must be greater than or equal to four (4) with respect to the Housing Authority of the City of Annapolis, unless otherwise advised by each Rating Agency and (c) (i) the written consent of each Bond Insurer and (ii) advice from the Rating Agencies that such action will not have an adverse effect on the then-current ratings of the Bonds Outstanding, but only in the event that one or more of the Participating Authorities in relation to the Additional Bonds is different from the Authorities that are Participating Authorities prior to the issuance of the Additional Bonds;

(3) the provisions described above under the caption "GENERAL PROVISIONS FOR ISSUANCE OF BONDS" and the section entitled "REFUNDING BONDS" in this APPENDIX A, as applicable, shall have been complied with as of the date of delivery of such Series;

(4) at the time of issuance of such Additional Bonds, the Administration shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture except, in the case of Refunding Bonds, if the initial application of the proceeds of such Bonds shall cure such default; and

(5) each Participating Authority which is to receive proceeds from such Series of Additional Bonds is not in default under any Loan Agreement.

The Administration expressly reserves the right to enter into one or more additional trust indentures for its purposes, including purposes relating to the Program, and reserves the right to issue other obligations not secured by the Trust Estate for such purposes.

Refunding Bonds. (A) In addition to the requirements outlined in "GENERAL PROVISIONS FOR ISSUANCE OF BONDS," Refunding Bonds of any Series shall be authenticated by an Authenticating Agent only upon the receipt by the Authenticating Agent of:

(1) evidence of the receipt by the Registrar of instructions to the Registrar to give due notice of the payment or redemption of all the Bonds to be refunded and the Bond Payment Dates or Redemption Dates, if any, upon which such Bonds are to be paid or redeemed, which shall be conclusively established by the executed certificate of the Registrar so stating;

(2) executed Loan Agreements which, in the aggregate, provide for the payment of the debt service of such Series of Bonds;

(3) if Bonds are to be refunded which also are to be redeemed subsequent to the next succeeding forty-five (45) days, evidence of the receipt by the Registrar of instructions to the Registrar to mail, as provided in the Indenture, notice of the redemption of such Bonds on a specified date prior to their Redemption Date, which shall be conclusively established by the executed certificate of the Registrar so stating; and

(4) evidence of the receipt by the Trustee of (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect

payment or redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the due date or Redemption Date, or (ii) noncallable Government Obligations for the purpose of effecting a refunding of Bonds, the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date or dates of maturity thereof, which moneys or noncallable Government Obligations shall be held by the Trustee or any one or more of the Paying Agents in the Debt Service Fund or a separate escrow account to be created pursuant to an escrow agreement entered into for that purpose. Such receipt shall be conclusively established by the executed certificate of the Trustee so stating.

(B) Except as provided in the Indenture, neither the noncallable Government Obligations nor moneys deposited with the Trustee pursuant to subparagraph (A)(3) above nor principal or interest payments on any such noncallable Government Obligations shall be withdrawn or used for any purpose other than the payment of the applicable principal or Redemption Price of and interest on the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall be deposited into the Revenue Fund.

Credit Facilities to Secure the Bonds

There is no Credit Facility currently securing the Series 2003 Bonds. The Administration reserves the right to provide one or more Credit Facilities to secure the payment of the principal of, premium, if any, and interest on one or more Series of Bonds, or in the event Owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the Owners thereof. If the Administration elects to provide one or more Credit Facilities to secure the payment of the principal of, premium, if any, and interest on a Series of Bonds, all of the Bonds of such Series shall be so secured; *provided* that the terms under which the Credit Facility or Credit Facilities secure such Series of Bonds may provide that, under certain conditions set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued, such Credit Facility or Credit Facilities may terminate (as to all of the Bonds of such Series) or be replaced (as to all or any portion of the Bonds of such Series, *provided* a Credit Facility may terminate as to less than all of the Bonds of such Series only upon the delivery to the Trustee of a replacement Credit Facility therefor). In connection with any such Credit Facility, the Administration may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility and the method by which the Administration will reimburse the issuer of such Credit Facility for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Administration and the issuer of such Credit Facility. Any such obligation of the Administration to reimburse or otherwise make payments to the issuer of such Credit Facility shall constitute a Senior Obligation under the Indenture, and any and all amounts payable by the Administration to reimburse the issuer of any such Credit Facility, together with interest thereon, shall for purposes of the Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on such Senior Obligations.

Hedging Transactions

(A) If the Administration shall enter into a Qualified Hedge Agreement with a Hedge Provider requiring the Administration to pay a fixed interest rate on a notional amount, or requiring the Administration to pay a variable interest rate on a notional amount, and the Administration has made a determination that such Qualified Hedge Agreement was entered into for the purpose of providing substitute interest payments for Senior Obligations of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Hedge Agreement and as long as the Hedge Provider under such Qualified Hedge Agreement is not in default under such Qualified Hedge Agreement:

(1) for purposes of any calculation of the Interest Requirement, the interest rate on the Senior Obligations of such maturity or maturities shall be determined as if such Senior Obligations bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Administration under such Qualified Hedge Agreement;

(2) any net payments (other than any termination payments) required to be made by the Administration to the Hedge Provider pursuant to such Qualified Hedge Agreement from Revenues shall be made on a parity with payments due on other Senior Obligations solely from amounts on deposit to the credit of the Debt Service Fund; termination payments required to be made by the Administration to the Qualified Hedge Provider shall be subordinate to the lien of the Indenture on the Trust Estate;

(3) all payments, other than those referred to in (ii) above, due the Hedge Provider pursuant to the Qualified Hedge Agreement and the Supplemental Indenture relating thereto shall enjoy the lien status provided in such Qualified Hedge Agreement and Supplemental Indenture, provided that such lien status may not be superior to (but may be inferior to or on a parity with) the lien of the Indenture on the Trust Estate;

(4) any net payments received by the Administration from the Hedge Provider pursuant to such Qualified Hedge Agreement shall be deposited to the credit of the Debt Service Fund; and

(5) any fees incurred by the Administration (e.g. counsel, financial advisor) shall be paid by the Administration.

(B) If the Administration shall enter into a hedge agreement of the type generally described in subsection (A) above that does not satisfy the requirements for qualification as a Qualified Hedge Agreement as a result of its failure to make the determination described therein or otherwise, then:

(1) the interest rate adjustment or assumptions referred to in paragraph (i) of said subsection (A) shall not be made;

(2) any net payments required to be made by the Administration to the Hedge Provider pursuant to such hedge agreement from Revenues shall be made only from amounts available after the payment of all other Senior Obligations, but prior to the payment of Subordinate Obligations; and

(3) any net payments received by the Administration from the Hedge Provider pursuant to such hedge agreement may be treated as Revenues at the option of the Administration and applied as directed by the Administration.

(C) No hedging transaction shall be entered into by the Administration without express written consent of HUD.

Application of Bond Proceeds and Other Amounts

Except as otherwise provided in a Supplemental Indenture, the net proceeds of sale of any Series of Bonds (paid by the underwriters after deducting the underwriter's compensation, including expenses), other than (A) the proceeds of Refunding Bonds, (B) the proceeds from the remarketing of any Bonds, or (C) Bonds issued to refund other Bonds or obligations of the Administration not issued under the Indenture, shall, as soon as practicable upon the delivery of the Bonds, by the Trustee pursuant to the Indenture, be applied as follows:

(1) the amount needed to pay Costs of Issuance related to such Series shall be deposited into the Cost of Issuance Fund;

(2) upon the delivery of a Series of Bonds, the amount, if any, received as accrued interest or capitalized interest, as designated by a Supplemental Indenture, shall be deposited in the Debt Service Fund unless otherwise provided in a Supplemental Indenture; and

(3) the balance remaining after such deposits have been made shall be deposited in the Loan Fund.

Establishment of Accounts and Application Thereof

In order best to provide for the proper administration of all moneys received as proceeds of the Bonds, the Indenture establishes the following Accounts: the Loan Fund, the Revenue Fund, the Debt Service Fund, the Subordinate Obligation Debt Service Fund. All Accounts and any subaccounts thereof established in the Indenture shall be held and maintained by the Trustee and shall be identified by the Trustee according to the designations provided in the Indenture so as to distinguish such Accounts from the accounts established by the Administration, and held and maintained by the Trustee, for any other of its obligations. All moneys or securities held by the Trustee or any Depositary pursuant to the Indenture shall be held in trust and applied only in accordance with the provisions of the Indenture.

Loan Fund. Moneys in the Loan Fund shall be used, except as otherwise provided by any Supplemental Indenture, only for the following purposes: (1) to fund Loans to Participating Authorities to finance their respective deposits to Liquidity Accounts and to finance Public Housing Developments, pursuant to executed Loan Agreements; (2) to make deposits to the Debt Service Fund for the purpose of paying principal of or interest on those Senior Obligations defined in clause (a) of the definition thereof, whether at maturity or earlier redemption or purchase to the extent of any deficiency therein, and paying any contractual obligations with respect to Senior Obligations as defined in clauses (b) or (c) of the definition thereof; and (3) any amount remaining in the Loan Fund after all Senior Obligations have been retired may be transferred to such other fund or account of the Administration as an Authorized Officer may direct for application in accordance with the Capital Fund Program unless otherwise required by one or more Loan Agreements to be repaid to the Participating Authorities which are parties thereto, or as otherwise directed by HUD, *provided that* prior to any such transfer the Administration shall have furnished the Trustee with a Bond Counsel's Opinion to the effect that such transfer will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Upon receipt by the Trustee of the following, the Trustee shall transfer, for the benefit of each Participating Authority, (y) first, the Initial Liquidity Deposit to the related Loan Account established by the applicable Loan Agreement, and (z) second, the Net Loan Proceeds to the related Loan Account established by such Loan Agreement: (i) an executed Loan Agreement and a Certificate of an Authorized Officer: (a) stating that the Loan is made in accordance with the provisions of the Indenture, (b) assigning an identification number to the Loan, and (c) stating the principal amount of the Loan, the name of the Participating Authority, the interest rate on the Loan, and the term of the Loan.

Revenue Fund. (A) Pursuant to each Loan Agreement, the Trustee shall receive for deposit in the Revenue Account established under such Loan Agreement, from or on account of the Capital Fund Program, those moneys agreed to by HUD, the Administration and the Participating Authority which is a party to such Loan Agreement. Such moneys shall, upon receipt, be transferred by the Trustee to the Revenue Fund and constitute Revenues. The Trustee shall promptly notify the Administration in the event there is a failure to receive from HUD when due the full amount set forth in each Loan Agreement upon receipt of such Revenues from HUD. All amounts so received shall be deposited in the Revenue Fund.

(B) Promptly upon receipt of amounts in the Revenue Fund, the Trustee shall make disbursements from the Revenue Fund, in the following order of priority, except as otherwise provided in a Supplemental Indenture:

(1) first, to the Debt Service Fund, the amount necessary to make the payments required pursuant to the Indenture on the next succeeding Bond Payment Date,

(2) second, to the Subordinate Obligation Debt Service Fund an amount, if any, equal to (a) the amount required by any trust indenture or resolution authorizing the issuance or incurrence of Subordinate Obligations to be deposited therein on such date and without priority, one over the other, to any accounts within the Subordinate Obligation Debt Service Fund, as specified by a Certificate filed with the Trustee and (b) any termination payments required to be made by the Administration to Qualified Hedge Providers.

(C) Whenever so directed in a Certificate, the Trustee shall make payments from the Loan Fund to the federal government in accordance with the Code to the extent necessary to comply with the Administration's covenants in the Indenture, and to comply with any Tax Exemption Certificate and Agreement signed by an Authorized Officer and delivered in conjunction with the delivery of any Series of the Bonds.

Debt Service Fund. The Trustee shall make disbursements from the Debt Service Fund, except as may be otherwise provided in a Supplemental Indenture, as follows:

(A) On each Bond Payment Date, amounts sufficient for the following payments and in the following order of priority:

(1) first, to the Paying Agent the interest due on Outstanding Senior Obligations on such Bond Payment Date, and

(2) second, to the Paying Agent the amount required for payment of the principal or Redemption Price of Senior Obligations due (whether by maturity or redemption) or called for redemption on such Bond Payment Date (other than termination payments related to Qualified Hedge Agreements which shall in all cases be paid on a basis subordinate to the payments with respect to Senior Obligations).

(B) Notwithstanding the provisions of this Section, no payments shall be required to be made into the Debt Service Fund so long as the amount on deposit therein shall be sufficient to pay the final maturing Outstanding Senior Obligations in accordance with their terms, including the payment of any Sinking Fund Payments payable in connection therewith.

(C) As soon as practicable after the sixtieth day preceding the due date of any Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to the Indenture, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the required unsatisfied balance of such Sinking Fund Payment.

(D) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payment shall be credited as shall be provided in such instructions.

(E) Any earnings derived from the investment of amounts deposited with the Trustee pursuant to the Indenture in connection with the issuance of Refunding Bonds shall, to the extent not required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds described under the heading "REFUNDING BONDS" above, be deposited in the Debt Service Fund.

(F) The Trustee shall establish a separate capitalized interest account for each Series of Bonds within the Debt Service Fund for each Participating Authority. Withdrawals from a Participating Authority's account shall be credited against such Participating Authority's Loan Debt Service in the amounts and at the times established in such Participating Authority's Loan Agreement. That portion of Loan Debt Service that constitutes the Administration's fee shall be paid by the Trustee to the Administration on each Interest Payment Date that capitalized interest is used to pay Bond Debt Service. Any moneys in a capitalized interest account for a Participating Authority that are not needed for the payment of capitalized interest, as demonstrated by a Cash Flow Statement, may at the written direction of the Administration be transferred to such Participating Authority's Loan Account. At such time that all moneys in a capitalized interest account have been expended or transferred, such account shall be closed.

Costs of Issuance Fund. That portion of the proceeds of a Series of Bonds that is deposited into the Costs of Issuance Fund shall be available for disbursement to pay Costs of Issuance relating to such Series against receipt of a Certificate of an Authorized Officer. In connection with the issuance of any particular Series, the Administration may direct the underwriters of such Series to deduct their compensation from the offering price, such that only the net purchase price is deposited with the Trustee for application to the appropriate Accounts in accordance with the Indenture. That portion of the proceeds of a Series of Bonds that is deposited into the Costs of Issuance Fund and that remains undisbursed 120 days after the Date of Issue of such Series shall, at the written direction of the Administration, be transferred to the Loan Fund to be used for the purposes set forth under "Loan Fund" above.

Subordinate Obligation Debt Service Fund. The moneys in the Subordinate Obligation Debt Service Fund shall be transferred by the Trustee as provided in a Certificate to the trustees or paying agents under the appropriate indentures or resolutions authorizing the issuance of Subordinate Obligations for the purpose of paying such amounts as may be required to be paid by such indentures or resolutions.

Deposits. In order to permit such amounts to be available for use at the time when needed, any amounts held in trust under the Indenture by any Fiduciary or Depositary as such, including amounts held by the Trustee, may, if and as directed by the Administration, be deposited in the commercial banking department of such Fiduciary or Depositary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary or Depositary.

Investment of Certain Funds. The Administration shall direct the Trustee as to the investment of amounts in the Accounts. The Administration shall direct the Trustee from time to time to invest and reinvest the moneys in any Account in Investment Securities so that the maturity date or date of redemption at the option of the holder thereof , or withdrawal without penalty shall coincide as nearly as practicable, but in any case shall not extend beyond, the times at which moneys are needed to be so expended. In the event that the Administration has not provided investment direction to the Trustee, with respect to moneys held by the Trustee following the maturity of an Investment Security, such maturing amounts shall, until such direction is provided, be invested by the Trustee in a money market fund meeting the requirements of the Indenture. The Investment Securities purchased shall be held by the Trustee, or by such other Depository as permitted by the Indenture, and shall be accounted for at all times as part of such Account, and the Trustee, or such other Depository, shall keep the Administration advised as to the details of all such investments. The foregoing notwithstanding, to the extent permitted by applicable law, the Administration may direct the Trustee to commingle moneys in the various Accounts for investment purposes and the Trustee may transfer Investment Securities from Account to Account at the then current market value on the books kept for such purpose without selling such Investment Securities.

Except as otherwise provided in the Indenture, Investment Securities purchased as an investment of moneys in any Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Account but the income or interest earned and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the Revenue Fund or shall be credited as Revenues to the Revenue Fund and reinvested.

Valuation and Sale of Investments. In computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at their Value, as hereinafter defined, plus accrued interest in each case. "*Value*," which shall be determined for purposes of valuing the Investment Securities in the Reserve Fund on each Principal Payment Date and for all other purposes as provided in the Indenture or as provided or required in a Supplemental Indenture, means the value of any investments calculated as follows:

(1) as to (i) certificates of deposit and banker's acceptances, and (ii) as to any investment not specified in (2), (3) or (4) below: the par value or if purchased at other than par at the lesser of cost or amortized value except as otherwise provided by a Supplemental Indenture;

(2) as to investments (other than those described in (1)(i)) the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(3) as to investments (other than those described in (1)(i) and (2)) the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such 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 or the bid price published by a nationally recognized pricing service, if any; and

(4) as to investments described in classes (7) or (10) of the definition of "Investment Securities," the par value.

Redemption of Bonds

The Bonds are subject to redemption prior to maturity and shall be redeemable, upon notice as provided in the Indenture, at such times, at such Redemption Prices and upon such other terms as may be specified in the Indenture, in the Bonds and in the Supplemental Indenture authorizing the issuance of such Bonds. See "THE BONDS — Redemption of Bonds" and "THE BONDS — Notice of Redemption."

Certain Covenants of the Administration

Payment of Senior Obligations. The Administration will punctually pay or cause to be paid, solely from Revenues, all Senior Obligations at the places, on the dates and in strict conformity with the terms of the Indenture, the Bonds and any instrument creating such Senior Obligations, according to the true intent and meaning thereof.

Extension of Payment of Senior Obligations. The Administration shall not directly or indirectly extend or assent to the extension of the maturity of any of the Senior Obligations or the time of payment of any claims for interest. In the event that the maturity of any of the Senior Obligations or the time for payment of any claims for interest shall be extended, such Senior Obligations or claims for interest shall not be entitled to the benefit of the Indenture or to any payment out of the Accounts established pursuant to the Indenture, including the investments, if any, thereof, or out of any assets or revenues pledged under the Indenture prior to benefits accorded to or the payment of the principal of all Senior Obligations the maturity of which has not been extended and of such portion of the accrued interest on the Senior Obligations as shall not be represented by such extended claims for interest. Nothing in this section shall be deemed to limit the right of the Administration to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of the maturity of any Senior Obligations.

Tax Covenants. The Administration shall at all times do and perform all acts and things necessary or desirable and shall refrain from such acts as shall be necessary in order to assure that interest paid on the Bonds, other than Federally Taxable Bonds, shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof under provisions of the Code. The Administration shall comply with all requirements of any Tax Certificate executed and delivered by an Authorized Officer in connection with a Series of the Bonds, unless the Administration has received a Bond Counsel's Opinion to the effect that such compliance is no longer necessary in order to assure that interest paid on such Series of Bonds is excludable from the gross income of the recipients thereof.

Budget and Collection of Revenues. Each Loan Agreement shall require the Participating Authority that is a party thereto to budget from amounts to be received by such Participating Authority pursuant to the Capital Fund Program in each fiscal year of such Participating Authority amounts sufficient to make the Participating Authority's share of the deposits and payments required in the Indenture, and further to agree not to budget, requisition from HUD or expend Capital Funds in any fiscal year of such Participating Authority if the effect of such budget, requisition or expenditure would be to reduce the amount of Revenues to be received by the such Participating Authority pursuant to the Capital Fund Program for such fiscal year below the amount needed, or adversely affect the availability of Revenues at the times required, to make the Participating Authority's share of deposits and payments required in the Indenture. Each Loan Agreement shall require the Participating Authority that is a party thereto to agree to include such budgeted amount in its annual financial plan submitted to HUD.

Each Loan Agreement shall require the Participating Authority that is a party thereto to execute and deliver and present to HUD for execution and delivery a "Capital Fund Financing Amendment to Consolidated Annual Contributions Contract" that directs HUD to pay directly to the Trustee from Capital Funds available to the Participating Authority in the amount necessary to pay Loan Debt Service on such Participating Authority's Loan, and to execute Annual ACC Amendments to authorize such payments. Amounts to be paid by HUD shall be requested to be paid to the Trustee no earlier than three (3) Business Days and no later than one (1) Business Day before each Bond Payment Date.

The Administration shall at all times, to the extent permitted by law, (i) defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners of Senior Obligations under the Indenture against all claims and demands and (ii) enforce the Loan Agreement in accordance with its terms. From and after the sale and delivery of any of the Bonds of the Administration, the Bonds shall be incontestable by the Administration.

Against Encumbrances. The Administration will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Revenues or the moneys, securities or funds held or set aside by the Administration or by the Trustee under the Indenture, except only as provided in or permitted by the Indenture. Except as provided in or permitted by the Indenture, the Administration shall not issue any bonds, notes or other evidences of borrowing, other than the Senior Obligations secured by a pledge of the Revenues and other revenues and moneys pledged or held aside by the Administration or by a Fiduciary under the Indenture, and shall not create or cause to be created any lien or charge on the Revenues and moneys equal or superior to the lien created by the Indenture; *provided, however*, that nothing in the Indenture shall prevent the Administration from issuing bonds, notes or other evidences of borrowing under other indentures or resolutions of the Administration, in order to fund the Program or other programs of the Administration, secured by (i) the pledge of amounts which may be withdrawn from the Subordinate Obligation Debt Service Fund as long as such pledge is expressly junior and subordinate to the pledge contained in the Indenture with respect to the Senior Obligations, or (ii) assets and revenues of the Administration other than the Revenues and assets pledged pursuant to the Indenture.

Compliance with Indenture. The Administration will not issue or incur, or permit to be issued or incurred, any Senior Obligations in any manner other than in accordance with the provisions of the Indenture, and will not suffer or permit any default to occur under the Indenture, but will faithfully observe and perform all the covenants, conditions and requirements thereof. The Administration, for itself, its successors and assigns, represents, covenants and agrees with the Owners of Senior Obligations that, as long as any of the Senior Obligations shall remain Outstanding and the principal or Redemption Price thereof or interest thereon shall be unpaid or unprovided for, it will faithfully perform all of the covenants and agreements contained in the Indenture, the Bonds and each agreement creating such Senior Obligations.

Supplemental Indentures

Supplemental Indentures Not Requiring the Consent of Owners of Bonds. A Supplemental Indenture not requiring the consent of Owners of Bonds may be executed by the Administration and the Trustee for one or more of the following purposes:

(1) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of additional Series of Bonds or the incurrence of other Senior Obligations;

(2) to add to the covenants and agreements of the Administration in the Indenture other covenants and agreements to be observed by the Administration which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(3) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Administration which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon the Administration by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Administration contained in the Indenture;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of the Revenues or of any other revenues or assets;

(6) to modify any of the provisions of the Indenture in any respect whatever, but only if (i) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds issued after the date of the execution and delivery of such Supplemental Indenture;

(7) to authorize the issuance of one or more Series of Bonds, and to prescribe the terms and conditions upon which such Bonds may be issued or incurred;

(8) to create additional special trust accounts for the further securing of all Bonds issued pursuant to the Indenture if together with such Supplemental Indenture there is filed a Bond Counsel's Opinion to the effect that the creation and operation of such account will in no way impair the existing security of the Holder of any Outstanding Senior Obligation;

(9) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provisions in the Indenture;

(10) to provide for additional duties of the Trustee and other Fiduciaries;

(11) to satisfy the requirements of a Rating Agency in order to obtain, maintain or improve the rating on any of the Bonds;

(12) to provide for the orderly sale or remarketing of Bonds;

(13) to make any other change which, in the judgment of the Trustee acting in reliance on a Bond Counsel's Opinion, is necessary or desirable to maintain the tax-exempt status of the Bonds (other than Federally Taxable Bonds) and is not to the prejudice of the Trustee or Holders of the Senior Obligations;

(14) to make any change which, in the judgment of the Trustee, is not materially adverse to the interests of the Trustee or the Owners of Senior Obligations; or

(15) to make any change which has been submitted to and reviewed by each Rating Agency and for which each Rating Agency shall have confirmed in writing that such change will not itself result in the withdrawal or lowering of the rating on any Outstanding Bonds.

Supplemental Indentures Effective upon Consent of Owners of Bonds. At any time or from time to time, a supplemental indenture may be executed by the Administration and the Trustee subject to consent by Owners of the Bonds. See "AMENDMENTS" below.

Amendments

Powers of Amendment. Except as provided in "SUPPLEMENTAL INDENTURES" above, any modification of or amendment to the Indenture and of the rights and obligations of the Administration or the Owner of any Senior Obligation, may be made by a Supplemental Indenture and in the event such Supplemental Indenture shall be executed pursuant to the Indenture, with the written consent (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, (ii) of the Bond Insurers, (iii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in aggregate principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iv) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the Owners of 100% in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding however, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. Notwithstanding the foregoing, no modification or amendment contained in any such supplemental indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate, or the money or assets pledged under the Indenture or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of the section of the Indenture summarized in this paragraph. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its sole discretion determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture or such Bonds and any such determination shall be binding and conclusive on the Administration and all Owners of Bonds.

Consent of Owners of Bonds. (A) A copy of any Supplemental Indenture making a modification or amendment which is not permitted under the provisions outlined in "SUPPLEMENTAL INDENTURES" (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners of Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Registrar on behalf of the Administration to the Owners of Bonds to be affected by such proposed amendment or modification. Such Supplemental Indenture shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds as specified in the preceding paragraph and (b) a Bond Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully approved by the Administration in accordance with the provisions of the Indenture, is authorized or permitted thereby and, assuming due authorization, execution and delivery by the other parties thereto, is valid and binding upon the Administration, and (ii) a notice shall have been delivered as to the execution of such Supplemental Indenture.

(B) The consent of an Owner of a Bond to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Indenture. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing with the Trustee at least three (3) Business Days, prior to the time when the consents are deemed conclusive in accordance with the terms of the Indenture, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the Indenture.

Modifications by Unanimous Consent. The terms and provisions of the Indenture and the rights and obligations of the Administration and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the execution by the Administration and the Trustee of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding, such consent to be given as provided in the Indenture, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification, amendment, assent or publication thereof shall be required.

Defaults and Remedies

Events of Default. (A) Each of the following events is an "Event of Default" under the Indenture:

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same becomes due (provided that the Participating Authority or Participating Authorities whose payment is insufficient and thereby causes the default is the "Defaulting Authority" as described below);

(2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due (provided that the Participating Authority or Participating Authorities whose payment is insufficient and thereby causes the default is the "Defaulting Authority");

(3) if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by a Participating Authority (other than (i) such proceedings instituted by a Participating Authority against other parties and (ii) the Participating Authority being placed into a management receivership sought or imposed by or in cooperation with HUD);

(4) the Administration shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Owners of not less than 25% in principal amount of the Outstanding Bonds; *provided* that the Trustee or such Owners of not less than 25% in principal amount of the Outstanding Bonds shall not provide written notice to the Administration pursuant to this subsection (A)(4) of any such failure, refusal or default until and after the Trustee has complied with the provisions of subsection (B) below; or

(5) with respect to any Series of Bonds, the occurrence of any Event of Default pursuant to the Supplemental Indenture authorizing such Series.

(B) The Trustee shall not give the written notice referred to in subsection (4) above unless or until (i) the Administration has been advised by the Trustee that the Trustee believes that a reasonable basis exists to issue such written notice; and (ii) a period of ten (10) Business Days has expired after receipt by the Administration of such advice, during which period the Administration shall have the opportunity to contest the basis for such written notice.

Remedies. Upon the happening and continuance of any Event of Default specified in subsections (1), (2) and (3) above, the Trustee shall promptly notify the Administration and each Fiduciary of the existence of such Event of Default and shall proceed, or upon the happening and continuance of any Event of Default specified in subsections (4) and (5) above, the Trustee shall promptly notify the Administration and each Fiduciary of the existence of such Event of Default and may proceed (and, upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds with respect to an Event of default specified in paragraph (A) (4) above, and 100% of the Owners of the Series of Bonds affected with respect to an Event of Default specified in paragraph (A)(5) above, shall proceed) in its own name, subject to the provisions of the Indenture, to protect and enforce the rights of the Owners of the Senior Obligations by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights (provided that the remedy describe din paragraph (1) below may not be exercised upon an Event of Default described in paragraph (A)(4) under "*Events of Default*" above without the consent of 100% of the Owners of the Series of Bonds affected thereby):

(1) declare the principal of the Bonds and all interest accrued thereon to the date of acceleration to be immediately due and payable;

(2) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners of Senior Obligations, including the right to require the Administration to carry out the covenants and agreements contained in the Indenture, and to require the Administration to carry out any other covenants or agreements with Owners of Senior Obligations and to perform its duties as prescribed by law;

(3) by bringing suit upon the Senior Obligations;

(4) by action or suit in equity, to require the Administration to account as if it were the trustee of an express trust for the Owners of Senior Obligations; or

(5) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Senior Obligations.

At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may (and, upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds, shall) proceed to rescind and annul such declaration and its consequences if:

(1) there has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (A) all overdue installments of interest on the Bonds; (B) the principal of, and redemption premium, if any, on any Bonds which have become due other than by such declaration of acceleration and interest thereon; (C) to the extent lawful, interest upon overdue installments of interest and redemption premium, if any; and (D) all sums paid or advanced by the Trustee hereunder, together with the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel prior to the date of notice of rescission;

(2) all Events of Default, other than the nonpayment of principal of, redemption premium, if any, and interest on the Bonds which have occasioned such acceleration, have been cured or waived; and

(3) each Bond Insurer consents to such rescission and annulment.

No such rescission and annulment shall affect any subsequent default or impair any consequent right.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall, to the extent permitted by the Loan Agreement to which the Defaulting Authority is a party, be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Defaulting Authority for principal, interest or otherwise, under any provisions of the Indenture or a Supplemental Indenture or of the Senior Obligations, with, to the extent permitted by law, interest on overdue payments at the rate of interest specified in such Senior Obligations, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Senior Obligations, without prejudice to any other right or remedy of the Trustee or of the Owners of Senior Obligations, and to recover and enforce a judgment or decree against the Defaulting Authority for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pretrial, trial and appellate attorney fees), and to collect from the Defaulting Authority any moneys adjudged or decreed to be payable.

Upon the occurrence of any Event of Default, and on the filing of suit or other commencement of judicial proceedings to enforce the rights of the Owners of Senior Obligations under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues, pending such proceedings, with such powers as the court making such appointment shall confer.

Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price and interest then due on the Senior Obligations, such funds (other than funds held for the payment of particular Senior Obligations which have theretofore become due at maturity) and any other amounts received by the Trustee acting pursuant to the Indenture, after providing for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of Senior Obligations and for the payment of the fees, charges, expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Indenture, shall be applied as follows (subject to the subordination of termination payments due to Hedge Providers pursuant to the Indenture and the permitted subordination of certain other payments due Hedge Providers pursuant to the Indenture):

(1) Unless the principal of all of the Senior Obligations shall have become due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on Senior Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Senior Obligations which shall have become due, with interest upon such principal or Redemption Price at the interest rate set forth in such Senior Obligations from the respective dates upon which they shall have become due and payable, and, if the amounts available shall not be sufficient to pay in full all the Senior Obligations due, together with such interest, then to the payment, first of such interest ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Senior Obligations shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the Senior Obligations without preference of priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Obligation over any other Senior Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Obligations.

Whenever moneys are to be applied by the Trustee as described above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Administration, to any Owner of a Senior Obligation or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to an Owner of a Bond any unpaid amount relating to such Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Owners of Bonds' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of not less than 25% in principal amount of the Bonds then Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, *provided* that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

Limitation on Rights of Owners of Bonds. Except as otherwise specifically provided by the Indenture, no Bondholder shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture unless such person is an Owner of one or more Bonds then Outstanding, and (1) an Event of Default shall have occurred and is continuing; (2) such Owner previously shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, (3) the Owners of not less than 25% in principal amount of the Bonds then Outstanding, shall have made written request of the Trustee after the right to exercise such powers of right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name, (4) there shall have been offered to the Trustee reasonable security and indemnity against the fees, costs, expenses and liabilities to be incurred therein or thereby, (5) the Trustee shall have refused or neglected to comply with such request within sixty (60) days after its receipt of such written request and offer of indemnity and (6) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds then Outstanding; and such notification request and offer of indemnity are declared by the Indenture in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or by law. Except as otherwise described above, no one or more Owners of Bonds secured by the Indenture shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all Owners of Bonds. Nothing contained in the Indenture shall affect or impair the absolute and unconditional right of any Owner of a Bond to receive payment of principal of, redemption premium, if any, and interest on the Bonds on and after the due date thereof, and to enforce the payment of the principal of and interest on its Bonds, or the obligation of the Administration to pay the principal of and interest on each Bond issued or incurred thereunder, to the Owner thereof at the time and place in said Bond expressed.

Anything to the contrary notwithstanding contained in the Indenture, each Owner of a Bond by its acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pretrial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Owner of a Bond for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Waiver of Defaults. The holders of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee, waive any existing Event of Default and its consequences, except an Event of Default described in paragraphs (A)(1) or (2) of *Events of Default* above. Upon any such waiver, the Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any Event of Default shall extend to or effect any subsequent Event of Default or shall impair any right or remedy consequent thereto.

Notice of Event of Default. The Trustee shall give to the Owners of Bonds notice of each Event of Default under the Indenture known by a trust officer in the corporate trust department of the Trustee within ninety (90) days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; *provided*, that, except in the case of default in the payment of the principal of, Redemption Price or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interest of the Owners of Bonds. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all Owners of Bonds, as the names and addresses of such Owners appear upon the books for registration and transfer of Bonds as kept by the Trustee, and (ii) to such other persons as is required by law.

Rights of Credit Facility Provider or Bond Insurer. Notwithstanding anything contained in the Indenture to the contrary, but subject to the provisions of any applicable Supplemental Indenture, any Credit Facility Provider or any Bond Insurer shall be treated as the exclusive Owner of Bonds upon which such Credit Facility Provider or Bond Insurer is obligated pursuant to a Credit Facility (other than those Credit Facilities that provide liquidity but not credit enhancement) or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to this Article; *provided, however*, that such Credit Facility Provider or Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Credit Facility Provider or Bond Insurer is in default of its payment obligations under the applicable Credit Facility or Bond Insurance Policy.

Notwithstanding anything contained in the Indenture to the contrary, but subject to the provisions of any applicable Supplemental Indenture, until the Administration has reimbursed a Credit Facility Provider for amounts paid under a Credit Facility to pay the interest on or the principal or purchase price of any Bonds on any Bond Payment Date, or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, (i) such Bonds shall be deemed to be Outstanding and such Credit Facility Provider or Bond Insurer shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed, and (ii) upon presentation to the Registrar, such Bonds shall be registered in the name of the Credit Facility Provider or its nominee or such Bond Insurer or its nominee, as appropriate.

In the event that a particular Series of Bonds is secured by both a Credit Facility and a Bond Insurance Policy, the respective rights of the Credit Facility Provider and the Bond Insurer shall be established by the Supplemental Indenture which authorized such Series.

The Trustee

Resignation or Removal of Trustee; Appointment of Successor Trustee. (A) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee.

(B) The Trustee may resign at any time by giving written notice to the Administration. Upon receiving such notice of resignation, the Administration shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(C) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the Administration or the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Administration or such holders, as the case may be, and delivered to the Trustee, the Administration, and holders of the Outstanding Bonds.

(D) If at any time: (1) the Trustee shall cease to be eligible and qualified under the Indenture and shall fail or refuse to resign after written request to do so by the Administration or the holder of any Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the Administration may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (C) of this section; or (B) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(E) The Issuer shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

Acceptance of Appointment by Successor Trustee. Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to the Administration and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed or conveyance become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the Issuer or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under the Indenture, and shall duly assign, transfer, deliver and pay over to the successor Trustee all the Trust Estate and moneys and other property then held under the Indenture, subject, however, to the lien provided for in the Indenture. The successor Trustee shall promptly give written notice of its appointment to the holders of all Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given. No successor Trustee shall accept appointment as provided in the section of the Indenture summarized in this paragraph unless, as of the date of such acceptance, it is eligible and qualified under the provisions of the Indenture.

Appointment of Co-Trustee. (A) It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction, including particularly the law of the State, denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture, and in particular in case of the enforcement thereof on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of the section of the Indenture summarized in this paragraph are provided to these ends.

(B) In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them. Should any instrument in writing from the Administration be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Administration. In case any separate trustee or co-trustee, or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

(C) The Trustee shall not be liable for acts or omissions of any co-trustee appointed by the Trustee with reasonable care.

Defeasance

Defeasance. (A) If the Administration shall pay or cause to be paid to the Owners of the Bonds, the principal, premium, if any, purchase price and interest to become due thereon, at the times and in the manner stipulated therein and in the Indenture, and pay or cause to be paid (i) to each Fiduciary its fees, costs and expenses, (ii) to each Credit Facility Provider all amounts owing under each Credit Facility or agreements relating thereto, (iii) to each Bond Insurer all amounts owing under each Bond Insurance Policy, (iv) to each remarketing agent all amounts owing under each remarketing agreement, and (v) to each Hedge Provider all amounts owing under each Qualified Hedge Agreement, then the pledge of the Trust Estate, including any Revenues and other moneys, securities, funds and property pledged pursuant to the Indenture and all other rights granted by the Indenture shall be discharged and satisfied.

If the Administration shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series the principal, purchase price and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, and pay or cause to be paid (i) to each Fiduciary its fees, costs and expenses relating to such Bonds, (ii) to each Credit Facility Provider relating to such Bonds all amounts owing under each Credit Facility or agreements relating thereto, (iii) to each Bond Insurer all amounts owing under each Bond Insurance Policy, (iv) to each remarketing agent relating to such Bonds all amounts owing under each remarketing agreement relating thereto and (v) to each Hedge Provider relating to such Bonds all amounts owing under each Qualified Hedge Agreement relating thereto, such Bonds and related Senior Obligations shall cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Administration to the Owners of such Bonds and related Senior Obligations shall thereupon cease, terminate and become void and be discharged and satisfied.

Notwithstanding the foregoing and paragraph (B) below, the provisions of the Indenture relating to payment, registration, transfer and redemption of Bonds shall remain in effect until final maturity or the Redemption Date of the Bonds.

(B) Bonds (other than Bonds held in custody for the benefit of a Credit Facility Provider under a Supplemental Indenture) or interest installments (other than on Bonds held in custody for the benefit of a Credit Facility Provider under a Supplemental Indenture) for the payment of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Administration of funds for such payment or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) above. Except as otherwise provided in any Supplemental Indenture, all Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Administration shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, and/or noncallable Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Administration shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds.

(C) The deposit required by subsection (B) above may be made with respect to Bonds within any particular maturity, in which case such maturity of Bonds shall no longer be deemed to be Outstanding under the terms of the Indenture, and the Owners of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Trust Estate, and the Indenture shall remain in full force and effect to protect the interests of the Owners of Bonds remaining Outstanding thereafter.

(D) The Administration may, in its sole discretion, in connection with the defeasance to maturity of Bonds, reserve the right at such time of defeasance to provide that such Bonds shall remain subject to redemption prior to maturity in accordance with their terms.

Bond Insurer Provisions

Notwithstanding anything in the Indenture to the contrary, while the Policy provided by Financial Security is insuring the Series 2003 Bonds:

(a) Financial Security shall be deemed to be the sole holder of the Insured Series 2003 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2003 Bonds insured by it are entitled to take pursuant the article of the Indenture pertaining to defaults and remedies and the article of the Indenture pertaining to the duties and obligations of the Trustee, if any;

(b) No Additional Bonds bearing interest at a variable rate shall be issued without the prior written consent of Financial Security;

(c) The Series 2003 Bonds shall not be accelerated without the consent of Financial Security and, in the event Series 2003 Bonds are accelerated, Financial Security may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Administration) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, Financial Security's obligations under the Policy with respect to such Series 2003 Bonds shall be fully discharged;

(d) The rights granted to Financial Security under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to Financial Security in consideration of its issuance of the Policy. Any exercise by Financial Security of such rights is merely an exercise of Financial Security's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of Financial Security, positive or negative, as to whether Bondholder consent is required in addition to consent of Financial Security;

(e) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively or (5) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be authorized to be used to effect defeasance of the Series 2003 Bonds unless Financial Security otherwise approves.

To accomplish defeasance of the Series 2003 Bonds the Administration shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to Financial Security ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2003 Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to Financial Security), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2003 Bonds are no longer Outstanding under the Indenture and (iv) if there is a Trustee for the Series 2003 Bonds, a certificate of discharge of the Trustee with respect to the Series 2003 Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Administration, the Trustee and Financial Security. Financial Security shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Series 2003 Bonds shall be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met;

(f) Amounts paid by Financial Security under the Policy shall not be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Administration in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to Financial Security have been paid in full or duly provided for;

(g) Each of the Administration and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of Trust Estate under applicable law;

(h) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2003 Bonds due on such Payment Date, the Trustee shall give notice to Financial Security and to its designated agent (if any) (the "Financial Security's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2003 Bonds due on such Payment Date, the Trustee shall make a claim under the Policy and give notice to Financial Security and Financial Security's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2003 Bonds and the amount required to pay principal of the Series 2003 Bonds, confirmed in writing to Financial Security and Financial Security's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Policy. In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 2003 Bonds a new Series 2003 Bond or Series 2003 Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 2003 Bonds paid by Financial Security, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2003 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to Financial Security, registered in the name of Financial Security, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2003 Bond shall have no effect on the amount of principal or interest payable by the Administration on any Series 2003 Bond or the subrogation rights of Financial Security.

The Trustee shall keep a complete and accurate record of all funds deposited by Financial Security into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 2003 Bond. Financial Security shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Policy the Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2003 Bonds under the sections of the Indenture regarding payment of Series 2003 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Notwithstanding anything to the contrary otherwise set forth in the Indenture, and to the extent permitted by law, in the event amounts paid under the Policy are applied to claims for payment of principal of or interest on the Series 2003 Bonds, interest on such principal of and interest on such Series 2003 Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Series 2003 Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to Financial Security;

(i) Financial Security shall, to the extent it makes any payment of principal of or interest on the Series 2003 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. The obligations to Financial Security shall survive discharge or termination of the Related Documents;

(j) Financial Security shall be entitled to pay principal or interest on the Series 2003 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Administration (as such terms are defined in the Policy) and any amounts due on the Series 2003 Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not Financial Security has received a Notice of Nonpayment (as such terms are defined in the Policy) or a claim upon the Policy;

(k) Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained in the Indenture, no such issuance may occur (i) should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance and (ii) unless the Liquidity Account under the Loan Agreement with the Participating Authority receiving an additional Loan pursuant to such issuance of Additional Bonds, if any, satisfies the Liquidity Account Requirement (plus any additional amount that would be required to satisfy the Liquidity Account Requirement following the issuance of such Additional Bonds) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by Financial Security;

(l) In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Indenture would adversely affect the security for the Series 2003 Bonds or the rights of the Bondholders, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Policy; and

(m) No contract shall be entered into by the Administration, nor any other be action taken, by which the rights of Financial Security or the security for or sources of payment of the Series 2003 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of Financial Security.

APPENDIX B
FORM OF HUD APPROVAL LETTER

Mr. Victor Hoskins
Secretary
Maryland Department of Housing
and Community Development
100 Community Place
Crownsville, MD 21032

____
Executive Director
The Housing Authority of ______________
____
______________, MD

Re: Community Development Administration
Capital Fund Securitization Revenue Bonds
Series 2003 A

Dear Mr. Hoskins and _____________:

Thank you for the Department of Housing and Community Development's (DHCD) submissions to the United States Department of Housing and Urban Development (HUD) requesting certain approvals in connection with the captioned bonds (the "Bonds"). The Bonds are being issued pursuant to a Master Trust Indenture, as supplemented by a First Supplemental Trust Indenture, relating to the Bonds (collectively, the "Indenture"), between the Community Development Administration of DHCD ("CDA") and Manufacturers and Traders Trust Company, as Trustee (the "Trustee"). The form of Indenture was included with the submissions to HUD.

A portion of the proceeds of the Bonds are to be used to fund a loan (the "Loan") to The Housing Authority of ______________ (the "Authority"), as well as loans to certain other Public Housing Agencies (the "HAs") within the State of Maryland. A list of the HAs is attached hereto. The Authority and each other HA will be allocated its proportional share of the proceeds of the Bonds (the portion of Bond proceeds allocable to the Authority being hereinafter referred to as its "Loan"), and each HA will be obligated to repay its loan, including a corresponding proportional share of debt service and other costs of the Bonds. Bond proceeds allocable to the Authority may not be used to secure or repay a loan to any other HA, and the Authority shall not be obligated for debt service on the Bonds other than that attributable to its Loan.

Based upon our review of the information and materials included with the submissions, the undersigned, on behalf of HUD, provides the following approvals and determinations.

1. HUD hereby approves the issuance of the Bonds pursuant to the Indenture and the making of the Loan pursuant to a loan agreement among CDA, the Trustee and the Authority (the "Loan Agreement") in substantially the forms submitted. Any substantive changes to the form of Indenture or Loan Agreement that affect HUD's rights or obligations shall be submitted to HUD for review and approval. Except as stated, no further approval of the Indenture or Loan Agreement by HUD shall be required.

2. HUD hereby approves the estimated debt service schedule attached hereto with respect to the Loan. Following the sale of the Bonds, the final debt service schedule and a payment schedule in the format HUD prescribes for HUD's Line of Credit Control System (LOCCS) shall be submitted to HUD. Unless approved by HUD, the final debt service schedule shall not exceed the estimated debt service schedule in any year by more than 10%.

3. HUD hereby determines that CDA constitutes a "public housing agency" within the meaning of section 3(b)(6) of the United States Housing Act of 1937 (the "Act") and that the Bonds constitute housing program obligations issued by a public housing agency in connection with low-income housing projects as described in section 11(b) of the Act. The provisions of 26 U.S.C. §149(c)(2)(C)(iii) state that the interest on such obligations shall not be exempt from taxation under section 11(b) unless issued before June 19, 1984, and the provisions of 26 U.S.C. §149(c)(1) state that any exemption of income on bonds from taxation, unless otherwise excepted, must derive from the Internal Revenue Code. HUD offers no opinion on the tax status of such bonds.

4. HUD hereby agrees, subject to the availability of appropriations, to make payments needed for debt service on the Bonds automatically and directly to the Trustee for the benefit of the Authority. HUD will establish a system of direct payment, through LOCCS, to the Trustee.

5. HUD hereby agrees that amounts paid to the Trustee to make debt service payments on the Bonds are authorized and under current law are not subject to recapture, and that no regulatory waiver is necessary to disclaim effectively any right, title and interest of the United States in and to such amounts. Nothing in this paragraph shall prevent HUD from recapturing funds from the Authority (as opposed to CDA or the Trustee) in accordance with applicable law.

6. HUD hereby agrees that interest earned on amounts paid to the Trustee to make debt service payments on the Bonds may be applied to pay debt service on the Bonds or other Capital Fund eligible work items and need not be returned to HUD. In addition, HUD hereby determines that no regulatory waiver is necessary to permit such use.

7. Nothing in this letter is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction provided by law; provided, however, that HUD hereby agrees that no subsequent change in the permissible use of Capital Fund Program moneys and no administrative sanction regarding the Authority will affect the eligibility of expenditures for debt service on the Loan or reduce Capital Fund allocations to the Authority, except as required by law, below the levels needed to pay such debt service.

8. To the extent that allocations of Capital Fund Program moneys to the Authority are reduced or recaptured because Capital Fund amounts previously allocated to the Authority remain unobligated or unexpended in violation of Section 9(j)(1) or (5)(A) of the Act (or any successor(s) thereto), HUD agrees that, (i) unless otherwise prohibited by law, any unobligated Capital Fund Program moneys that are available to the Authority shall be used, on a first priority basis, to the extent necessary, to pay principal of and interest on the Loan, and (ii) to the extent permitted or provided by law, the recapture of all funds unobligated or unexpended in violation of said provisions of Section 9(j) shall serve to cure such violation(s).

9. The pledge and assignment of “Revenues” under the Indenture and of Capital Fund Program moneys payable to the Authority under its Loan Agreement is authorized for the purpose of securing the payment of principal of and interest on the Loan and the Bonds.

10. HUD hereby waives any additional notice or consent required under the Federal Assignment of Claims Act.

11. The Bonds are not obligations of or guaranteed by HUD or the United States of America, and appropriate disclosures to such affect shall be included in offering materials with respect to the Bonds.

12. No later than the issuance of the Bonds, HUD will enter into a Capital Fund Financing Amendment to Annual Contributions Contract (“Financing Amendment”) with each HA, in the form attached hereto, incorporating various agreements and undertakings by HUD and the applicable HA. CDA shall be authorized to rely upon and enforce all such agreements and undertakings contained in the Financing Amendments.

Except as expressly provided herein, nothing in this approval letter is intended to modify or waive the Capital Fund Program requirements, relating to the preparation and submission to HUD of annual plans and budgets and the execution and delivery each year of the Capital Fund Program Amendment to the Annual Contributions Contract in the form prescribed by HUD. This approval letter does not constitute approval for any other series of bonds issued by CDA.

Once CDA, the Authority and the Trustee have executed documents governing the Bond or the Loan, as applicable, CDA must submit to HUD Headquarters a final closing binder containing copies of all such executed documents, including the ACC, together with a certification from CDA, Authority and HA counsel attesting that the changes requested by HUD have been made and that no other substantive changes to the submissions have been made since they were last provided to HUD. An original and one copy of the final closing binder must be received within 30 days of the date of this letter. In addition, CDA shall submit for each PHA (1) Direct Deposit Sign-Up Form (Standard Form 1199A) and (2) a Tab Delimited file in the format contained in Exhibit A to this letter. All submissions should be sent to:

Carolyn Dunn
U.S. Department of Housing and Urban Development
Office Of Capital Improvements
451 7th Street, S.W., Room 4130
Washington, D.C. 20410

Should you have any questions, please contact William Thorson, Director, Office of Capital Improvements at (202) 708-1640, extension 4999.

Sincerely,

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

By:_________________________________
Title:_________________________________

APPENDIX C
FORM OF ACC FINANCING AMENDMENT

CAPITAL FUND FINANCING AMENDMENT
TO CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT

Section 1. This Capital Fund Financing Amendment to Consolidated Annual Contributions Contract ("Financing Amendment"), dated December ___, 2003, covers the program (the "Program") for the modernization of the projects of the __________ Housing Authority (the "HA") to be carried out as contemplated in the HA's public housing agency plan, as approved by HUD, pursuant to the Capital Fund program authorized by section 9(d) of the U.S. Housing Act of 1937 (the "Capital Fund Program"), together with a portion of the proceeds of certain tax-exempt bonds (the "Revenue Bonds") identified below (the portion of the proceeds of said Revenue Bonds allocable to the HA being hereinafter referred to as the "Loan") to be issued by the Community Development Administration ("CDA"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development, a principal department of the government of the State of Maryland, and secured, with respect to the Loan, by a pledge of Capital Fund Program moneys expected to be received by the HA.

Housing Authority of ____________
(____________, Maryland)
Community Development Administration
Capital Fund Securitization Revenue Bonds
Series 2003 A

Section 2. This Capital Fund Financing ACC Amendment is an amendment to Consolidated Annual Contributions Contract: _____, dated ___________ (together with any amendments thereto and modifications thereof, the "ACC").

Section 3. The ACC is amended to evidence the approval by HUD of the issuance of the Revenue Bonds identified in Section 1 and the making of the Loan identified in Section 1 and to permit the first priority pledge and payment of moneys received under the Capital Fund Program or any successor thereto to such Bonds. This Financing Amendment is part of the ACC.

Section 4. The following provisions are applicable to the Revenue Bonds, the Loan and the Program, notwithstanding any provision of the ACC to the contrary:

(A) References in the ACC to "notes" and "bonds" shall not mean or refer to the Loan or the Revenue Bonds. Amounts payable by HUD pursuant to the Capital Fund Program (and any successor program for funding modernization needs) and pledged to the payment of debt service on the Loan by the HA shall be used exclusively for payment of the portion of debt service on such Revenue Bonds allocable to the HA and related purposes approved by HUD and shall not be available for any other purpose, including but not limited to, (a) the repayment of any loans to HA by HUD pursuant to Section 4 of the United States Housing Act of 1937 (the "Act"), or (b) the repayment of any notes or bonds (other than the allocable portion of the Revenue Bonds) as described in the ACC. [HUD acknowledges that Attachment VI to the ACC does not apply to the Revenue Bonds.]

(B) The Revenue Bonds do not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States are not pledged to the payment of debt service on the Revenue

Bonds, and the payment of debt service on the Revenue Bonds and payment of principal and interest on the Loan are not guaranteed by HUD or the United States.

(C) Nothing in this Financing Amendment is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction or remedy provided by law; provided, however, that except as required by law, HUD will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Fund Program moneys to the HA below the level necessary to pay debt service on the Loan or delay the time for payment of such moneys such that required amounts would not be available to pay debt service on the Loan when due. In the event that HUD shall determine to impose administrative sanctions upon the HA which would have the effect of reducing the payment of Capital Fund Program moneys to the HA in any year by at least 20%, HUD shall have the right (in addition to all other rights and remedies available to HUD), while such sanctions remain in effect, to require that unexpended proceeds of the Loan (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve or other structural purposes of such issue(s)) be applied, at the earliest permissible date, to redeem outstanding Revenue Bonds.

(D) Payment of debt service on the Loan is a permissible use of Capital Fund Program moneys. Once the making of the Loan and the issuance of the Revenue Bonds has been approved by HUD, no further approval shall be required for payment of debt service on such Loan (including any additional Loan that may subsequently be approved by HUD) with Capital Fund Program moneys available to the HA.

(E) The adoption of this Financing Amendment does not supersede or preclude the adoption of annual Capital Fund plans and annual Capital Fund Program Amendments to the ACC; provided, however, that if in any fiscal year, (i) the applicable annual Capital Fund plan shall not have been approved by HUD or (ii) the annual Capital Fund Program Amendment to the ACC shall not have been executed, in either case by the later of (i) October 1 of the first year following the end of the applicable Federal fiscal year with respect to which such funds were appropriated or (ii) 60 days prior to the first scheduled debt service payment on the Loan following such October 1, HUD agrees, subject to the availability of appropriations, to approve immediately upon receipt from the HA (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund plan and/or an annual Capital Fund Program Amendment to the extent and in an amount sufficient to make the applicable debt service payment on the Loan.

(F) Subject to the availability of appropriations and approval of the annual Capital Fund plan and Capital Fund Program Amendment, HUD will make Capital Fund Program moneys automatically and directly available to the trustee for the Revenue Bonds (the "Trustee") in accordance with the approved debt service schedule, to the extent required for payment of debt service on the Loan. Such direct payment shall be implemented by whatever means are available to HUD at the applicable time, but in any event, the Trustee shall be able to receive, based upon the direction of the HA pursuant to and as embodied in this Financing Amendment, the necessary amounts without the need for payment to flow through the HA.

(G) Amounts requisitioned by or payable to the Trustee for debt service on the Loan shall not be paid earlier than three (3) business days prior to the date upon which they are required to make such payment on the Revenue Bonds. HUD agrees that, upon determining the amount of Capital Fund Program moneys available to the HA in any fiscal year, it will not permit disbursements of such moneys for purposes other than debt service on the Loan and related costs to an extent that would reduce the amounts available for such fiscal year below the amounts scheduled for debt service on the Loan and related costs in such fiscal year.

(H) The proceeds of the Revenue Bonds and the Loan may be expended only for purposes for which public housing Capital Fund Program moneys may be expended. The HA shall provide for the application of the proceeds of the Loan (in such detail as shall be reasonably required by HUD) in its annual and 5-year Capital Fund plans. All such uses of Loan proceeds shall be subject to HUD approval (as part of HUD's approval of HA's annual plan) and the HA shall report to HUD annually with respect to such expenditures in the same manner as it accounts for the expenditure of Capital Fund Program moneys.

(I) If CDA shall issue bonds in addition to the Revenue Bonds for the purpose of funding one or more additional loans to the HA or increasing the amount of the Loan, HUD agrees that it will enter into an amendment to this Financing Amendment or a new such amendment substantially similar to this one (reflecting, as appropriate, any changes in law or the Capital Fund Program) in order to permit application of Capital Fund Program moneys to pay debt service on any such additional bonds and such increase in the Loan or such additional loan in a manner comparable to and with a priority equal to payments of debt service on the Loan, provided that (i) HUD shall have approved the issuance of any such additional revenue bonds and the making of any such additional loan or increase in the Loan and (ii) the total debt service attributable to the Loan, as increased, and any additional loan shall not exceed 33 1/3% of the annual allocation of Capital Fund moneys that the HA may reasonably expect to receive.

Section 5 – HA representations and assurances.

By executing this Financing Amendment, the HA represents, warrants and agrees that it will apply all proceeds of the Loan (i) as approved by HUD in connection with HUD's consent to issuance of the Revenue Bonds and (ii) to expenditures which are permissible under the laws and regulations governing the Capital Fund Program (or any applicable successor).

Section 6 – Approval of Revenue Bonds.

Once HUD has approved the issuance of the Revenue Bonds and the making of the related Loan, CDA shall be entitled to rely upon the agreements of the HA and HUD as set forth in this Fund Financing Amendment as if it were a party hereto, and the terms hereof may not be amended in a manner materially adverse to the interests of CDA and the holders of the Revenue Bonds without the consent of CDA.

In consideration of the foregoing covenants, the parties do hereby set forth their seals:

(SEAL) _____________ HOUSING AUTHORITY

ATTEST:

By _________________________

UNITED STATES OF AMERICA
Secretary of Housing and Urban
Development

By__________________________

APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a summary of certain provisions of the Loan Agreements not summarized elsewhere in this Official Statement. Reference is made to the Loan Agreements for a complete description thereof. The discussion herein is qualified by such reference.

Certain Definitions

Except as defined below, terms used in this summary of the Loan Agreements have the meanings given in Appendix A of this Official Statement.

"Agent" means any official, officer, employee, contractor, or agent.

"Annual Plan" means the annual plan submitted by the Participating Authority to HUD for spending its Capital Funds during each Federal fiscal year pursuant to the Capital Fund Program and HUD's rules and regulations pursuant thereto.

"Bond Premium" means the amount, if any, paid by the initial purchasers of the Series 2003 Bonds in excess of the principal amount of the Series 2003 Bonds.

"Claim" means any claim of liability, loss, or expense.

"Eligible Costs" means costs permitted to be financed by the Administration under the Act, Section 9(d) of the 1937 Act and the Code that are incurred by the Participating Authority, reflected in the Participating Authority's 5-Year Plan and applicable Annual Plan to the extent required under the policies and procedures of HUD, and reimbursable under the rules and regulations of HUD under the Capital Fund Program, and shall include Capitalized Interest, Loan Debt Service, deposits to the Liquidity Account, costs for items described in Exhibit C to the Loan Agreement, payment of rebate amounts pursuant to the Loan Agreement and Costs of Issuance.

"5-Year Plan" means the five-year plan submitted by the Participating Authority to HUD for spending its Capital Funds over the succeeding five years pursuant to the Capital Fund Program and HUD's rules and regulations pursuant thereto.

"Initial Liquidity Deposit" means the amount set forth in Schedule I to the Loan Agreement, which shall be paid in an amount equal to the Liquidity Account Requirement on the date of closing of the Series 2003 Bonds.

"Net Loan Proceeds" means (i) that amount equal to the Participating Authority's Proportionate Share of the principal amount of the Series 2003 Bonds, plus (ii) the Participating Authority's Proportionate Share of Bond Premium, if any, minus the aggregate of (x) the Participating Authority's Proportionate Share of the Costs of Issuance, (y) the Participating Authority's deposit of Capitalized Interest, and (z) the deposit into the Liquidity Account in the amount set forth in Schedule I to the Loan Agreement.

"Payment Date" means the Business Day before each January 1 and July 1, beginning July 1, 2004, and any other date on which a payment of principal or interest is due on the Loan, including any prepayment of the Loan.

"Participating Authority Spending Plan" means the activities of the Participating Authority to be funded in whole or in part by the Loan as more specifically described in the Loan Agreement, and any addition to, amendment of or substitution for such activities as may be agreed to from time to time between the Participating Authority and HUD and reflected in the HUD-approved Annual Plan and 5-Year Plan to the extent required under the policies and procedures of HUD.

"Program Guidelines" means all rules, regulations, procedures, guidelines, or requirements established by HUD with respect to the Capital Fund Program.

"Proportionate Share" means (i) the outstanding principal amount of the Loan, divided by (ii) the aggregate outstanding principal amount of the Loans made with the proceeds of the Series 2003 Bonds as of the date of issuance of the Series 2003 Bonds, expressed as a percentage, as set forth on Schedule I to the Loan Agreement.

"Requisition" means a requisition submitted by the Participating Authority under the Loan Agreement to the Trustee for payment from the proceeds of the Loan.

"Revenues," as used in the Loan Agreement, means that portion of the Participating Authority's Capital Funds permitted by HUD to be paid to the Trustee for repayment of the Loan in accordance with the terms of the Loan Agreement and pursuant to the HUD Approval Letter and the Capital Fund Financing Amendment. Revenues shall include any Capital Funds available to the Participating Authority for payment of debt service on the Loan under any effective Annual Plan and/or Annual ACC Amendment, including funds remaining unobligated from previous Participating Authority fiscal years, without regard to the Participating Authority fiscal year for which those funds were initially made available. Revenues shall also include any sums received by the Participating Authority under certain provisions of the Loan Agreement or paid by the Participating Authority for application to payments due under the Loan in accordance with the Loan Agreement.

The Loan

Interest shall accrue on the outstanding principal balance of the Loan beginning on the closing date of the Series 2003 Bonds until fully paid. Interest is payable on the Business Day preceding each January 1 and July 1 beginning July 1, 2004, through the date of payment in full of the outstanding balance of the Loan. Loan Debt Service is repayable in accordance with a schedule attached to the Loan Agreement. The portion of the Loan Debt Service representing the Administration's Fee shall be used to pay fees of the Trustee and other ongoing expenses relating to the administration of the Series 2003 Bonds and the Loans.

The Loan is not subject to prepayment at the option of the Participating Authority prior to July 1, 2013. The Loan is subject to prepayment at the option of the Participating Authority, in whole or in part, at any time on or after July 1, 2013, in an amount as determined below. If required by HUD, any such optional prepayment must also be approved by HUD, and written evidence of such approval must be provided to the Trustee.

The Loan is also subject to prepayment at the direction of HUD or the Administration, in the event that HUD shall impose administrative sanctions upon the Participating Authority which would have the effect of reducing the payment of Capital Funds to the Participating Authority in any year by at least 20%. The amount of any such prepayment shall not exceed the unexpended proceeds of the Loan less amounts already obligated or encumbered for the payment of Eligible Costs and less the amounts needed to be maintained in the Liquidity Account in order to meet the Liquidity Account Requirement.

The Loan shall also be prepaid (i) in the event of a casualty loss or condemnation action to the extent required by the Loan Agreement, and (ii) to the extent undisbursed Loan proceeds are applied in prepayment of the Loan in accordance with the Loan Agreement.

Any partial prepayment of the Loan shall be in a minimum amount equal to the lesser of the outstanding principal balance of the Loan or $5,000 and integral multiples of $5,000. Any partial prepayment shall be applied to principal installments due under the Loan in inverse chronological order or in any other order determined by the Administration.

The Participating Authority shall notify the Administration of any proposed optional prepayment of the Loan at least 60 but not more than 90 days before the date of the prepayment (the "Date of Prepayment"). On receipt of the notice, the Administration shall determine the date Series 2003 Bonds will be redeemed (the "Date of Redemption") with the proceeds of the prepayment and will so notify the Participating Authority. In the case of an optional prepayment, on the Date of Prepayment, in addition to the prepayment, the Participating Authority shall pay interest on the Loan at the loan interest rate to the Date of Prepayment, plus all costs and expenses incurred by the Administration and the Trustee in connection with the prepayment and the redemption of the Series 2003 Bonds being redeemed with the prepayment.

Any prepayment shall be applied (i) first, in the case of a partial prepayment, at the option of the Administration, to the extent that amounts on deposit in the Liquidity Account are less than the Liquidity Account Requirement (after giving effect to the change, if any, in Loan Debt Service payments after such Prepayment) to bring the balance in the Liquidity Account up to the Liquidity Account Requirement, and (ii) second, paid to the Trustee for the Series 2003 Bonds (and credited against amounts due under the Loan) for application to the redemption of Series 2003 Bonds in accordance with the Indenture and the Loan Agreement not later than the Business Day prior to the date fixed for redemption of the Series 2003 Bonds. In the event of a partial prepayment of the Loan, the Administration, with the consent of the Participating Authority and HUD, may revise the Loan Debt Service payments set forth in an exhibit to the Loan Agreement, provided (i) it files with the Trustee, in its capacity as Trustee for the Series 2003 Bonds, and the Rating Agencies a Cash Flow Statement (as defined in the Indenture) with respect to the availability of funds to pay the outstanding balance of the Participating Authority's Proportionate Share of the Series 2003 Bonds, (ii) the Trustee receives from HUD a revised Capital Fund Financing Amendment or other written approval, which reflects HUD's commitment to make the payments set forth in such revised Loan Debt Service payment schedule, and (iii) the Trustee receives confirmation from each of the Rating Agencies that such revised Loan Debt Service payment schedule will not adversely affect the then current rating on the Bonds.

Payments on the Loan shall be made by a transfer to the Trustee by HUD on behalf of the Participating Authority, of Capital Funds in an amount equal to the semiannual Loan Debt Service pursuant to the Capital Fund Financing Amendment for deposit into the Revenue Account in accordance with the Loan Agreement (except to the extent payments are made from Capitalized Interest). The Participating Authority irrevocably pledges and assigns to the Administration and the Trustee as security for the Loan, and grants a lien on, such Revenues as are paid to the Trustee by HUD pursuant to the Capital Fund Financing Amendment and the HUD Approval Letter, and all amounts in the Accounts established by the Trustee under with the Loan Agreement.

The Participating Authority agrees to budget from amounts to be received pursuant to the Capital Fund Program in each Federal fiscal year amounts sufficient to make the foregoing deposits and payments, and further agrees not to budget, requisition from HUD or expend amounts to be received pursuant to the Capital Fund Program for any Federal fiscal year if the effect of such budget, requisition or expenditure would be to reduce the amount of Revenues to be received by the Trustee pursuant to the

Capital Fund Program below the amount needed to pay annual Loan Debt Service for the next succeeding calendar year and plus any previously unpaid Loan Debt Service and/or any amounts required to restore the Liquidity Account to the Liquidity Account Requirement, or otherwise adversely affect the availability of Revenues, at the times required, to make the foregoing deposits and payments. The Participating Authority agrees to include such budgeted amount in each Annual Plan submitted to HUD, to submit such Annual Plan in timely fashion as required, and to execute each Annual ACC Amendment in at least the amount necessary for payment of annual Loan Debt Service and plus any previously unpaid Loan Debt Service and/or any amounts required to restore the Liquidity Account to the Liquidity Account Requirement. The Participating Authority shall promptly provide to the Administration copies of Annual Plans, 5-Year Plans and ACC Amendments submitted to HUD.

Unconditional Obligations of Participating Authority

The payment of the Loan from the sources identified in the Loan Agreement shall be absolute and unconditional, regardless of any defense or any rights of set-off, recoupment, or counterclaim that the Participating Authority might otherwise have against the Trustee, the Administration, or any other parties to the Loan transaction. During the term of the Loan Agreement, the Participating Authority shall make all Loan payments without abatement or set-off notwithstanding any bankruptcy, insolvency, liquidation, dissolution, or nonexistence of the Administration, the nonperformance by the Trustee or the Administration of any obligation under the Series 2003 Bonds, or any other circumstance or event that might otherwise relieve the Participating Authority from its obligation to make the prescribed payment. Until the principal, premium, if any, and interest on the Loan has been fully paid, the Participating Authority (i) will perform all of the obligations and agreements contained in the Loan Agreement, and (ii) will not terminate the Loan Agreement for any reason, including but not limited to: the failure of the Participating Authority to use the proceeds of the Loan to complete the activities contemplated by the Participating Authority Spending Plan; the sale or other assignment of, damage to or destruction of all or part of any property financed by the Participating Authority Spending Plan; commercial frustration of purpose; the occurrence of any acts or circumstances that may constitute a failure of consideration; any change in the tax laws of the United States of America or of the State or any political subdivision thereof; or any failure of the Trustee or the Administration to perform and observe any agreement or obligation, express or implied, arising in connection with the Loan Agreement.

Application of Loan Proceeds

As soon as practicable upon the delivery of the Series 2003 Bonds and at the direction of the Administration, the Trustee shall deposit an amount of the Loan equal to the Participating Authority's Proportionate Share of the Costs of Issuance and for Capitalized Interest directly into the Cost of Issuance Fund and the Participating Authority's account for Capitalized Interest in the Debt Service Fund, respectively, established in accordance with the Indenture. The Trustee shall then deposit an amount equal to the Initial Liquidity Deposit into the Liquidity Account and the Net Loan Proceeds into the Loan Account.

Pledge of Funds

A pledge of the Revenues and of all moneys and securities held or set aside or to be held or set aside by the Trustee in the Accounts created under the Loan Agreement is made by the Participating Authority in favor of the Administration and the Trustee, and the same are hereby pledged, to secure the payment of the interest and principal of the Loan and all other amounts payable under the Loan Agreement by the Participating Authority.

To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be valid and binding against all parties having claims in tort, contract or otherwise against the Participating Authority, irrespective of whether such parties have notice of the claim.

Establishment of Accounts

(a) The Loan Agreement creates and establishes with the Trustee the following accounts: (i) the Loan Account, (ii) the Revenue Account, and (iii) the Liquidity Account.

(b) The following shall be credited to the Loan Account:

(1) Net Loan Proceeds deposited pursuant to the Loan Agreement,

(2) interest earnings on the Loan Account, and

(3) any funds transferred to such Account pursuant to the Loan Agreement, or otherwise at the written direction of the Administration.

(c) The following shall be credited to the Liquidity Account:

(1) an amount equal to the Initial Liquidity Account Deposit; and

(2) to the extent the amount on deposit in the Liquidity Account is less than the Liquidity Account Requirement, funds shall be deposited by the Trustee into the Liquidity Account from the Revenue Account until the amount on deposit therein is equal to the Liquidity Account Requirement.

(d) The following shall be deposited into the Revenue Account upon receipt:

(1) all Revenues,

(2) any amounts transferred from the Liquidity Account, and

(3) any amounts transferred from the Loan Account.

(e) All Accounts established under the Loan Agreement shall be held and maintained by the Trustee and shall be identified by the Trustee according to the designations provided in such manner as to distinguish such Accounts from the accounts established by the Administration, and held and maintained by the Trustee, for any other of its obligations. All moneys or securities held by the Trustee under the Loan Agreement shall be held in trust as security for the Loan and applied only in accordance with the provisions of the Loan Agreement.

The Loan Account

Moneys in the Loan Account shall be used for Eligible Costs as set forth in the Loan Agreement, including, but not limited to, making deposits to the Revenue Account for the purpose of paying Loan Debt Service to the extent of any deficiency in amounts available in the Revenue Account or the Liquidity Account to pay Loan Debt Service when due. Moneys in the Loan Account may also be transferred to the Trustee for the Bonds for the redemption of Bonds to the extent required pursuant to the Indenture. Moneys in the Loan Account may not be used to pay any Requisition during any period that the

Participating Authority is in default under the Loan Agreement without the prior written consent of the Administration.

Any amount remaining in the Loan Account after payment in full of the Participating Authority's Loan and all other amounts owed in connection with the Loan Agreement shall be paid to the Participating Authority for payment of Eligible Costs as approved by HUD or otherwise for application in accordance with the Capital Fund Program, *provided that* prior to any such transfer the Administration shall have furnished the Trustee with an opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion of interest on the Series 2003 Bonds from gross income for federal income tax purposes.

The Trustee shall, except as otherwise permitted in the Loan Agreement with respect to transfers to the Revenue Account, make disbursements from the Loan Account only upon receipt of a Requisition duly executed by an Authorized Participating Authority Representative.

At any time consistent the Indenture and the Loan Agreement, the Participating Authority may direct the Trustee, with notice to the Administration, pursuant to a Requisition, to apply amounts in the Loan Account and other funds of the Participating Authority as may be necessary to the redemption, purchase or retirement of a portion of the Series 2003 Bonds in accordance with their terms.

Whenever so directed in a Certificate of the Administration, the Trustee shall make payments from the Loan Account to the federal government in accordance with the Code to the extent necessary to comply with the Participating Authority's obligations with respect to rebate as set forth in the Participating Authority Tax Certificate.

Revenue Account

The Trustee shall receive from HUD, for deposit in the Revenue Account, Revenues in the amount of the Loan Debt Service due in accordance with the schedule attached to the Loan Agreement (plus any previously unpaid Loan Debt Service and/or amounts required to restore the Liquidity Account to the Liquidity Account Requirement). Such amounts shall be transferred by the Trustee first, to the extent funds in the Liquidity Account are less than the amount of the Liquidity Account Requirement, to the Liquidity Account, in an amount sufficient to bring the amount on deposit in the Liquidity Account up to the Liquidity Account Requirement, second, an amount equal to any previously unpaid debt service on the Series 2003 Bonds attributable to the Participating Authority that was not paid from amounts transferred from the Liquidity Account, to the Trustee in its capacity as Trustee for the Series 2003 Bonds for deposit in accordance with the terms of the Indenture, third, an amount equal to that shown in the schedule attached to the Loan Agreement as the amount due on the Bonds for the such Payment Date, to the Trustee in its capacity as Trustee for the Series 2003 Bonds for deposit in accordance with the terms of the Indenture, and fourth, the amount shown in the schedule attached to the Loan Agreement to the Administration, in payment of the Administration's Fee plus any amount then due to the Administration for the Administration's Fee that has not been paid. Any excess remaining after the foregoing deposits shall be transferred to the Loan Account. For purposes of the Loan Agreement, the amount of any money transferred from the Liquidity Account to pay Loan Debt Service shall be credited against Loan Debt Service payments due.

Liquidity Account

The Trustee shall make disbursements from the Liquidity Account on each Payment Date, in an amount equal to the amount of the Loan Debt Service payment due on such Payment Date, less (i) any amount on deposit in the Revenue Account for such Loan Debt Service payment and (ii) the amount of the Administration's Fee on such Payment Date.

In the event the amount on deposit in the Liquidity Account on any Payment Date (after taking into account any amounts to be paid from the Liquidity Account for Loan Debt Service on such date) is less than the Liquidity Account Requirement, funds shall be deposited therein to the extent of any such deficiency, and notice of such deficiency shall be given to the Rating Agency. Amounts on deposit in the Liquidity Account shall also be applied in conjunction with the final payment of amounts due on the Loan. Before application of amounts in the Liquidity Account, the Trustee will determine the amount of the final debt service payment due on the Loan and to the extent amounts in the Liquidity Fund will be insufficient to pay such amount, the Participating Authority will insure that an amount sufficient to pay such shortfall is included in its applicable Annual ACC Amendment and Annual Plan. To the extent moneys on deposit in the Liquidity Account exceed the Liquidity Account Requirement, the Administration shall direct the Trustee in writing to transfer such excess to the Loan Account, except that any amount remaining in the Liquidity Account which is in excess of the Liquidity Account Requirement after the Participating Authority's Loan been paid in full and any other amounts due and owing to the Administration under the Loan Agreement have been paid, shall be paid to the Participating Authority for application in accordance with the Capital Fund Program, *provided* that no such transfer shall be made until there shall have been filed with the Trustee (a) a statement by an Authorized Administration Representative that there are no funds owing to the Administration under the Loan Agreement, and (b) a Bond Counsel's Opinion to the effect that such transfer will not adversely affect the exclusion of interest on the Series 2003 Bonds from gross income for federal income tax purposes.

The amount on deposit in the Liquidity Account that equals or exceeds the Liquidity Account Requirement, after payment of Loan Debt Service on each Payment Date shall be transferred to the Loan Account.

Representations and Warranties

Among other representations and warranties, the Participating Authority represents and warrants to the Administration that it has the authority to enter into the Loan and that it will comply with applicable law and the Program Guidelines.

The Participating Authority shall administer, operate and perform all acts and things required to administer, operate and maintain the Participating Authority Spending Plan in compliance with the Capital Fund Program and in such manner as to ensure that the Participating Authority Spending Plan will benefit, to the fullest extent permitted by applicable law, from the Capital Fund Program. The Participating Authority shall comply with the requirements of the Capital Fund Program, including, but not limited to, the submission to HUD of all required annual and multi-year plans and compliance with any deadlines for the obligation and/or expenditure of Capital Funds. The Participating Authority will not (i) amend or modify the Capital Fund Financing Amendment or (ii) reduce the number of public housing units owned by the Participating Authority (except to the extent required by HUD or Federal law, or as set forth in the Participating Authority's Annual Plan and 5-year Plan approved by HUD and the Administration on the date of the Loan Agreement), if the effect of such amendment, modification or reduction would be to impair or reduce the security for the Series 2003 Bonds.

The Participating Authority covenants and agrees that it will not make any additional pledge of Capital Grant Funds of the Participating Authority (other than a pledge to secure additional bonds issued on behalf of the Participating Authority under the Master Indenture, if any) (i) except on a subordinate basis to the pledge of Capital Grant Funds given to secure loans (including the Loan) financed by bonds issued under the Master Indenture, and (ii) only after receiving confirmation from each Rating Agency that such issuance will not adversely affect the then current unenhanced rating of bonds financed under the Master Indenture.

Disbursement of Proceeds of Loan

The Net Loan Proceeds shall be disbursed to pay the Eligible Costs in accordance with the following provisions of the Loan Agreement.

None of the proceeds of the Loan may be used to pay any cost that is not permitted by the Code, the Act, the Capital Fund Program or the Loan Agreement.

Except as otherwise provided in the Loan Agreement, each disbursement of proceeds of the Loan shall be made only upon the receipt by the Trustee of a Requisition executed by the Authorized Participating Authority Representative.

In making any disbursement of Loan proceeds, the Administration and the Trustee may rely on any Requisitions and certifications delivered to it pursuant to the Loan Agreement, and the Administration and the Trustee shall be relieved of all liability with respect to making payments in accordance with those Requisitions and certifications. Each Requisition submitted pursuant to the Loan Agreement, and each receipt of the disbursement requested thereby, shall constitute an affirmation that the representations and warranties of the Participating Authority set forth in the Requisition are true and correct in all material respects as of the date of the Requisition. Such representations and warranties include that all funds drawn pursuant to the Requisition (i) are or will be used for the payment of costs that are “Development Costs” for a “Community Development Project” pursuant to the Act, (ii) will be used with respect to a public housing development (as defined in the 1937 Act) that is 100% owned and managed by the Participating Authority, (iii) will be used in compliance with the Participating Authority’s Tax Certificate submitted to the Administration in connection with the closing of the Loan for Federal tax purposes and (iv) are drawn for costs reflected in the Participating Authority’s Annual Plan and 5-Year Plan as approved by HUD.

No approval or any other action or inaction, including, any inspection of the use of the proceeds of the Loan shall constitute a warranty or representation by the Administration or any of its Agents as to the technical sufficiency, adequacy, or safety of any structure or any of its component parts, including any fixtures, equipment, or furnishings, nor shall any approval or inspection constitute a warranty or representation as to the subsoil conditions or any other physical condition or feature pertaining to any property financed with the proceeds of the Loan. The Administration’s approval of the Participating Authority Spending Plan, the making of the Loan, and its execution and delivery of the Series 2003 Bonds shall not constitute any approval by the Administration of any zoning, use, planning, building permit, or other similar approvals relating to the Participating Authority Spending Plan.

Arbitrage Rebate

The Participating Authority will comply with the requirements with respect to arbitrage rebate as set forth in the Participating Authority Tax Certificate.

Evidence of Insurance; Covenant to Rebuild; Condemnation

The Participating Authority will maintain an owner's policy of insurance covering its properties against hazards such as fire, flood, earthquake and other hazards commonly insured against for properties similar to the properties being built or improved with proceeds of the Loan and meeting the requirements of HUD. Upon request, the Participating Authority will provide the Administration with evidence that the Participating Authority is the beneficiary of such insurance (the "Insurance").

In the event that any of the Participating Authority's public housing units are damaged or destroyed, or taken by eminent domain, the Participating Authority agrees to apply the proceeds of any Insurance or condemnation award ("Insurance/Condemnation Proceeds") received with respect thereto to the repair, rebuilding or replacement of the affected property to the extent permissible under law.

If for any reason repair, rebuilding or replacement is not permitted with respect to any such destroyed or damaged units, the Participating Authority agrees that the Loan will become due and payable to the extent of Insurance/Condemnation Proceeds received in the event that any Rating Agency determines that the failure to apply such proceeds to the redemption of the Series 2003 Bonds would result in a reduction or withdrawal of the underlying rating on the Series 2003 Bonds.

Events of Default

The following events shall be Events of Default under the Loan Agreement:

(a) the Participating Authority fails to pay, or Revenues from HUD are insufficient to pay, when due and payable (i) the principal of, premium, if any, or interest or any other charges or sums under the Loan (whether upon maturity, on any installment payment date, after notice of prepayment, by call for redemption or otherwise), or (ii) any other payment required by the Loan Agreement to be paid by the Participating Authority;

(b) the Participating Authority defaults in the punctual observance or performance of any other agreement or obligation under any of the Documents (other than the Loan Agreement), and the default remains unremedied for 30 days (or other cure period specified in such Document) after Notice to the Participating Authority of the default. If the default cannot be corrected within 30 days (or other applicable cure period), it shall not be an Event of Default if the Participating Authority is taking appropriate corrective action to cure the default and cures such default within 90 days.

(c) the Participating fails to execute the Annual ACC Amendment (or Annual Plan or any other document) in sufficient time and in an amount sufficient to insure payment of each semiannual Loan Debt Service payment, or

(d) the Participating Authority shall fail or refuse to comply with the provisions of the Loan Agreement, or shall default in the performance or observance of any of the covenants, agreement or conditions on its part contained in the Loan Agreement, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Administration, the Trustee or the Owners of not less than 25% in principal amount of the outstanding Series 2003 Bonds (as defined in the Indenture).

Remedies on Default

Whenever any Event of Default occurs, the Administration or the Trustee (and, with respect to a default under the provision of the Loan Agreement summarized in paragraph (a) under "Events of Default" above, the Bond Insurer) upon the delivery of Notice to the Participating Authority, may (and, in the case of an Event of Default described in paragraph (a) under "Events of Default" above, shall):

(a) Legal Action.

(i) by mandamus or other proceeding at law or in equity, enforce all rights of the Administration or the Trustee under the Loan Agreement and require the Participating Authority to carry out any agreement with or for the benefit of the Administration or the Trustee and to perform its duties under the Loan Agreement, including, and without limitation of any sort, the preparation, submission and execution of any documents required in order to ensure the timely receipt of Capital Funds by the Trustee;

(ii) by action in equity, enjoin any acts that may be unlawful or in violation of the rights of the Administration or the Trustee; or

(iii) take any action at law or in equity necessary or desirable to collect the payments and other amounts then due and thereafter to become due, or exercise any rights or remedies under, or enforce performance and observance of, any obligation or agreement of the Participating Authority or any other party under the Loan Agreement or under any of the other Documents.

(b) Loan Proceeds. The Administration may apply any undisbursed Loan proceeds to the prepayment of the Series 2003 Bonds, subject to the prior written consent of HUD.

(c) Trustee to Enforce Rights of Administration. The Trustee and its successors and assigns may enforce every right granted to the Administration under the Loan Agreement. In any case where action by the Trustee requires simultaneous or subsequent action by the Administration, the Administration will cooperate with the Trustee and take any action necessary to effectuate the purposes and intent of the Loan Agreement.

Application of Moneys

All funds collected pursuant to the Loan Agreement shall, after payment of the cost of collection and the expenses, liabilities, and advances incurred or made by the Administration and the Trustee or others, including interest thereon as provided in the Loan Agreement, be applied as follows:

First - To the Revenue Account, for payment of all interest then due on the Loan;

Second - To the Revenue Account, for payment of the unpaid principal balance of the Loan;

Third - To the Liquidity Account, in an amount sufficient to bring the balance in such account up to the Liquidity Account Requirement;

Fourth - With respect to any amount transferred in accordance with the provision of the Loan Agreement summarized under "Remedies Upon Default - Loan Proceeds" above, paid to the Trustee for the Bonds for redemption of Bonds;

Fifth - To the payment of any other amounts due under the Loan Agreement; and

Sixth - Any remaining amounts may be returned to the Participating Authority or to HUD if the Trustee receives a notice from HUD to that effect.

Cure of Default

If upon any default or breach under the Loan Agreement, the Trustee or the Administration or any other party to this transaction exercises any of the remedies set forth in the Loan Agreement, and if the default or breach is remedied and all necessary charges and expenses incurred by reason of the default are paid to the satisfaction of the Trustee and the Administration, the parties shall each be restored to their former positions and rights under the Loan Agreement, and all rights, remedies, and powers of the Trustee and the Administration and the other parties to this transaction shall continue as though no such default or breach had occurred.

If the Loan shall be in default, and if the Participating Authority shall thereafter pay all outstanding amounts due, together with any penalties and costs due as a consequence of such default, said default shall be cured.

APPENDIX E
DTC AND BOOK ENTRY

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Administration or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

DTC may discontinue providing its services as depository with respect to the 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, Bonds certificates are required to be printed and delivered.

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

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

APPENDIX F
THE PARTICIPATING AUTHORITIES

The following table identifies the Participating Authorities and presents the amount of Capital Funds allocated to each Participating Authority by HUD for federal fiscal years 1997 through 2002.

The 1937 Act imposes a two year deadline for the obligation, and a four year deadline for the expenditure, of Capital Funds, absent an extension. Failure to meet these deadlines may result in the withholding or recapture of a Participating Authority's Capital Funds. See "RISK FACTORS RELATING TO THE BONDS - Withholding of Capital Funds; Recapture of Capital Funds." With the exception of the Housing Authority of Annapolis, each Participating Authority obligated and expended the Capital Funds described in the table below within the relevant deadlines imposed by the 1937 Act. The Housing Authority of Annapolis failed to obligate all of the Capital Funds allocated in 1999 until 3 months past the applicable deadline. Its Capital Fund allocation was reduced in 2002 pursuant to the penalties imposed by the 1937 Act.

Capital Fund Allocations to Participating Authorities, 1998-2002

Federal Fiscal Year	**Montgomery County Housing Opportunity Commission**	**Housing Authority of Baltimore City**	**Housing Commission of Anne Arundel County**	**Housing Authority of Prince George's County**	**Housing Authority of Annapolis**
2002	$2,666,441	$25,142,967	$1,448,826	$373,726	$1,582,827
2001	2,764,707	27,527,740	1,544,499	775,409	2,098,606
2000	2,710,591	29,650,319	1,513,811	435,167	2,056,702
1999	2,415,158	32,981,096	1,097,145	236,352	1,838,764
1998	2,138,092	29,939,982	932,732	207,690	1,600,443

The Montgomery County Housing Opportunity Commission is receiving a Loan of $2,850,000. The Housing Authority of Baltimore City is receiving a Loan of $78,685,000. The Housing Commission of Anne Arundel County is receiving a Loan of $6,150,000. The Housing Authority of Prince George's County is receiving a Loan of $1,465,000. The Housing Authority of Annapolis is receiving a Loan of $5,145,000.

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APPENDIX G
FORM OF CONTINUING DISCLOSURE AGREEMENT

Community Development Administration
Maryland Department of Housing and Community Development
Capital Fund Securitization Revenue Bonds
Series 2003

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of December 1, 2003, is executed and delivered by [NAME OF PHA] (the "PHA"), Community Development Administration, an agency of the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Issuer"), Manufacturers and Traders Trust Company, Baltimore, Maryland, in its capacity as Trustee, and Manufacturers and Traders Trust Company, Baltimore, Maryland (the "Dissemination Agent"), in connection with the issuance and sale by the Issuer of the captioned bonds (the "Bonds"). The Bonds are being issued pursuant to the Master Trust Indenture dated as of December 1, 2003 between the Issuer and the Trustee, as supplemented and amended by the First Supplemental Trust Indenture dated as of December 1, 2003 (collectively, the "Indenture").

Section 1. **Purpose of the Disclosure Agreement**. This Disclosure Agreement is being executed and delivered by the PHA, the Issuer, the Trustee and the Dissemination Agent for the benefit of the holders of the Bonds and in order to assist the "Participating Underwriter" (as defined below) in complying with the "Rule" (defined below). The PHA and the Dissemination Agent acknowledge that, except for reporting of the Listed Events relating to the Bonds pursuant to Section 5 hereof, the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

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

"Annual Report" means any Annual Report provided by the PHA pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Disclosure Representative" means the executive director of the PHA or his or her designee, or such other person as the PHA shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means Manufacturers and Traders Trust Company, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the PHA and the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

1. DPC Data Inc.
   One Executive Drive
   Fort Lee, New Jersey 07024
   (201) 346-0701 (phone)
   (201) 947-0107 (fax)
   E-mail: nrmsir@dpcdata.com

2. Standard & Poor's J.J. Kenney Repository
   55 Water Street
   45th Floor
   New York, New York 10041
   (212) 438-4595 (phone)
   (212) 438-3975 (fax)
   E-mail: nrmsir_repository@sandp.com

3. Bloomberg Municipal Repository
   100 Business Park Drive
   Skillman, New Jersey 08558
   (609) 279-3225 (phone)
   (609) 279-5962 (fax)
   Email: Munis@Bloomberg.com

4. FT Interactive Data
   Attn: NRMSIR
   100 William Street
   New York, NY 10038
   (212) 771-6999 (phone)
   (212) 771-7390 (fax- secondary market information)
   (212) 771-7391 (fax- primary market information)
   E-mail: NRMSIR@FTID.com

"Participating Underwriter" means UBS Financial Services Inc., and their successors and assigns.

"Repository" means each National Repository and each State Repository.

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

"State Repository" means any public or private repository or entity designated by the State of Maryland as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

"Tax-exempt" means that interest on the Bonds is excludable from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. Provision of Annual Reports.

(a) The PHA shall, or shall cause the Dissemination Agent to, not later than [INSERT DATE THAT IS 60 DAYS AFTER THE END OF PHA FISCAL YEAR] of each year, commencing in 2004, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If the Dissemination Agent is to provide such Annual Report to each Repository, not later than 15 Business Days prior to said date, the PHA shall provide the Annual Report to the Dissemination Agent. The PHA shall provide a written certification with the Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the PHA hereunder. The Dissemination Agent may conclusively rely upon such certification of the PHA. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the PHA may be submitted separately from the balance of the Annual Report. The Dissemination Agent's obligation to deliver the information at the times and with the contents described above shall be limited to the extent the PHA has provided such information to the Dissemination Agent as required hereby.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the PHA in writing to inquire if the PHA is in compliance with subsection (a).

(c) If the PHA does not provide a written certification to the Dissemination Agent to the effect that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any (insofar as determinations regarding the National Repositories are concerned, the Dissemination Agent may conclusively rely on the list of National Repositories maintained by the United States Securities and Exchange Commission); and

(ii) to the extent the PHA has provided the Annual Report to the Dissemination Agent, file a report with the PHA and the Issuer certifying that the information represented to the Dissemination Agent by the PHA as the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

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

1. the level of Capital Funds allocated to the PHA by HUD;

2. changes in the Capital Fund Program materially affecting the level of funding to the PHA;

3. statutory or regulatory changes in the Capital Fund formula materially affecting the level of funding to the PHA;

4. any material change in direct payment of debt service funds for payment of the Bonds to the Trustee; and

5. an update of the information and operating data relating to the PHA contained in the following sections of the Official Statement dated November 21, 2003 relating to the Bonds:

(i) "CAPITAL FUND PROGRAM,"
(ii) "THE PARTICIPATING AUTHORITIES," and
(iii) "EXHIBIT F – THE PARTICIPATING AUTHORITIES."

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the PHA is an obligated person (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The PHA will clearly identify each such other document so incorporated by reference.

Section 5. <u>Reporting of Significant Events</u>.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(1) Principal and interest payment delinquencies on the Bonds;

(2) Non-payment related defaults on the Bonds;

(3) Unscheduled draws on debt service reserves relating to the Bonds reflecting financial difficulties of any of the Participating Authorities;

(4) Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties of any of the Participating Authorities;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to rights of Bondholders;

(8) Bond redemptions (other than pursuant to mandatory sinking fund redemption);

(9) Defeasance of the Bonds;

(10) Release, substitution, or sale of property securing repayment of the Bonds; and

(11) Rating changes on the Bonds.

(b) The Trustee shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (8) or (9) in which case the Trustee shall notify the Dissemination Agent) contact the Issuer and the Disclosure Representative, inform such persons of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). It is agreed and understood that the duty to make the disclosures pursuant to this Section 5 is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Trustee has agreed to give the foregoing notice to the Issuer as an accommodation to assist them in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. For purposes of this Disclosure Agreement, actual knowledge of such Listed Events shall mean knowledge by an officer of the Trustee at its Designated Corporate Trust Office with responsibility for matters related to the Indenture.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall within five Business Days make a determination as to whether such event would constitute material information, within the meaning of such term under federal securities laws, for Holders of Bonds, provided, that any event under subsection (a)(11) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information.

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer, to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with each Repository with a copy to the Issuer. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1), (8) or (9) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(8) and (9) shall not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The obligations of the PHA, the Issuer, the Dissemination Agent and the Trustee under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the PHA's obligations under the Bond financing documents are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the PHA, and the original PHA shall have no further responsibility hereunder.

Section 7. Dissemination Agent. The PHA and the Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days written notice to the PHA and the Issuer.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the PHA, the Issuer, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the PHA and the Issuer) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the PHA, the Issuer, and the Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Trustee, the Issuer, the PHA or the Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Section 9. **Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the PHA or the Issuer (as to Section 5 hereof) from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the PHA chooses to include any information in any Annual Report or if the Issuer chooses to include any information in any notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the PHA or the Issuer, as applicable, shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. **Default**. In the event of a failure of the PHA, the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee at the written direction of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, solely to the extent indemnified to its satisfaction (including attorney fees and expenses), or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the PHA, the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the PHA, the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. **Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** Neither the Trustee nor the Dissemination Agent shall have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the PHA agrees to indemnify and save the Dissemination Agent and the Trustee and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review or verify any information provided to it by the PHA or the Issuer or to determine the materiality of a Listed Event and shall not be deemed to be acting in any fiduciary capacity for the PHA, the Issuer, Bondowners or any other party. The Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Dissemination Agent a Listed Event. The obligations of the PHA under this Section shall survive resignation or removal of the Dissemination Agent or Trustee and payment of the Bonds.

The Trustee and the Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Issuer shall pay the Dissemination Agent from the Trustee's Fee under the Indenture.

UNDER NO CIRCUMSTANCES SHALL THE TRUSTEE OR THE DISSEMINATION AGENT BE LIABLE TO A BONDHOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER

PERSON, IN CONTRACT OR IN TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE TRUSTEE OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OR ANY COVENANT SPECIFIED IN THIS AGREEMENT. EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NOTHING HEREIN SHALL, HOWEVER, LIMIT A BONDHOLDER'S OR BENEFICIAL OWNER'S RIGHTS UNDER OTHER APPLICABLE SECURITIES LAWS. THE TRUSTEE IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

Section 12. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Issuer, the PHA, the Trustee, the Dissemination Agent, the Participating Underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

Manufacturers and Traders Trust Company,
as Dissemination Agent

By: ______________________________________
____

Manufacturers and Traders Trust Company,
as Trustee

By: ______________________________________
_____________, Corporate Trust Officer

[NAME OF PHA]

By ______________________________
Name: __________________________
Its: _____________________________

Community Development Administration
Maryland Department of Housing and
Community Development

By ______________________________
Name: __________________________
Its: _____________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Development Administration, Maryland Department of Housing and Community Development

Name of Bond Issue: Maryland Department of Housing and Community Development
Capital Fund Securitization Revenue Bonds
Series 2003
____
____

Name of PHA: [NAME OF PHA]

Obligated Person: PHA

Date of Issuance: _____________, 2003

NOTICE IS HEREBY GIVEN that the PHA has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of October 1, 2003, among the PHA and Manufacturer's and Trader's Trust Company, as trustee and as dissemination agent. The PHA has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated: ______________________________

Manufacturer's and Trader's Trust Company,
as Dissemination Agent

____

cc: PHA

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022
(212) 826-0100

Form 500NY (5/90)

APPENDIX I
FORM OF BOND COUNSEL OPINION

December ___, 2003

Community Development Administration
Maryland Department of Housing and
Community Development
100 Community Place
Crownsville, Maryland 21032

$_______________
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Capital Fund Securitization Revenue Bonds
Series 2003

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the government of the State of Maryland (the "State"), in connection with the issuance and sale of $____________ aggregate principal amount of its Capital Fund Securitization Revenue Bonds, Series 2003 (the "Offered Bonds").

The Offered Bonds are being issued under and pursuant to (1) Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act"), (2) the Master Trust Indenture dated as of December 1, 2003, between the Administration and Manufacturers and Traders Trust Company (the "Trustee") (the "Master Trust Indenture") and (3) the First Supplemental Trust Indenture dated as of December 1, 2003, between the Administration and the Trustee (the "Supplemental Trust Indenture"). The Master Trust Indenture and the Supplemental Indenture are referred to collectively as the "Indenture." Section 2-204(15) of the Act authorizes the Administration to "administer a program of financial assistance for community development projects" and to fund such program by "bonds... of the Administration." In addition, Section 2-206 authorizes the Administration to "carry out any... of its purposes... through the expenditure of the proceeds of bonds... issued by the Administration." The Bonds are being issued to finance those community development projects that constitute "public housing" within the meaning if the U.S. Housing Act of 1937. The Director of the Administration determined, pursuant to Section 2-206(c) of the Act, that the issuance of the Offered Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of Housing and Community Development. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Indenture or the Act.

Applicable Federal tax law establishes certain requirements which must be met subsequent to the delivery of the Offered Bonds in order to assure that interest on the Offered Bonds will be and will remain excludable from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). The Administration has covenanted in the Indenture to at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest on the Offered Bonds will be and will remain excludable from gross income for Federal income tax purposes. The Administration has also delivered a certificate dated the date of this opinion containing representations, provisions and procedures relating to compliance with the requirements of the Code. Noncompliance by the Administration with such provisions and procedures may require the inclusion of interest on the Offered Bonds in gross income for Federal income tax purposes retroactive to the date of issuance, regardless of when such noncompliance occurs or is discovered. In rendering this opinion, we have assumed compliance by the Administration with the aforementioned covenant and representations, provisions and procedures set forth in the aforementioned certificate.

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 an agency in 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 make Loans to Participating Authorities pursuant to Loan Agreements, to issue the Offered Bonds to provide funds therefor and to perform its obligations under the terms and conditions of the Indenture.

2) The Indenture 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 Offered 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 Indenture and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Indenture. The Indenture 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 Indenture, subject only to the provisions of the Indenture permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4) Under existing law, interest on the Offered Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which such Offered Bond is held by a person who is a "substantial user" of the facilities financed with the Bond proceeds or a "related person" to such a substantial user, both within the meaning of Section 147(a) of the Code. In addition, interest on the Offered Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; however, such interest is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5) 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 franchise taxes or estate or inheritance taxes.

6) For any Offered Bonds issued at an "original issue discount," original issue discount that has accrued and is properly allocable to the owners of such Offered Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Offered Bonds.

The foregoing opinion is qualified only to the extent that the enforceability of the Offered Bonds and the Indenture 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 Offered Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

Very truly yours,

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