

NEW ISSUE

OFFICIAL STATEMENT

In the opinion of Bond Counsel, interest on the Series A Bonds is excludable from gross income for federal income tax purposes under existing laws, regulations, rulings and judicial decisions. In addition, Bond Counsel is of the opinion that interest on the Series A Bonds is not a specific item of tax preference for purposes of the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended. A discussion of the requirements for, extent of, and exclusions or exceptions to such exclusion from gross income is contained under "Tax Exemption" herein. Bond Counsel is of the opinion that the Series A Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, or by any of its political subdivisions, municipal corporations, or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes.

\$11,790,000

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT COMMUNITY DEVELOPMENT ADMINISTRATION

Local Government Infrastructure Bonds

(Ambac Insured)

2002 Series A

Dated: March 1, 2002

Due: June 1, as shown below

The Series A Bonds are issuable only as fully registered bonds and initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series A Bonds. Purchases of the Series A Bonds will be in book-entry form only, in principal amounts of \$5,000, or any integral multiple thereof. Interest on the Series A Bonds is payable June 1, 2002 and semiannually thereafter on June 1 and December 1 of each year to DTC by Allfirst Bank, Baltimore, Maryland, Trustee and Registrar. DTC will remit such payments to participating financial organizations for subsequent disbursement to beneficial owners of the Series A Bonds. Additional information is contained under the caption "The Series A Bonds" herein.

The Series A Bonds are subject to redemption prior to maturity at the time, under the conditions and at the prices set forth under "The Series A Bonds" herein.

The Bonds are special obligations of the Community Development Administration (the "Administration"), an agency in the Division of Development Finance of the Maryland Department of Housing and Community Development (the "Department"), payable solely from the Revenues and property of the Administration pledged therefor under the Bond Resolution providing for the issuance of the Bonds. 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.

\$9,120,000 Serial Bonds

Interest				Interest				Interest			
<u>Year</u>	<u>Amount</u>	<u>Rate%</u>	<u>Yield%</u>	<u>Year</u>	<u>Amount</u>	<u>Rate%</u>	<u>Yield%</u>	<u>Year</u>	<u>Amount</u>	<u>Rate%</u>	<u>Yield%</u>
2003	\$320,000	3.000	1.580	2010	\$400,000	3.850	3.910	2017	\$540,000	4.550	4.660
2004	330,000	3.000	2.240	2011	425,000	3.950	4.010	2018	525,000	4.650	4.750
2005	340,000	3.000	2.740	2012	440,000	4.000	4.110	2019	550,000	4.700	4.820
2006	355,000	3.250	3.050	2013	450,000	4.150	4.250	2020	580,000	4.750	4.870
2007	365,000	3.300	3.360	2014	470,000	4.250	4.370	2021	610,000	4.800	4.900
2008	380,000	3.500	3.570	2015	495,000	4.350	4.470	2022	640,000	4.800	4.920
2009	395,000	3.700	3.780	2016	510,000	4.450	4.570				

\$1,175,000 5.00% Term Bonds due June 1, 2027 to Yield 5.000% - Price 100.000%

\$1,495,000 5.00% Term Bonds due June 1, 2032 to Yield 5.030% - Price 99.528%

(Accrued interest to be added)

Payment of the principal of and interest on the Series A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series A Bonds.

Ambac

The Series A Bonds are offered for delivery when, as and if issued, subject to the opinion of Miles & Stockbridge P.C., Baltimore, Maryland, Bond Counsel, as to the validity of the Series A Bonds and the excludability from gross income of interest thereon for federal income tax purposes. 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. It is expected that the Series A Bonds in definitive form will be available for delivery to DTC in New York, New York on or about March 14, 2002.

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

No dealer, broker, salesman or other person has been authorized by the Administration to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Administration and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Administration or the Local Governments since the date hereof.

TABLE OF CONTENTS

	Page		Page
INTRODUCTION	1	APPENDIX A - THE DEPARTMENT	
THE SERIES A BONDS	2	AND THE ADMINISTRATION	A-1
General Description	2	General Information	A-1
Application of Series A Bond Proceeds	2	Principal Executive Officers	A-2
Redemption Provisions	3	Senior Staff of the Administration	A-3
DTC and Book Entry	4	Other Programs of the Department	A-3
Definitive Bonds	5	Outstanding Bonds	A-5
SECURITY FOR THE BONDS	6	APPENDIX B - THE PROGRAM	B-1
Local Obligations	6	General	B-1
Additional and Subordinated Bonds	7	Infrastructure Loans	B-2
BOND INSURANCE	7	Security for Infrastructure Loans	B-3
Payment Pursuant to Financial Guaranty Insurance Policy	7	Factors Affecting Infrastructure Loans	
The Insurer	8	or the Bonds	B-4
Available Information	8	APPENDIX C - LOCAL GOVERNMENTS	
Incorporation of Certain Documents by Reference	9	AND LOCAL OBLIGATIONS	C-1
TAX EXEMPTION	10	Infrastructure Loans Expected to be Financed	
Federal Law	10	with the Proceeds of the Series A Bonds	C-1
Tax Treatment of Original Issue Discount	11	Financial Information of Local Governments	C-1
Tax Treatment of Premium	12	APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF	
State and Local Tax Exemption	12	THE BOND RESOLUTION	D-1
Taxable Bonds	12	Certain Definitions	D-1
LITIGATION	12	Contract with Trustee and Bondholders	D-4
LEGAL MATTERS	12	Additional Obligations	D-4
LEGALITY FOR INVESTMENT	12	Temporary Accounts	D-5
COMPETITIVE SALE	13	Loan Fund and Loan Accounts	D-5
RATINGS	13	Deposit into Funds and Accounts	D-6
SECONDARY MARKET DISCLOSURE	13	Funds and Accounts	D-6
MISCELLANEOUS	15	Investment of Funds and Accounts	D-8
Summaries and Descriptions in this Official Statement	15	Discharge of Lien of Bond Resolution	D-9
Financial Advisor	15	Events of Default	D-10
Selection and Compensation of Professionals	15	Remedies; Rights of Bondholders	D-10
		Supplemental Bond Resolutions	D-11
		Trustee	D-12
		Publication of Notices	D-13
		APPENDIX E - PROPOSED FORM OF OPINION OF BOND	
		COUNSEL	E-1
		APPENDIX F - NOTICE OF SALE	F-1
		APPENDIX G - FORM OF AMBAC FINANCIAL	
		GUARANTY INSURANCE POLICY	G-1

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

THE INITIAL PUBLIC OFFERING PRICES SET FORTH ON THE COVER OF THIS OFFICIAL STATEMENT MAY BE CHANGED BY THE PURCHASERS, AND THE PURCHASERS MAY OFFER TO SELL THE SERIES A BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE OFFERING PRICE AS SET FORTH ON THE COVER PAGE.

OFFICIAL STATEMENT

of the

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

**Relating to
\$11,790,000**

**Local Government Infrastructure Bonds
(Ambac Insured)
2002 Series A**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices, is to set forth information in connection with the sale by 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"), of its Local Government Infrastructure Bonds (Ambac Insured), 2002 Series A (the "Series A Bonds"). The Administration is authorized to issue the Series A Bonds pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act"); a resolution providing for the issuance of Local Government Infrastructure Bonds (Ambac Insured) adopted by the Administration as of February 1, 2002 (the "Bond Resolution") and appointing Allfirst Bank, Baltimore, Maryland, as trustee (the "Trustee"); and a series resolution authorizing the issuance of the Series A Bonds which will be adopted by the Administration prior to the issuance of the Series A Bonds (the "Series Resolution"). The Bond Resolution and the Series Resolution are collectively called the "Resolutions".

The Series A Bonds are the first Series of Bonds issued under the Bond Resolution. The Bond Resolution provides for the issuance of additional Bonds which will be on a parity with the Series A Bonds and will be equally and ratably secured under the Bond Resolution. The Series A Bonds and any additional Bonds issued under the Bond Resolution on a parity are referred to collectively as the "Bonds." The Bond Resolution also allows the issuance of Subordinate Bonds which will not be on a parity with the Bonds.

The Bond Resolution authorizes the Administration to issue Bonds to provide funds to finance or refinance loans or portions of loans to, or to purchase obligations of (collectively, the "Infrastructure Loans") Local Governments (as such term is defined in the Bond Resolution, see Appendix D - "Summary of Certain Provisions of the Bond Resolution - Certain Definitions") participating in the Program. The Infrastructure Loans are to be funded with proceeds of the Bonds, for any undertaking, project or facility that is planned, acquired, owned, developed, constructed, reconstructed, rehabilitated, or improved by or on behalf of one of the State's 23 counties and Baltimore City (a "County") or a municipal corporation in Maryland subject to the provisions of Article XI-E of the Maryland Constitution (a "Municipality") in order to provide the essential physical elements that constitute the basis of the public service system (the "Infrastructure Projects") and to pay bond issuance costs. Each Infrastructure Loan must be evidenced by bonds, notes, repayment agreements, instruments or other obligations of the Local Government (the "Local Obligations") approved in writing by Ambac Assurance Corporation ("Ambac"). The Bond Resolution requires that prior to the issuance of the Bonds, the Administration obtain a financial guaranty insurance policy on the Bonds (the "Policy") from Ambac.

The Series Resolution authorizes the issuance of the Series A Bonds to finance an aggregate principal amount of \$11,790,000 of Infrastructure Loans for seven Local Governments.

Brief descriptions of the Series A Bonds, the security for the Bonds and the Policy are included in this Official Statement. Descriptions of the Department and the Administration and the Program can be found in Appendices A and B, respectively, to this Official Statement. A list of the Local Governments and Infrastructure Projects the Administration expects to finance with the proceeds of the Series A Bonds is included in this Official Statement in Appendix C. A summary of certain provisions of the Bond Resolution is included in this Official Statement as Appendix D and the proposed form of the opinion of Bond Counsel is included in this Official Statement as Appendix E. The Notice of Sale and form of bid proposal are included in this Official Statement as Appendix F. A copy of the form of the Policy is included in this Official Statement as Appendix G. **The appendices to this Official Statement constitute a part of this Official Statement and contain information which any potential investor should read in conjunction with the other parts of this Official Statement in order to make an informed investment decision.**

Certain capitalized terms are defined in Appendix D - "Summary of Certain Provisions of the Bond Resolution - Certain Definitions". Capitalized terms not otherwise defined herein are used as defined in the Resolutions. All references herein to the Resolutions and other documents and agreements are qualified in their entirety by reference to such documents and agreements, and references herein to the Series A Bonds are qualified in their entirety by reference to the form thereof included in the Series Resolution and the information with respect thereto included in the Resolutions, documents and agreements, copies of which are available for inspection at the office of the Administration located at 100 Community Place, Crownsville, Maryland 21032-2023. Inquiries for documents or concerning this Official Statement should be directed to Anne P. Konrad, Director, Finance, at 410-514-7326 or konrad@dhcd.state.md.us.

THE SERIES A BONDS

General Description

The Series A Bonds will be dated March 1, 2002. The Series A Bonds will be issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Series A Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series A Bonds. Purchases of the Series A Bonds will be in book-entry form only. See "DTC and Book-Entry" below for a description of DTC and the book-entry system. The Series A Bonds will mature in the years and amounts set forth on the cover page of this Official Statement and will bear interest from March 1, 2002, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2002, to DTC by Allfirst Bank, Baltimore, Maryland, the Trustee. If any such dates are not business days, then such payments will be made on the next business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Application of Series A Bond Proceeds

The proceeds of the sale of the Series A Bonds (exclusive of accrued interest which will be deposited in the Revenue Fund) will be applied and deposited as follows:

Infrastructure Loan Fund	\$11,790,000
Total Series A Bonds	\$11,790,000

The costs of issuance (including bond insurance costs) relating to the Series A Bonds will be paid from the proceeds of the Infrastructure Loans or other sources.

Redemption Provisions

Sinking Fund Redemption. The Series A Term Bonds maturing on June 1, 2027, are subject to mandatory redemption in part by lot on June 1, 2023 and on each June 1 thereafter to and including June 1, 2027, at the principal amount thereof, plus accrued interest to the redemption date, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2023	\$210,000	2026	\$245,000
2024	225,000	2027 (final maturity)	260,000
2025	235,000		

The Series A Term Bonds maturing June 1, 2032, are subject to maturity redemption in part by a lot on June 1, 2028, and on each June 1 thereafter to and including June 1, 2032, at the principal amount thereof, plus accrued interest to the redemption date, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2028	\$270,000	2031	\$315,000
2029	285,000	2032 (final maturity)	330,000
2030	295,000		

Optional Premium Redemption. The Series A Bonds are subject to redemption, at the option of the Administration, in whole or in part at any time, on or after June 1, 2012, at the principal amount thereof, plus accrued interest thereon.

Special Redemption. The Series A Bonds are subject to special redemption at the principal amount thereof, plus accrued interest thereon, at the option of the Administration, in whole or in part, at any time, without premium from (1) Series A Bond proceeds deposited in the Infrastructure Fund and not used to finance an Infrastructure Loan, and (2) amounts on deposit in the Surplus Fund.

General Provisions. Any Bonds to be purchased or redeemed, except by a Sinking Fund Installment, shall be purchased or redeemed only upon receipt by the Trustee of a certificate signed by an Authorized Officer which sets forth the following: (1) the Series of Bonds to be purchased or redeemed, (2) the maturities within such Series from which Bonds are to be purchased or redeemed, (3) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed, (4) the amount, if any, to be transferred from other moneys to pay applicable redemption premiums or purchase prices, and (5) if any of the Bonds to be purchased or redeemed are Term Bonds, the years in which and amounts by which the applicable Sinking Fund Installments are to be reduced.

If more than one Series of Bonds is outstanding, the Administration may choose any outstanding Series of Bonds and maturities within such Series to be redeemed from prepayments of Infrastructure Loans or from moneys in the Surplus Fund; under such circumstances, there can be no assurance that any particular Series of Bonds or maturity within a Series of Bonds will not be called for redemption.

Not fewer than 30 days before the date fixed for redemption, notice of redemption is to be given as provided in the Bond Resolution (see Appendix D - "Summary of Certain Provisions of the Bond Resolution - Publication of Notices"), but failure to give any such notice will not affect the validity of any proceedings for redemption of other Bonds of such Series. The Administration may provide in a Series Resolution for shorter or longer periods for the publication of redemption notice for any Series of Bonds, including, without limitation, redemption of any Series of Bonds with no prior notice to Bondholders. If fewer than all of the Bonds of a Series having the same maturity are called for redemption, the particular Bonds or units of fully registered Bonds to be redeemed are to be selected by the Trustee by lot using such method of selection as it

shall deem proper pursuant to the Bond Resolution. All Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered Outstanding under the Bond Resolution, provided that funds sufficient for the redemption of such Bonds are deposited with the Trustee. Upon presentation and surrender of Bonds called for redemption at the place or places of payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such Bonds are to be paid and redeemed. See "DTC and Book-Entry" below for a description of redemption procedures under DTC's book-entry system.

The Administration has covenanted that it will not, at any time, cause Bonds to be purchased or redeemed, if this would have any material adverse effect on its ability to pay, when due, the principal of and interest on the Bonds Outstanding after such purchase or redemption. Accordingly, the Administration will select the maturities within each Series of Bonds to be purchased or redeemed (which may include maturities with the highest interest rate) in a manner which will enable the Administration to pay, when due, such principal and interest.

DTC and Book Entry

At the time of delivery of the Series A Bonds, DTC will act as securities depository for the Series A Bonds. The ownership of one fully registered Series A Bond for each maturity, in the aggregate principal amount of such maturity, initially will be registered in the name of Cede & Co., as nominee for DTC, or such other name as may be requested by an authorized representative of DTC, and deposited with DTC or its designated custodian. DTC 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, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement of securities transactions among Participants, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Certain Direct Participants, the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. own DTC. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series A Bonds under the DTC system must be made by or through brokers and dealers who are Direct Participants, which will receive a credit for the Series A Bonds on DTC's records. The ownership interest of the actual purchaser of each Series A Bond (the "Beneficial Owner") is in turn to be recorded on the records of the Direct or Indirect Participants. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 Series A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners. **Beneficial Owners will not receive physical delivery of certificates representing their ownership interest in any of the Series A Bonds, and will not be, or be considered to be, owners thereof under the Resolutions, except in the event that use of the book-entry system for any of the Series A Bonds is discontinued.**

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

The Trustee will make payments of principal of, redemption premium, if any, and interest on the Series A Bonds to DTC or its nominee, Cede & Co., or such other DTC nominee, as registered owner of the Series A Bonds. DTC's current practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not

receive payment on the payable date. 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. Disbursement of principal, premium (if any) and interest to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners entitled thereto is the responsibility of Direct and Indirect Participants. DTC, the Trustee and the Administration are not responsible for and make no representations concerning the manner of, or any charges that may be associated with, payments by Direct Participants or Indirect Participants to Beneficial Owners.

The Trustee and the Administration, so long as a book entry system is used for the Series A Bonds, will send any notice of redemption or other notices only to DTC or its nominee as the registered owner of the Series A Bonds. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Direct Participant, an Indirect Participant or otherwise) to notify the Beneficial Owner of any such notice and its content or effect will not affect the validity of the redemption of any of the Series A Bonds called for redemption or of any other action premised on such notice.

Redemption of portions of any maturity of the Series A Bonds by the Administration will reduce the outstanding principal amounts of such maturity held by DTC. In the event of a redemption of less than the entire outstanding maturity of any of the Series A Bonds, DTC’s current practice is to determine by lot the amount of the interest of each Direct Participant in the Series A Bonds to be redeemed, and the Direct Participants and Indirect Participants will implement a redemption of the appropriate Series A Bonds for the Beneficial Owners. Selection of any of the Series A Bonds to be redeemed will not be governed by the Resolutions and will not be conducted by the Administration or the Trustee.

DTC, Cede & Co. or such other DTC nominee will not consent or vote with respect to the Series A Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Administration as soon as possible after the record date for any consent or vote. The omnibus proxy assigns Cede & Co.’s consenting or voting rights, or those of such other DTC nominee, to those Direct Participants to whose accounts the Series A Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Neither the Administration nor the Trustee will have any responsibility or obligation to Direct Participants or the persons for whom Direct Participants act as nominees with respect to the payments or the providing of notice to Direct Participants, Indirect Participants or Beneficial Owners. The information contained in this section concerning DTC and DTC’s book-entry system has been obtained from DTC. The Administration and the Trustee make no representation concerning the accuracy of the description herein of the operations of DTC, Direct Participants or Indirect Participants, but have no information that the description is inaccurate.

The Administration and the Trustee cannot give any assurances that DTC will distribute payments of principal of, redemption premium, if any, and interest on the Series A Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Direct Participants or that they will do so on a timely basis, that Direct Participants or Indirect Participants will distribute to Beneficial Owners any payments or notices received by them or do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

The Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of any of the Series A Bonds.

Definitive Bonds

DTC (or a successor securities depository) may discontinue providing its service with respect to the Series A Bonds at any time by giving notice to the Administration or the Trustee. Under such circumstances, in the event a successor securities depository is not obtained, certificates for the Series A Bonds are required to be printed and delivered. In addition, the Administration, in its sole discretion and without the consent of any other person, may not use or may terminate the services of DTC (or a successor securities depository). Under such circumstances, the Series A Bonds will be delivered as provided in the Resolutions, and registered in accordance with the instructions of the purchasers, and the following requirements of the Resolutions will apply. Interest on the Series A Bonds will be payable: (a) by check or draft mailed by the Trustee to the registered owner thereof, or (b) upon the request of a registered owner of any Series A Bonds having a principal amount of \$1,000,000 or more, by wire transfer from the Trustee to the registered owner thereof. The principal of and redemption premium, if any, on the Series A Bonds are

payable at the principal office of the Trustee, or its successor, upon presentation of any Series A Bonds on or after the date of maturity or redemption. Each exchange or transfer of any Series A Bonds may require the payment by the registered owner of any tax, fee or other charge imposed by law and a reasonable transfer fee of the Trustee. The Administration shall not be obligated to make any such exchange or transfer of Bonds of any Series during the fifteen business days next preceding an Interest Payment Date on the Bonds of such Series, or in the case of any proposed redemption of Bonds of such Series, after the giving of notice calling such Bonds or portions thereof for redemption.

SECURITY FOR THE BONDS

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

- (1) proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds),
- (2) all Local Obligations acquired by the Administration,
- (3) the Administration's right, title and interest in all Infrastructure Loans,
- (4) all Revenues (primarily payments of principal of and interest on Infrastructure Loans) and Prepayments,
- (5) all Pledged Funds pledged in connection with the Local Obligations, and
- (6) all moneys, Permitted Investments and other assets and income held in and receivable by Funds and Accounts established by or pursuant to the Resolutions.

The pledge and security interest are subject to the power of the Administration to direct the release of amounts from such Funds and Accounts free and clear of such pledge and security interest after satisfying the then current requirements for all Funds and Accounts and certain other conditions as provided in the Resolutions. Moneys necessary to pay arbitrage rebate, if any, to the United States are administered outside of, and are not subject to the lien of, the Bond Resolution.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION PAYABLE SOLELY FROM THE REVENUES AND PROPERTY OF THE ADMINISTRATION PLEDGED THEREFOR UNDER THE BOND RESOLUTION. THE ADMINISTRATION HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT OF THE STATE, ANY POLITICAL SUBDIVISION THEREOF, THE ADMINISTRATION OR THE DEPARTMENT, OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE STATE, ANY POLITICAL SUBDIVISION OF THE STATE, THE ADMINISTRATION OR THE DEPARTMENT.

The Bonds are *not* secured by the Administration's General Bond Reserve Fund, and Bondholders have no right to any of the moneys or investments held in such fund.

Local Obligations

Before the Administration makes an Infrastructure Loan, the Bond Resolution requires the Local Government to:

- (1) Execute and deliver to the Administration a Local Obligation evidencing the payment obligations of the Local Government;
- (2) Execute any and all other agreements, certificates or documents as the Administration may require; and
- (3) Provide an opinion of counsel acceptable to counsel to the Administration and Ambac.

The Administration will not finance an Infrastructure Loan unless payments of principal and interest scheduled to be derived with respect to such Infrastructure Loan and scheduled payments of principal and interest and other payments on all other Infrastructure Loans pledged under the Bond Resolution, together with interest and other income estimated to be derived from the investment or deposit of money in Funds and Accounts, are expected to be sufficient to pay the principal of and interest on all Outstanding Bonds.

Additional and Subordinated Bonds

The Bond Resolution permits the issuance of additional Bonds to provide funds to make or purchase Infrastructure Loans and to refund Outstanding Bonds issued under the Bond Resolution or other obligations issued to finance Infrastructure Loans, but only upon the satisfaction of certain conditions set forth in the Bond Resolution, including the requirement that the issuance of such additional Bonds will have no material adverse effect on the ability of the Administration to pay when due the principal of, redemption premium, if any, and interest on the Outstanding Bonds. The Series A Bonds and any additional Bonds issued under the Bond Resolution on a parity basis will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Bond Resolution also authorizes the issuance of Subordinated Bonds for the purpose of refunding or advance refunding of any Series of Outstanding Bonds or obtaining funds to acquire, design, construct, reconstruct, equip, improve, finance or refinance one or more Infrastructure Projects. Subordinated Bonds may be secured by the proceeds of any Series of Subordinated Bonds, any Revenues from any Infrastructure Loan financed with the proceeds of a Series of Subordinated Bonds, and any Pledged Funds received with respect to an Infrastructure Project financed by such Infrastructure Loan. Payment of the principal or redemption price of and interest on, and the purchase price of, each Series of Subordinated Bonds, shall be secured by the pledge of the funds and accounts described in the foregoing sentence, subordinate, however, to the pledge securing Bonds which were not issued as Subordinated Bonds. Subordinated Bonds are not required to be secured by a financial guaranty insurance policy.

BOND INSURANCE

On the date of delivery of the Series A Bonds, the Administration expects to receive the Policy from Ambac (See “The Insurer”) which states that Ambac is required to make timely payment of principal of and interest on the Series A Bonds when due, as more fully described below. A copy of the form of the Policy is contained in Appendix G to this Official Statement.

Set forth below is a brief summary of certain information concerning the terms of the Policy and Ambac. Information with respect to Ambac and the Policy have been supplied by Ambac. No representations or assurances are made herein by the Administration as to the accuracy or adequacy of such information or as to the absence of material and adverse changes in such information subsequent to the date hereof. Capitalized terms not otherwise defined in this Section of this Official Statement are used as defined in the Policy.

The Administration has not verified the financial condition of Ambac independently, but has relied upon information supplied by Ambac. The Administration is making no representation herein and giving no assurance as to the financial condition of Ambac, its ability to comply with covenants relating to this financing, or to the ratings assigned to the Series A Bonds.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac (the “Insurer”) has made a commitment to issue the Policy relating to the Series A Bonds effective as of the date of issuance of the Series A Bonds. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Series A Bonds which shall become due for payment but shall be unpaid by reason of nonpayment by the Issuer (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes due for payment or within one business day following the date on which the Insurer shall have received notice of nonpayment from the Trustee. The insurance will extend for the term of the Series A Bonds and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series A Bonds, the Insurer will remain obligated to pay principal of and interest on outstanding Series A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series A Bond which has become due for payment and which is made to a holder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does **not** insure any risk other than nonpayment, as defined in the Policy. Specifically, the Policy does **not** cover:

1. Payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. Payment of any redemption, prepayment or acceleration premium.
3. Nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of the Series A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series A Bonds to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Series A Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Series A Bonds and will be fully subrogated to the surrendering holder's rights to payment.

The Insurer

Ambac is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$5,303,000,000 (unaudited) and statutory capital of approximately \$3,240,000,000 (unaudited) as of December 31, 2001. Statutory capital consists of Ambac's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Issuer of the Series A Bonds.

Ambac makes no representation regarding the Obligations or the advisability of investing in the Series A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac and presented under the heading "Bond Insurance".

Available Information

The parent company of Ambac, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the

“NYSE”) at 20 Broad Street, New York, New York 10005. The Company’s Common Stock is listed on the NYSE.

Copies of Ambac’s financial statements prepared in accordance with statutory accounting standards are available from Ambac. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company’s Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;
- 2) The Company’s Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;
- 3) The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001;
- 4) The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001;
- 5) The Company’s Current Report on Form 8-K dated July 18, 2001 and filed on July 23, 2001;
- 6) The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2001 and filed on August 10, 2001;
- 7) The Company’s Current Report on Form 8-K dated and filed on September 17, 2001;
- 8) The Company’s Current Report on Form 8-K dated and filed on September 19, 2001;
- 9) The Company’s Current Report on Form 8-K dated and filed on October 22, 2001;
- 10) The Company’s Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2001 and filed on November 14, 2001;
- 11) The Company’s Current Report on Form 8-K dated December 3, 2001 and filed on December 4, 2001; and
- 12) The Company’s Current Report on Form 8-K dated January 23, 2002 and filed on January 25, 2002.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **“Available Information”**.

TAX EXEMPTION

Federal Law

In the opinion of Miles & Stockbridge P.C., Baltimore, Maryland, Bond Counsel, to be delivered at the time of issuance of the Series A Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Series A Bonds (including any original issue discount properly attributable to a holder thereof) is excludable from gross income for federal income tax purposes. The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series A Bonds. The Administration and each of the Local Governments have made certain representations with respect to matters solely within their knowledge and have covenanted to comply with certain restrictions designed to assure that interest on the Series A Bonds will not become includible in gross income. If the representations should be determined to be inaccurate or incomplete or if the Administration or the Local Governments should fail to comply with these covenants, interest on the Series A Bonds may be included in gross income from the date of issue of the Series A Bonds, regardless of the date on which the event causing such taxability occurs. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants.

In addition, Section 148 of the Code sets forth, as a condition to the exclusion of interest on governmental obligations, such as the Series A Bonds, from gross income for federal income tax purposes, certain restrictions regarding the investment of the "gross proceeds" of such obligations. These "arbitrage" provisions set forth limitations on the yield of investments acquired with "gross proceeds" of the Series A Bonds and also provide for a periodic rebate to the Internal Revenue Service of specified portions of the arbitrage profit derived from such investments. The Local Governments may be exempt from the rebate requirement based upon either of two exemptions. One exemption is available to governmental units having general taxing powers in instances where the governmental unit issued its bonds for local governmental activities and reasonably expects to issue no more than \$5,000,000 of such bonds in any calendar year. Another exemption is available for bonds issued to finance construction of property owned by a governmental unit where such governmental unit spends the proceeds within a two-year period. If the governmental unit fails to spend specified portions of the bond proceeds within such two-year period it must rebate any arbitrage profits to the United States unless it elected to pay a penalty in place of rebating arbitrage profits. Failure to comply with such arbitrage requirements at any time could cause interest on the Series A Bonds to be included in gross income for federal income tax purposes from the date of issue of the Series A Bonds, regardless of the date on which the event causing such taxability occurs. The Administration and each of the Local Governments have covenanted to comply with the requirements of Section 148 of the Code. In addition, under the Series Resolution, the Administration has covenanted to comply with a No Arbitrage Certificate and Letter of Instructions to the Trustee that set forth limitations regarding the investment of Series A Bond proceeds and rebate to the federal government which, if complied with, will satisfy Section 148 of the Code. Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements set forth in such documents.

The following provisions of law may affect the exclusion from gross income for federal income tax purposes of interest on the Series A Bonds with regard to certain taxpayers:

(a) Property and casualty insurance companies are required, for taxable years beginning after December 31, 1986, to reduce the amount of their deductible underwriting losses by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations, including the Series A Bonds, acquired after August 7, 1986. If the amount of its reduction exceeds the amount otherwise deductible as losses incurred, such excess may be included in income.

(b) Banks, thrift institutions and other taxpayers who are deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are unable to deduct that portion of their interest cost allocable to certain tax-exempt obligations, including the Series A Bonds, acquired after August 7, 1986. Such provision applies to interest costs incurred in taxable years ending after December 31, 1986.

(c) Interest on the Series A Bonds does not represent a specific item of tax preference for purposes of the computation of the alternative minimum tax applicable to individuals and corporations.

(d) Although interest on the Series A Bonds is not a "specific item of tax preference" directly subject to the alternative minimum tax, interest on the Series A Bonds is included in the "adjusted current earnings" (*i.e.*, alternative minimum taxable income as adjusted for certain items including those items that would be

included in the calculation of a corporation's earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and before reduction for certain net operating losses).

(e) Certain recipients of social security and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Series A Bonds.

(f) For foreign corporations with operating branches in the United States, Section 884 of the Code imposes a branch-level tax on certain earnings and profits in tax years beginning after December 31, 1986. Interest on tax-exempt obligations, such as the Series A Bonds, may be included in the determination of such domestic branch taxable base on which this tax is imposed.

(g) If during a taxable year an S corporation has subchapter C earnings and profits at the close of its taxable year and more than 25% of the gross receipts of the S corporation are passive investment income, which includes interest on tax-exempt obligations such as the Series A Bonds, the interest on the Series A Bonds may be subject to federal income taxation under Section 1375 of the Code. Holders of the Series A Bonds which are S corporations should consult their tax advisor as to whether the interest on the Series A Bonds will be taxable under Section 1375 of the Code.

The above summary of possible indirect tax consequences may not be exhaustive. All purchasers of Series A Bonds should consult their tax advisors regarding the possible federal income tax consequences of ownership of the Series A Bonds. Bond Counsel will not express any opinion regarding any indirect tax consequences.

The opinion referred to herein as to the treatment of interest borne by the Series A Bonds for federal income tax purposes is based upon laws, regulations, rulings and decisions in effect as of the date of such opinion. There can be no assurance that legislation will not be introduced or enacted after the issuance and delivery of the Series A Bonds so as to adversely affect the exclusion from gross income of interest on the Series A Bonds for federal income tax purposes. Under such circumstances, the Administration has no obligation to redeem or to increase the rate of interest paid on the Series A Bonds. Each purchaser of the Series A Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel will not express any opinion regarding any pending or proposed federal tax legislation.

Tax Treatment of Original Issue Discount

The difference between the initial public offering price, as set forth on the cover page hereof, of the Series A Bonds maturing June 1, 2007 through June 1, 2022, June 1, 2028 and June 1, 2032 (the "OID Bonds") and their principal payable at maturity constitutes original issue discount.

In the case of an owner of an OID Bond, the amount of original issue discount which is treated as having accrued with respect to such OID Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such OID Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semi-annually, at a rate determined by reference to the yield to maturity of each individual OID Bond bearing original issue discount, on days which are determined by reference to the maturity of such OID Bond. The amount treated as original issue discount on such OID Bond for a particular semiannual accrual period is equal to (i) the product of (a) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, (ii) less the amount of any payments on such OID Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which would have been treated as original issue discount for such purposes during all prior periods. If such OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period. Owners of OID Bonds should

consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to OID Bonds, as of any date, with respect to the accrual of original issue discount for such OID Bonds purchased in the secondary markets and with respect to the state and local tax consequences of owning OID Bonds.

Tax Treatment of Premium

The Bonds maturing on June 1, 2003 through June 1, 2006 (the “Premium Bonds”), will be reoffered at a price in excess of the principal amount thereof. Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is “bond premium.” Under the Code, bond premium is amortized over the term of a Premium Bond (*i.e.*, the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributed to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

State and Local Tax Exemption

In the opinion of Bond Counsel, the Series A Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized from their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State, or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes. Interest on the Series A Bonds may be subject to state or local income taxes in jurisdictions other than the State under applicable state or local tax laws. All purchasers of the Series A Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State.

Taxable Bonds

The Administration may issue in the future one or more additional Series of Bonds the interest on which, at the time of issuance, is not intended by the Administration to be excludable from gross income for federal income tax purposes.

LITIGATION

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

LEGAL MATTERS

The authorization, issuance and delivery of the Series A Bonds are subject to receipt of the opinion of Miles & Stockbridge P.C., Baltimore, Maryland, Bond Counsel, which will be in substantially the form set forth in Appendix E, with respect to the excludability from gross income of interest thereon for federal income tax purposes. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department.

LEGALITY FOR INVESTMENT

Under the Act, the Series A Bonds are securities in which all public officers and public units of the State and its political subdivisions and all State banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business, all insurance companies, insurance

associations, and others carrying on an insurance business, all State personal representatives, guardians, trustees, and other fiduciaries and all other persons, may legally and properly invest funds, including capital in their control or belonging to them. The Series A Bonds are securities which may properly and legally be deposited with and received by any State or municipal officer or any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

COMPETITIVE SALE

The Series A Bonds were offered by the Administration at a competitive sale on February 26, 2002, in accordance with the Notice of Sale, the form of which is included as a part of Appendix F to this Official Statement. The interest rates shown on the cover of the Official Statement are the interest rates resulting from the award of the Series A Bonds at competitive sale. The yields or prices shown on the cover page of the Official Statement are based on information supplied to the Administration by the successful bidder. The initial public offering prices set forth on the cover of the Official Statement may be changed by the successful bidder and the successful bidder may offer to sell the Series A Bonds to certain dealers and others at prices lower than the offering price to be set forth on the cover page. Any other information concerning the terms of reoffering the Series A Bonds, if any, including yields or prices, should be obtained from the successful bidder and not from the Administration. See Appendix F - "Notice of Sale for Series A Bonds".

RATINGS

Moody's Investors Service, Inc. and Fitch, Inc. are expected to assign their municipal bond ratings of "Aaa" and "AAA", respectively, to the Series A Bonds based on the understanding that prior to the issuance of the Series A Bonds the Policy insuring payment when due of the principal of and interest on the Series A Bonds will be issued by Ambac. Such ratings reflect only the views of Moody's Investors Service, Inc. and Fitch, Inc. and an explanation of the significance of those ratings may be obtained only from Moody's Investors Service, Inc. and Fitch, Inc., respectively. There is no assurance that such ratings (or either of them), once assigned, will continue for any period of time or that either or both of such ratings will not be revised, reduced or withdrawn. The Administration has not agreed to maintain such ratings, to notify the owners of the Bonds of any proposed or threatened change or withdrawal of such either or both such ratings (other than actual material rating changes within the scope of the Administration's secondary market disclosure undertaking described below) or to oppose any proposed or threatened change or withdrawal of such rating. Any reduction or withdrawal of either or both such ratings would have an adverse effect upon the market price of the Bonds.

Neither the Administration nor the Local Governments applied to any rating service for a credit rating on the Infrastructure Loans expected to be financed with the proceeds of the Series A Bonds. The Administration makes no representations concerning any credit rating which bonds or notes of the Local Governments may have received from any rating service.

SECONDARY MARKET DISCLOSURE

Annual Information. The Administration has agreed, in accordance with the provisions of Rule 15c2-12 (the "Rule"), adopted by the Securities and Exchange Commission (the "Commission") under the Securities and Exchange Act of 1934, to provide to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository ("SID"), if any, for the State (as of the date of this Official Statement no SID has been designated for the State), in each case as designated by the Commission in accordance with the Rule, when and if available, but in any event within nine months after the end of each fiscal year of the Administration, the following annual financial information and operating data:

1. a copy of the annual financial statements of the Administration's Local Government Infrastructure Program Fund - Ambac Insured prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;
2. a copy of the annual financial statement of each Local Government having, as of the end of such fiscal year, an aggregate outstanding unpaid principal balance of Infrastructure Loans under the Program equal to or greater than 10% of the outstanding principal amount of all Infrastructure Loans financed under the Program (and, if such Infrastructure Loans are guaranteed by a County or Municipality, the annual financial statement of the County or Municipality), prepared and audited in accordance with law (which currently requires that such statements be prepared in accordance with generally accepted accounting principles and audited by a certified public accountant); and

3. an update of the financial information in this Official Statement contained in Appendix C - "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS" for each Local Government meeting the criteria described in paragraph 2 immediately above.

The Administration may, at its option, satisfy the foregoing obligations by either: (i) providing an official statement for one or more Series of Bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously, or (ii) to the extent permitted by the Rule, by filing (or requiring Local Governments to file) and incorporating by reference the annual audited financial statements of, or the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A) or any substitute or successor reports) prepared and filed with the Maryland State Department of Legislative Services by, in either case, each County or Municipality receiving an Infrastructure Loan (or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities) made from the proceeds of the Series A Bonds that meets the requirements of paragraph 2 above, for so long as the Infrastructure Loan is outstanding. The Administration may, at its option, but is not obligated to, provide information about other Local Governments receiving an Infrastructure Loan or guaranteeing an Infrastructure Loan to one of its agencies or instrumentalities. See Appendix C - "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS - Financial Information of Local Governments" for a description of the Uniform Financial Report.

The Administration is under no obligation to provide any financial information with respect to Ambac; owners of the Series A Bonds must obtain this information from Ambac or other sources. See the heading "BOND INSURANCE - The Insurer" in this Official Statement for the current address from which information about Ambac may be obtained.

Event Information. The Administration has also agreed to provide, in a timely manner, to (i) each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and (ii) the SID, if any, notice of the occurrence of any of the following events with respect to any of the Series A Bonds, if material:

1. principal and interest payment delinquencies,
2. non-payment related defaults,
3. unscheduled draws on debt service reserves reflecting financial difficulties,
4. unscheduled draws on credit enhancements, if any, reflecting financial difficulties,
5. substitution of credit or liquidity providers, if any, or their failure to perform,
6. adverse tax opinions or events affecting the tax-exempt status of any of the Series A Bonds,
7. modifications to rights of Bondholders,
8. bond calls,
9. defeasances,
10. release, substitution, or sale of property securing repayment of any of the Series A Bonds, or
11. rating changes.

The events numbered 3 and 5 above may not be applicable because, respectively: (i) no debt service reserve fund has been established with respect to the Series A Bonds, and (ii) there is no provision for substitution or replacement of the Policy issued by Ambac.

Additional Agreements and Limitations. In a timely manner, the Administration will give to each NRMSIR or to the MSRB, and to the SID, if any, notice of any failure by the Administration or a Local Government to provide any information described under the headings "Annual Information" or "Event Information" on or before the dates specified therein.

The Administration has reserved the right to modify from time to time the specific types of information provided and the format of the presentation of such financial information, to the extent necessary or

appropriate in the judgment of the Administration. The Administration has agreed that any such modification will be undertaken in a manner consistent with the Rule.

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

The Administration has agreed that its undertaking pursuant to the Rule described herein is intended to be for the benefit of any holder or beneficial owner of any of the Series A Bonds. Such holder's and beneficial owner's right to enforce the provisions of this undertaking is limited to a right to obtain specific enforcement of the Administration's obligations with respect thereto. The undertaking further provides that the venue for any legal proceeding to enforce the undertaking shall be in a court within the State. Any failure by the Administration to comply with the provisions of its undertaking will not be an event of default with respect to the Bonds under the Bond Resolution or under any Series Resolution.

The provisions of the undertaking with respect to the Rule described above may be amended, without the consent of the holders or any beneficial owners of any of the Series A Bonds, to the extent required or permitted by any amendment to the Rule becoming effective after the date hereof.

MISCELLANEOUS

Summaries and Descriptions in this Official Statement

The summaries and explanation of, or references to, the Act, the Program financing documents, the Resolutions and the Series A Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the offices of the Administration. This Official Statement speaks only as of its date and the information contained herein is subject to change.

Financial Advisor

Caine Mitter & Associates, Incorporated, New York, New York serves as financial advisor to the Administration. Columbia Equity Financial Corp., Lanham, Maryland has assisted Caine Mitter & Associates, Incorporated in serving as financial advisor to the Administration in connection with the sale of the Series A Bonds. Columbia Equity Financial Corp. assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, issuance, insurance and sale of the Series A Bonds. Columbia Equity Financial Corp. has not undertaken to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement and the appendices hereto.

Selection and Compensation of Professionals

The Administration's financial advisor is selected by the Administration periodically through a process of solicitation of proposals. Compensation of the financial advisor is not contingent on the sale of the Series A Bonds. Bond Counsel was selected by the Office of the Attorney General of the State through a process of review of responses to a request for proposals. Compensation of Bond Counsel is not contingent on the sale of the Series A Bonds.

* * * * *

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

MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
COMMUNITY DEVELOPMENT ADMINISTRATION

By: /s/ Harry D. Sewell, *Director*

March 7, 2002

APPENDIX A

THE DEPARTMENT AND THE ADMINISTRATION

General Information

The Administration was created in 1970 as a division of the Department of Economic and Community Development to meet the shortage of adequate, safe and sanitary housing in the State, particularly for persons or families of limited incomes. Chapter 311 of the Laws 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 Department consists of six divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Neighborhood Revitalization, the Division of Historical and Cultural Programs, the Division of Finance and Administration and the Division of Information Technology. 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 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 loan underwriting services to the Department and its other divisions and agencies. The Administration is responsible for managing all aspects of the Program.

The Division of Finance and Administration, under the direction of a chief financial officer, 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, 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 provides data processing, information collecting and reporting and portfolio management services to the Department.

The Secretary, with the approval of the Governor, appoints the Director of the Administration. The Director of the Administration, with the approval of the Secretary, appoints the Deputy Director of the Administration and 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 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, 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 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 Governor, 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 office of the Administration is located at 100 Community Place, Crownsville, Maryland 21032-2023. Inquires for documents or concerning this Official Statement should be directed to Anne P. Konrad, Director, Finance at 410-514-7326, or konrad@dhcd.state.md.us.

Principal Executive Officers

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

Raymond A. Skinner was appointed by the Governor as Secretary effective December 17, 1998. From January, 1995, until his appointment as Secretary, Mr. Skinner served as Deputy Secretary of the Department. From January, 1991, until his appointment as Deputy Secretary, Mr. Skinner served as the Director of the Department of Housing and Community Development of Prince George's County, Maryland, and as Executive Secretary to the Board of Commissioners of the Housing Authority of Prince George's County. Previously, he was the Executive Director of the District of Columbia Office of Business and Economic Development. In all, Mr. Skinner has over 25 years of experience in housing and community development, having held positions with the Department of Housing and Urban Development, the City of Philadelphia, Pennsylvania, and the City of Baltimore, Maryland. He holds a Bachelor of Science degree from the Pennsylvania State University and a Master of City Planning degree from the University of Pennsylvania.

Margaret L. Wolf was appointed by the Secretary as Deputy Secretary of the Department effective December 30, 1998. From 1989 until her appointment as Deputy Secretary, Ms. Wolf served as City Administrator for the City of Hyattsville, Maryland. Between 1973 and 1984, Ms. Wolf was General Manager of the Applied Institute for Manpower Management and Manager of Grants and Subcontracts for the Baltimore Metropolitan Manpower Consortium. Ms. Wolf holds a Bachelor's Degree in Business Administration from the University of Maryland.

Harry D. Sewell was appointed by the Secretary, with the approval of the Governor, as Assistant Secretary of the Department responsible for the Administration and as Director of the Administration effective November 15, 2000. Prior to his appointment, Mr. Sewell served as founder and president of a real estate management, development and consulting firm created to meet challenges to producing and maintaining affordable housing posed by public housing and welfare reforms. He has also served as interim executive director of the Wilmington Housing Authority, Wilmington, Delaware; Director of the Department of Real Estate and Housing for the City of Wilmington, Delaware; and Deputy Secretary for Administration for the Pennsylvania Department of Public Welfare. Mr. Sewell holds a B.A. degree in Labor Management Relations from Pennsylvania State University.

Stephen D. Silver was appointed on January 15, 1994 by the Secretary as the Chief Financial Officer of the Department, the Administration and the Maryland Housing Fund. Prior to his appointment as Chief Financial Officer, Mr. Silver served in various financial capacities with the Department including Director of the Department's Division of Finance and Administration, Director of Accounting for the Division of Finance and Administration and Director of Finance for the Maryland Housing Fund. Prior to joining the Department, Mr. Silver worked briefly with a public accounting firm in Baltimore, Maryland. Mr. Silver is a Certified Public Accountant, was granted a B.S. degree in accounting in 1981, and received his M.B.A. degree from the University of Baltimore in 1991.

Fran D. Makle was appointed as Deputy Director of the Administration, effective November 15, 2000. Ms. Makle has been with the Administration since August, 1979. From 1992 until November, 2000, Ms. Makle served as Director of Homeownership Programs. From December, 1989 until February, 1992, she served as Deputy Director of Special Loan Programs, and prior to that, she was a multi-family underwriter for the Rental Housing Programs. Before joining the Administration, she served for four years as Housing Counselor for Charles County, Maryland. In 1999, she completed a seven-month executive leadership program with the National Forum for Black Public Administrators. Ms. Makle received her certification in Housing Finance Development from the University of Maryland School of Public Affairs and studied Business and Public Administration at Charles County Community College.

Roy A. Westlund was appointed Deputy Director of the Administration responsible for finance, effective as of January, 1996. For the previous seven years, he had served as the Administration's Director of Finance. Mr. Westlund has been active in the field of housing finance since 1980, including serving as Manager of Financial Operations for the Wisconsin Housing and Economic Development Authority. Mr.

Westlund is a Certified Public Accountant and holds a B.B.A. degree from the University of Wisconsin, Madison.

Senior Staff of the Administration

Certain information relating to the senior staff who have primary responsibility for the Program is provided below.

Anne P. Konrad, Director, Finance, has been with the Department since March, 1993. She was the Senior Multi-Family Underwriter with MHF until her appointment as Director of Finance for the Administration in July, 1996. Prior to joining the Department, she was a Legislative Auditor for the State of Maryland for three years and worked for public accounting firms for eight years. Ms. Konrad is a Certified Public Accountant.

Richard L. Hillman, Manager, Infrastructure Program, has been with the Department since March, 1987, managing the Program and the Administration's other infrastructure bond programs. Before joining the Department, Mr. Hillman held positions as Mayor of the City of Annapolis and County Solicitor for Anne Arundel County, Maryland. Mr. Hillman holds a J.D. degree from the University of Maryland School of Law and a B.A. degree from The Johns Hopkins University.

Other Programs of the Department

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

Infrastructure Financing Programs. Between 1988 and 1995, the Administration issued eight series of bonds in the original principal amount of \$55,075,000 (of which \$13,800,000 of the Infrastructure Financing Bonds (AMBAC Insured) remains outstanding as of January 1, 2002) for the purpose of financing loans to 34 Local Governments under its infrastructure financing programs (excluding the Program). Seven series of these bonds were insured and one series was uninsured. \$22,011,029 of prior series of bonds were refunded in 1998. These bonds were issued under separate bond resolutions and series resolutions from the Resolutions. **These infrastructure loans and the assets and revenues held under these bond and series resolutions are not subject to the lien of the Bond Resolution and are not available to pay principal of or interest on the Bonds.**

Between 1996 and 2001, the Administration issued nine series of Bonds in the original principal amount of \$80,190,000 (of which \$73,730,000 of the Infrastructure Financing Bonds (MBIA Insured) remains outstanding as of January 1, 2002) for the purpose of financing loans to 49 Local Governments under its infrastructure financing programs (excluding the Program). These bonds were issued under separate bond resolutions and series resolutions from the Resolutions. **These infrastructure loans and the assets and revenues held under these bond and series resolutions are not subject to the lien of the Bond Resolution and are not available to pay principal of or interest on the Bonds.**

Homeownership Programs. Through the Maryland Mortgage Program financed by Single Family Program Bonds the Administration provides reduced-interest mortgage loans to eligible homebuyers. Under this program, the Administration purchases loans originated by private lending institutions and makes loans directly for the purchase of newly constructed, substantially rehabilitated or existing homes.

The Administration's homeownership staff also operates single-family homeownership programs which are funded with State appropriations. These programs, which may or may not be funded at varying levels from year to year, provide low-interest mortgages to low-income home buyers, refinance existing loans for

homeowners under hardship circumstances, assist low-income homeowners who suffer temporary involuntary loss of income to avoid mortgage default through deferred loans, provide reverse equity mortgages for elderly homeowners and provide settlement expense loans for low- and moderate-income homebuyers.

Housing Development Programs. The Department has a number of finance programs which support the production and preservation of affordable rental housing, including the following:

The Administration's multi-family housing revenue bond program provides financing for rental developments required to set aside certain percentages of available units for families of low- or moderate-income.

The Rental Housing Fund consists of rental housing finance programs funded with State appropriations which provide low-interest mortgages, interest rate write-downs and operating subsidies to increase the supply of new rental housing and to upgrade, maintain and rehabilitate existing rental housing for the elderly and low-income families.

The Partnership Rental Housing Program provides funding from State appropriations and general obligation bonds to local governments to assist in financing the construction and rehabilitation of low-income housing. The local governments provide the land and own and manage the properties. The properties are intended to remain low-income housing in perpetuity and the State moneys are required to be repaid only if the local governments no longer enforce the low-income requirements.

Special Loan Programs. The Special Loan Fund programs, which are funded with State appropriations, provide rehabilitation loans for installation of indoor plumbing, abatement of asbestos and radon gas, reduction of lead paint, and creation of accessory shared and sheltered housing for low- and moderate-income households. These programs also provide loans to non-profit organizations and individuals to purchase or construct group housing for low-income persons with special needs.

Housing Subsidy Programs. The Administration administers the rental subsidies provided under Section 8 of the United States Housing Act of 1937, as amended, in 21 subdivisions of the State. The housing subsidy staff also administers a Rental Allowance Program, which is funded with State appropriations. This program is administered through local governments and provides fixed monthly rental assistance payments for up to 12 months, subject to extension by the Secretary, to lower-income households who cannot be served by federal or other state programs and are either homeless or have critical and emergency housing needs. The Department is the Contract Administrator for Project-Based Section 8 Housing Assistance Payment Contracts ("HAP Contracts") for the State of Maryland. As Contract Administrator, the Department monitors and enforces compliance of each property owner with the terms of the HAP Contracts and the regulations and requirements of the United States Department of Housing and Urban Development.

Historic Preservation Programs. The Department, through agencies other than the Administration, administers a broad range of programs relating to historic preservation. The Maryland Historical Trust, an agency of the Department, provides funding for acquisition and rehabilitation of historic property, administers tax credits for historic property rehabilitation, administers archaeology programs, and provides grants to historic and cultural museums. The Department's Division of Historic and Cultural Programs also operates museums and cultural commissions and administers historic preservation easements.

Neighborhood Revitalization Programs. The Department operates neighborhood revitalization programs through its Division of Neighborhood Revitalization. The Division administers a number of federally and state financed community development programs, including the Neighborhood Business Development Program, which provides gap financing to small businesses and non-profit organizations that are locating or expanding in communities designated for revitalization by local governments.

Outstanding Bonds of Other Programs of the Administration

Since 1976, the Administration has issued bonds to finance its various housing and other programs. As of January 1, 2002, the Administration had housing bonds outstanding of \$2,752,337,493, with an original principal amount of \$3,288,984,4100. As of January 1, 2002, the Administration had Infrastructure Financing Bonds (Ambac Insured) outstanding of \$13,800,000 with an original principal amount of \$21,050,000. As of January 1, 2002, the Administration had Infrastructure Financing Bonds (MBIA Insured) outstanding of \$73,730,000 with an original principal amount of \$83,190,000. **Revenues generated by and assets held under these other bond issues are not subject to the lien of the Bond Resolution or available to pay principal of or interest on the Bonds.**

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APPENDIX B

THE PROGRAM

The State of Maryland created the Program to provide an additional, accessible and uncomplicated mechanism to finance the public infrastructure maintained by Local Governments in order to promote sound community development, improve the quality of the environment, strengthen the economy and otherwise promote the health, safety and welfare of the citizens of the State. The Series A Bonds are the first Series of Bonds issued under the Bond Resolution. The Series A Bonds and any additional Bonds which the Administration may issue on a parity under the Bond Resolution will be equally and ratably secured under the Bond Resolution. The Bond Resolution also allows the issuance of Subordinate Bonds which will not be on a parity with the Bonds. Under four separate bond resolutions (other than the Bond Resolution), the Administration has issued other series of bonds under its infrastructure financing programs to finance Infrastructure Projects of Local Governments. See APPENDIX A - "THE DEPARTMENT AND THE ADMINISTRATION - Other Programs of the Department - *Infrastructure Financing Programs*". None of the infrastructure loans financed from these other series of bonds, or the assets or revenues held under the bond and series resolutions relating to such bonds, are subject to the lien of the Bond Resolution or available to pay principal of or interest on the Bonds. None of the Infrastructure Loans to be made from the proceeds of the Bonds or any assets or revenues held under the Resolutions are available to pay principal of or interest on any of these other series of bonds.

Appendix C sets forth information on each Local Government and Infrastructure Loan expected to be financed with the proceeds of the Series A Bonds. The Administration may issue additional Bonds from time to time under the Bond Resolution to finance additional Infrastructure Loans.

General

Under the Program, a Local Government may file an application for an Infrastructure Loan with the Administration when the Local Government (1) has defined and engineered a capital improvement project to the point where a reasonably reliable estimate of its costs is available and the Local Government is prepared to proceed with construction, or (2) plans the acquisition of or refinancing of existing indebtedness for a project eligible under the Program. A project is eligible for financing or refinancing through the Program if it is an undertaking or facility that is planned, acquired, owned, developed, constructed, reconstructed, rehabilitated, or improved by or on behalf of a County or Municipality in order to provide the essential physical elements that constitute the basis of the public service system. Such projects include, but are not limited to, any of the following: water production, treatment, storage and distribution systems; sewer collection and treatment facilities; solid waste transfer, conversion and disposal facilities; storm water control and drainage facilities; bulkheads, piers, wharves and ramps; bridges, streets, and roads; facilities for police, fire, transportation, education, culture, health, recreation, maintenance and other facilities for the delivery of public services; street lighting, landscaping and other public space improvements. The project may not include any facilities for which the Local Obligations to be purchased by the Administration would be "private activity bonds" within the meaning of Code §141 for which a volume cap allocation under Code §146 would be required. The amount of the Infrastructure Loan may include the costs of preparing studies, surveys and plans and specifications; architectural, engineering and other professional services; acquisition of land and buildings thereon; site preparation and development; acquisition of machinery, equipment and furnishings, and financing costs.

The Department has promulgated regulations governing the operation of its infrastructure financing programs, including the Program. These regulations set forth standards for determining the eligibility of projects and costs to be financed under the Program, and describe the general terms and conditions required by the Administration for the Infrastructure Loans. The regulations also provide procedures for approval of the Infrastructure Loans and set forth certain other general requirements of the Administration as to Infrastructure Loans and Infrastructure Projects, some of which are described below. The regulations are subject to amendment and revision. Particular provisions of the regulations may be waived or varied by the Secretary to the extent that the waiver is not inconsistent with the Act or contrary to the provisions of the Bond Resolution or any applicable Series Resolution if: (i) adherence to the requirements of any federal, State, or local program used in connection with a project necessitates waiver or variance of a regulation; or (ii) in the determination of the Secretary, the application of a regulation in a specific case or in an emergency situation would be inequitable or contrary to the purposes of the Act.

After receiving an application, the Program staff reviews the application for completeness. The Administration does not review or monitor the ability of the Local Government to repay the Infrastructure Loan, the plans and specifications of the Infrastructure Project, any testing or surveys of or with respect to any part of the Infrastructure Project, any required permits or approval, construction in progress, payment of contractors, disputes or pending or threatened litigation affecting the Infrastructure Project. Each Local Government is responsible for obtaining all licenses, permits and approvals, undertaking any necessary or appropriate tests or surveys (including environmental or hazardous or toxic waste surveys) and acquiring, constructing, operating, maintaining and managing the Infrastructure Project and any related services and providing for its continued availability and use. The Local Government must certify that the Infrastructure Project is consistent with the local comprehensive plan or warranted by extraordinary circumstances with no reasonably feasible alternative in accordance with State law. The Department is required to determine that the Infrastructure Project is consistent generally with the State Economic Growth, Resource Protection, and Planning Policy.

If the Administration does not finance all of the Infrastructure Loans expected to be financed with funds made available from the issuance of the Series A Bonds, then the Administration may finance other qualified Infrastructure Loans subject to the approval of Ambac. No assurance can be given that any Infrastructure Loans will be available for substitution, and certain factors including interest rate changes and the availability of other financing options may adversely affect the ability of the Administration to make any such substitutions. In such event, the Series Resolution provides that unexpended proceeds of the Series A Bonds may be used for the redemption of the Series A Bonds.

The Administration pays Program operating costs and certain costs of issuance of bonds under the Program (including the Series A Bonds) from earnings received from its programs financed by its bond resolutions, certificates and indentures (including the Bond Resolution) in excess of amounts required to pay debt service on its bonds. The costs of issuing the Series A Bonds will be divided between the Local Governments whose Infrastructure Loans will be financed from the proceeds of the Series A Bonds and the Administration. The aggregate share of these costs paid by the Local Governments is expected to be \$289,926, all of which is financed by the Infrastructure Loans, and the share of the Administration is expected to be \$75,600. In past bond issues under the Administration's infrastructure financing programs, the share of costs paid by the Administration has varied among each series of bonds and this variation in the share of costs paid by the Administration may continue in the future.

Infrastructure Loans

Terms of Infrastructure Loans. The term of the Infrastructure Loan may not exceed the lesser of the useful life of the Infrastructure Project or 30 years, the final term being at the discretion of the Administration, taking into consideration the applicable requirements of the Bond Resolution and applicable Series Resolution. In the case of any county transportation facility financed by an Infrastructure Loan and secured by a pledge of a county's share of State highway user revenues, the term may not exceed 15 years. Infrastructure Loans may be made in any amounts that are necessary to finance eligible costs of an Infrastructure Project, but may not exceed 100 percent of the eligible costs of the Infrastructure Project.

Disbursements. On the date of closing of a Series of Bonds, the entire proceeds of each Infrastructure Loan to be financed by such Series are deemed to be lent to the Local Government; however, pursuant to a Repayment Agreement, the Administration will disburse the proceeds of an Infrastructure Loan only upon receipt of a requisition by the Local Government which includes an itemization of the costs for which the Local Government requests payment. Upon receipt of any funds, the Local Government must immediately apply such funds to the payment of development costs of Infrastructure Projects. The Administration will not be responsible or liable in any event to any person other than the Local Government for the disbursement of or failure to disburse Infrastructure Loan proceeds, or any part thereof, and neither the general contractor for the project, if any, nor any subcontractor nor material or equipment supplier will have any contractual right or claim against the Administration under the Repayment Agreement.

Payments. Pursuant to the Repayment Agreement, the Local Government is required to make scheduled payments on the Infrastructure Loan on May 1 and November 1 of each year during the term of the Infrastructure Loan.

Events of Default Under the Repayment Agreement. “Events of default” under the Repayment Agreement include (1) failure by the Local Government to pay, on the date on which such amount is due and payable, (a) the principal of, premium, if any, or interest or any other charges or sums on or under the Local Obligation (whether upon maturity, on any installment payment date, after acceleration, after notice of prepayment, or otherwise), or (b) any other payment required by the Repayment Agreement or any of the other documents relating to the Program; (2) default by the Local Government in the due and punctual observance or performance of any other term, covenant or agreement contained in the Repayment Agreement, including failure by the Local Government to levy taxes or appropriate funds pursuant to the requirements of the Repayment Agreement, or with respect to any other of the Local Government’s payment requirements, which default remains unremedied for 30 days (or such other cure period as may be specified in the Repayment Agreement or in any of the other documents relating to the Program) after notice to the Local Government; provided, however, that if such default cannot be corrected within 30 days (or such other cure period as may be specified in the Repayment Agreement), it will not be an “event of default” if the Local Government is taking appropriate corrective action to cure the default; (3) the occurrence of an Act of Bankruptcy with respect to the Local Government, or the Local Government becoming generally unable to pay its debts as they become due; or (4) the occurrence of an “event of default” under any of the other documents relating to the Program.

Whenever any “event of default” has occurred, the Administration or the Trustee, may: (1) bring legal proceedings against the Local Government to enforce the Administration’s rights under the Repayment Agreement and to require the Local Government to carry out its agreements and perform its duties under the Repayment Agreement; (2) bring suit upon the Repayment Agreement; (3) sue to enjoin any acts or things which are unlawful or violate the rights of the Administration or the Trustee; or (4) take necessary action to collect the payments and other amounts then or thereafter due or to exercise any rights or remedies under the Repayment Agreement.

Security for Infrastructure Loans

General Obligation Pledge of Local Governments. The Local Obligations issued to provide for repayment of each Infrastructure Loan financed with the proceeds of the Series A Bonds will be secured by the full faith and credit of the applicable Local Government or, where the Local Obligation is issued by an agency or instrumentality of a County or Municipality, such County or Municipality will guaranty the Local Obligation of its agency or instrumentality, which guaranty will be secured by the full faith and credit of the County or Municipality. A Local Obligation secured by full faith and credit requires that annual debt service payments be made from the collection of *ad valorem* taxes if other sources of funds or revenues of the Local Government are insufficient to pay debt service on the Local Obligation.

Revenue Pledge of Local Government or Infrastructure Project; Local Obligations Subject to Annual Appropriations. The Bond Resolution does not require Local Governments to pledge their full faith and credit as security for Infrastructure Loans made with the proceeds of a Series of Bonds. The Administration may in the future permit Local Governments to secure Infrastructure Loans by either (i) a pledge of certain revenues or assets of the Local Government, or (ii) revenues derived from or assets consisting of the Infrastructure Project. In addition, Local Obligations may be payable from general funds of the Local Government which are subject to annual appropriations; in such cases the primary remedies upon non-appropriation of funds to pay the Local Obligation would be to repossess the property financed and sell it, or exercise remedies under the Pledge Agreement of the kind described below. The Series A Bonds and any additional bonds will be secured equally and ratably under the terms of the Bond Resolution even if Infrastructure Loans financed with the proceeds of a subsequent Series of Bonds are not secured by a pledge of the full faith and credit of a Local Government or of a County or Municipality guaranteeing the Infrastructure Loan.

Pledge of State Assistance to Local Government. Each Local Government receiving an Infrastructure Loan financed with the proceeds of the Series A Bonds will enter into a Pledge Agreement with the Administration pledging certain moneys the Local Government is entitled to receive, if any, from the State (“Shared Revenues”). A Local Government which is an agency or instrumentality of a County or Municipality may not be entitled to receive any Shared Revenues from the State, and in that case Shared Revenues could be pledged only if a County or Municipality entitled to receive Shared Revenues guarantees the Local Government’s Local Obligation and enters into a Pledge Agreement. If the Administration does not receive scheduled payments on an Infrastructure Loan financed with the proceeds of any Series of

Bonds, the Administration may give notice of the amount remaining unpaid to the Comptroller or the Treasurer of the State. The Comptroller or the Treasurer, upon receipt of such notice, has agreed to pay or cause to be paid to the Administration such unpaid amount from any available Shared Revenues that the Local Government is entitled to receive from the State. Such Shared Revenues, however, may not be sufficient to pay amounts due and unpaid on the Infrastructure Loan.

Local Governments receiving Infrastructure Loans made with the proceeds of subsequent Series of Bonds or Counties or Municipalities guaranteeing the Local Obligation of a Local Government may not be required to enter into a Pledge Agreement with the Administration. The Series A Bonds and any additional Bonds (other than Subordinate Bonds) will be secured equally and ratably under the Bond Resolution, even though Infrastructure Loans financed with the proceeds of Bonds may or may not be subject to a Pledge Agreement between the Local Government and the Administration relating to Shared Revenues. The Administration may issue Bonds to be secured by the Bond Resolution on a subordinated basis. Payment of the principal or redemption price of and interest on, and the purchase price of, each Series of Subordinate Bonds, may be secured by the pledge of funds and accounts under the Bond Resolution to the extent specified in the Series Resolution, subordinate, however, to the pledge securing the Bonds which were not issued as Subordinate Bonds, and upon such terms and conditions set forth in the Series Resolution authorizing such Subordinate Bonds. A Series of Subordinate Bonds may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to the Bonds which are not Subordinate Bonds and with respect to any Subordinate Bonds having a higher priority to payment from such Revenues. No Subordinate Bonds are outstanding under the Bond Resolution.

Loans to Finance County Transportation Facilities. If the Infrastructure Loan finances a county transportation facility secured by a pledge of a county's share of State highway user revenues, the county shall execute a participation agreement which shall:

- (1) constitute a pledge of a county's share of State highway user revenues to the Administration in an amount sufficient to repay the Bonds, and the interest payable thereon, in 15 years;
- (2) authorize the State Comptroller to withhold and deposit a county's share of State highway user revenues into a sinking fund maintained to pay the principal of and interest on the Bonds due on the next payment date under the applicable Series Resolution; and
- (3) require a county to use the proceeds of the Infrastructure Loan solely for activities permitted by the Maryland Code Annotated, Transportation I Article §§8-401 - 8-413.

See "Factors Affecting Infrastructure Loans or the Bonds" below for a discussion of possible limitations upon the enforcement of and other factors affecting Local Obligations.

Factors Affecting Infrastructure Loans or the Bonds

The timely payment by the Administration of the principal of and interest on the Series A Bonds and all other Bonds issued under the Bond Resolution may be adversely affected by: (1) failure of Local Governments to make timely payment on the Local Obligations, (2) failure by Ambac to make timely payment on the Policy or to otherwise comply with the terms of the Policy, and (3) the ability of the Administration to enforce, and the availability of Shared Revenues under, the Pledge Agreement.

If one or more Local Governments fail to make timely payment on their Local Obligations, sufficient moneys may not be available to pay principal of and interest on the Bonds. The failure of a Local Government to make timely payment on its Local Obligations or the occurrence of an event of default with respect to a Local Obligation does not constitute a default with respect to any other Local Obligation. Similarly, the occurrence of an Event of Default under the Bond Resolution does not, of itself, constitute an event of default with respect to any Local Obligation. Under such circumstances, neither the Administration nor the Trustee have the right to demand payment of or to accelerate payment of any Local Obligation not in default.

Local Obligations. The Local Governments which participate in the Program may have limited staff and resources. In the case of Local Obligations backed by a pledge of the full faith and credit of a Local

Government, there can be no assurance that the Local Government will timely pay the Local Obligations. The Administration maintains no debt service reserve fund or other funds, except the Funds and Accounts created under the Bond Resolution and the Surplus Fund, to pay debt service on the Bonds should any Local Government fail to timely pay the principal of and interest on its Local Obligation. The Administration requires, however, that payments of principal and interest on Local Obligations be made 30 days prior to the date on which payment is due on the Bonds. Despite the risk of non-payment by Local Governments, there has never been an occurrence where a delay in payment by Local Governments participating in the Administration's infrastructure financing programs has resulted in a default in payment on bonds issued pursuant to such programs; however, there can be no assurance that such a delay will not result in a default in the future.

If the Infrastructure Loan constitutes a pledge of the full faith and credit of the Local Government, upon an "event of default" the Administration or the Trustee may sue and obtain a judgment against the Local Government. Nevertheless, upon obtaining such a judgment, it may be necessary to seek additional relief, such as mandamus against officials of the Local Government, to compel the Local Government to levy and collect such taxes or to set and collect fees as may be necessary to provide funds from which such judgment may be paid. The efficacy of such relief may depend upon the cooperation of the Local Government and its officials. Enforcement of the claim for payment of principal and interest on a defaulted Infrastructure Loan may be subject to the provisions of Chapter IX of the United States Bankruptcy Code or statutes hereinafter enacted which extend the time of payment or impose constraints upon enforcement.

The ability of the Administration or the Trustee to enforce their respective rights or exercise remedies upon default under an Infrastructure Loan is dependent upon legal and procedural requirements and judicial actions which may be subject to discretion and delay. Under existing law and judicial decisions (including laws relating to bankruptcy), the remedies provided for under the Infrastructure Loan documents may not be readily available or may be limited. There is no direct authority under Maryland law permitting a levy upon the property of Local Governments for the payment of their debts or judgments against them.

The Policy. Ambac shall issue the Policy upon the issuance of the Series A Bonds. Under the terms of the Policy, Ambac guarantees full and complete payment of the principal of and interest on the Bonds as such payments become due but are not paid (except in the event of acceleration by reason of mandatory or optional redemption, default or otherwise) and the reimbursement of any such payment which is subsequently determined to constitute an avoidable preference within the meaning of any applicable bankruptcy law. Payments shall be made on the due date thereof or within one business day after receipt of notice of nonpayment, whichever is later. The Administration can make no assurance as to the ability of Ambac to continue to meet its obligations under the Policy throughout the terms of the Series A Bonds or, under circumstances where Ambac is making principal and interest payments on the Bonds, what effect, if any, such payments would have on the market value of the Bonds. For a more detailed description of the terms of the Policy see "The Policy" under the heading "BOND INSURANCE" in the Official Statement and the form of the Policy in Appendix G to the Official Statement.

The Pledge Agreement. The Administration may, on default in the payment of the principal of and interest on a Local Obligation, exercise its rights under the Pledge Agreement (if any) with the Local Government to require payment of Shared Revenues due the Local Government from the State directly to the Administration. The Administration's ability to enforce the Pledge Agreement or to obtain any such Shared Revenues of the Local Government from the State in accordance with the Pledge Agreement may be subject to the availability of such funds, to court proceedings, the timing and outcome of which are uncertain, and to other uncertainties. In addition, Shared Revenues may be pledged to secure other loans from or amounts due to the Administration, other agencies of the State, or other creditors. The Comptroller and the Treasurer of the State have not established any system to determine the priority of such pledges. Accordingly, there can be no assurance as to the priority, if any, of any such pledge, or of the availability of funds from any such pledge to pay the amounts due on an Infrastructure Loan financed with the proceeds of any Series of Bonds. Certain Shared Revenues may be dedicated to specific uses or purposes, such as education or transportation, and, accordingly, may not be available to pay debt service on the Local Obligations.

Enforcement of Pledges of Revenues or Other Assets. Under the Bond Resolution a Local Obligation may be a special, limited or revenue obligation of the Local Government secured by a pledge of revenues, proceeds, payments, rents, charges and other income derived from an Infrastructure Project or any other

facilities of a Local Government or by a lien on assets of the Local Government. Upon the occurrence of an “event of default” under such a Local Obligation, the remedies of the Administration available under the Infrastructure Loan documents may not be readily available or may be limited. For example, the Administration may not as a practical matter be able to foreclose upon mortgaged assets of the Local Government and would be required to seek a receiver for such assets. A receiver might be required to continue to operate the asset and revenues derived from such asset may be available only to pay the Local Obligation after payment of all expenses.

The Bond Resolution also permits a Local Obligation to be subject to annual appropriation of principal and interest by the Local Government. In the event the Local Government failed to appropriate principal and interest, the remedies of the Administration may be limited to repossessing and selling the assets financed by the Local Obligation.

Failure of Local Government to Comply with Covenants Relating to Tax-Exemption of Bonds. The Administration and each of the Local Governments have covenanted to comply with certain restrictions designed to assure that interest on the Series A Bonds will not become includable in gross income. Failure to comply with these covenants may result in interest on the Series A Bonds being included in gross income from the date of issue of the Series A Bonds regardless of the date on which the event causing such taxability occurs. In such event, enforcement remedies available to the Administration may be inadequate to prevent the loss of tax exemption of interest on the Series A Bonds retroactive to the date of issuance of such Series. In such event, there is no provision for either acceleration or redemption of the Series A Bonds or to increase the rate of interest paid on any of the Bonds, and owners of the Series A Bonds may be required to hold such Bonds bearing taxable interest until maturity.

APPENDIX C

LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS

The Series A Bonds, together with any additional bonds issued under the Bond Resolution in the future (other than Subordinate Bonds), rank on a parity and are equally and ratably secured under the Bond Resolution. Under the Bond Resolution, all Bonds issued and outstanding thereunder are payable from payments made on Local Obligations by Local Governments. All Local Obligations (regardless of when they were entered into or from what Series of Bonds the Infrastructure Loan was made) and the payments made thereon are pledged to pay debt service on all Bonds issued under the Bond Resolution. Therefore, full and timely payment by each Local Government is required to provide sufficient Revenues with which to make payments on the Series A Bonds as well as all additional bonds issued and outstanding under the Bond Resolution.

This Appendix C provides information concerning the Local Governments which are expected to receive Infrastructure Loans from the proceeds of the Series A Bonds.

Infrastructure Loans Expected to be Financed with the Proceeds of the Series A Bonds

Local Government	Location (by County)	Amount of Loan (\$)	Loan Term (in years)	Purpose
Garrett Park	Montgomery	800,000	20	Renovate Penn Place, improve streets and street lighting
Mount Airy	Carroll and Frederick	2,049,300	30	Water system improvements
Myersville	Frederick	3,382,900	30	Construct community facility and fire station
Perryville	Cecil	62,300	10	Refinance bank loan
		474,000	20	Refinance bank loan
Sykesville	Carroll	412,600	15	Construct parking lots
Takoma Park	Montgomery	2,048,700	20	Construct community center
Westminster	Carroll	2,560,200	20	Construct parking structure
TOTAL		\$11,790,000		

Financial Information of Local Governments

Each County, Municipality and special district in the State is required (i) to maintain the uniform system of financial reporting provided by the State's Department of Legislative Services; (ii) pursuant to Article 19, §40 of the Annotated Code of Maryland, to have its books, accounts, records and reports examined at least once each fiscal year by a certified public accountant and to file a copy of the audit report with the Legislative Auditor, and (iii) pursuant to Article 19, §37 of the Annotated Code of Maryland, to file with the State Department of Legislative Services not later than November 1 of each year the Uniform Financial Report (Forms F-65(MD-2) or F-65(MD-2A)) for the fiscal year ending on the immediately preceding June 30. The State Department of Legislative Services extracts information from the Uniform Financial Reports and publishes such information annually in a report to the Governor and General Assembly of Maryland.

The Uniform Financial Reports and the annual report of the Department of Legislative Services are available for public inspection in the offices of the Department of Legislative Services, 90 State Circle, Annapolis, Maryland. Copies of the Uniform Financial Reports or the annual report of the Department of Legislative Services may be obtained by writing to the State Department of Legislative Services, 90 State Circle, Room 226, Annapolis, Maryland 21401 or calling 410-841-3761.

The following information on each Local Government which will receive an Infrastructure Loan from the proceeds of the Series A Bonds, combines data extracted from the Uniform Financial Reports and data submitted by each Local Government. This information has been certified by each Local Government as to its accuracy. This information does not represent all of the information contained in the Uniform Financial Reports, which are available as noted in the preceding paragraph. The Administration has not verified the information on the following pages and makes no representation as to the accuracy or completeness thereof or the financial condition of any Local Government or County or Municipality (if any) guaranteeing the Local Obligations of its agency or instrumentality described in this Appendix.

Town of Garrett Park

Description and Location: Garrett Park is located in Montgomery County approximately five miles northwest of the Washington, D.C.

Population: 917 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. The information is excerpted from annual uniform financial reports on file with the Maryland Department of Legislative Services. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & Forfeitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	389,254	6,928	87,063	58,270	0	27,689	0	569,204
2000	446,625	4,893	80,694	60,093	0	24,951	0	617,256
1999	393,374	3,942	79,675	59,430	0	33,994	0	570,415
1998	364,783	3,582	81,536	58,694	0	40,621	0	549,216
1997	342,869	2,133	66,978	60,055	0	24,552	0	496,587

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	205,292	0	144,487	17,877	0	0	0	24,470	392,126
2000	161,230	0	157,312	24,345	0	0	0	25,025	367,912
1999	156,283	0	171,039	24,468	0	0	0	23,877	375,667
1998	160,070	0	142,157	18,098	0	0	0	22,770	343,095
1997	154,944	0	144,705	15,854	0	0	0	25,114	340,617

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	323,400	284,566	252,129	391,457	301,528
TOTAL ASSETS	351,922	305,054	278,726	431,129	344,903
TOTAL LIABILITIES	19,813	11,223	4,849	3,731	8,984
TOTAL FUND BALANCE	332,109	293,831	273,877	427,398	335,919
Unreserved/Undesignated Fund Balance	332,109	293,831	28,877	72,398	218,919

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount collected	Balance of taxes receivable
2001	44,102,317	0.50	220,512	218,842	1,670
2000	42,495,637	0.55	233,726	233,051	675
1999	40,878,811	0.55	224,835	223,560	1,275
1998	39,400,085	0.55	216,700	216,700	0
1997	38,296,278	0.55	210,629	210,629	0

Town of Mount Airy

Description and Location: Mount Airy is located along the I-70 corridor in both Carroll County and Frederick County 33 miles northwest of Washington, D.C.

Population: 6,425 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & For- feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	1,724,793	67,182	594,265	234,723	1,326	332,313	0	2,954,602
2000	1,636,808	59,711	504,268	199,077	1,790	196,541	0	2,598,195
1999	1,339,049	49,894	445,428	255,244	1,300	159,185	0	2,250,100
1998	1,197,283	49,060	419,032	92,903	1,770	170,593	0	1,930,641
1997	1,220,827	40,962	401,179	113,575	2,915	140,568	0	1,920,026

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Ec. Dev. & Oppor- tunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	157,776	527,016	865,889	114,065	0	0	0	109,565	1,774,311
2000	147,229	465,795	779,350	232,340	0	0	0	95,708	1,720,422
1999	134,780	465,529	648,260	77,246	0	0	0	105,227	1,431,042
1998	127,093	408,911	834,632	76,704	0	0	0	78,271	1,525,611
1997	368,872	370,523	510,411	116,102	0	0	0	89,314	1,455,222

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	4,773,734	3,966,778	3,117,687	2,466,314	2,331,603
TOTAL ASSETS	5,092,802	4,202,396	3,375,091	2,758,828	2,619,111
TOTAL LIABILITIES	161,975	246,860	107,328	165,123	300,186
TOTAL FUND BALANCE	4,930,827	3,955,536	3,267,763	2,593,705	2,318,925
Unreserved/Undesignated Fund Balance	1,024,552	1,062,846	1,177,625	896,215	868,077

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount Collected	Current Year Balance of Taxes Receivable
2001	200,745,844	0.56	1,107,924	1,087,451	20,473
2000	184,558,971	0.56	1,015,316	988,268	27,048
1999	162,877,166	0.59	902,826	885,024	17,802
1998	147,702,121	0.59	871,443	854,213	17,230
1997	140,006,272	0.60	834,612	817,817	16,795

Town of Myersville

Description and Location: Myersville is located in Frederick County between I-70 and U.S. Route 40 nine miles northwest of the City of Frederick.

Population: 1,382 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. The information is excerpted from annual uniform financial reports on file with the Maryland Department of Legislative Services. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & Forfeitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	316,534	8,173	73,526	1,275	0	24,319	0	423,827
2000	334,912	6,409	63,640	0	0	18,705	0	423,666
1999	275,719	5,368	50,875	0	0	36,465	0	368,427
1998	243,969	4,700	47,321	20	0	26,117	0	322,127
1997	237,196	4,487	36,277	0	0	22,938	0	300,898

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	156,966	43,655	109,480	35,814	0	0	0	25	345,940
2000	137,370	32,350	85,046	43,449	0	0	0	44	298,259
1999	89,532	29,769	89,255	60,166	0	0	0	349	269,071
1998	97,757	38,870	73,195	599	0	0	0	38	210,459
1997	89,118	5,000	68,313	3,657	0	0	0	35	166,123

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	905,145	787,222	667,209	565,249	446,392
TOTAL ASSETS	933,212	836,169	1,327,966	1,240,639	1,115,204
TOTAL LIABILITIES	31,630	12,474	3,537	15,566	1,799
TOTAL FUND BALANCE	901,582	823,695	1,324,429	1,225,073	1,113,405
Unreserved/Undesignated Fund Balance	901,582	823,695	1,324,429	1,225,073	1,113,405

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount collected	Balance of taxes receivable
2001	37,065,533	0.59	214,567	212,913	1,654
2000	33,250,507	0.62	199,884	197,382	2,502
1999	29,658,972	0.64	188,138	187,670	468
1998	27,292,743	0.65	175,512	175,317	195
1997	26,855,630	0.64	169,694	169,435	259

Town of Perryville

Description and Location: Perryville is located in Cecil County at the mouth of the Susquehanna River 34 miles northeast of Baltimore along the I-95 corridor.

Population: 3,672 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & For- feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	953,202	25,612	344,742	47,452	2,100	43,747	0	1,416,855
2000	920,992	29,460	323,930	73,759	1,100	68,797	0	1,418,038
1999	798,320	39,397	327,516	962	2,149	28,903	69,900	1,267,147
1998	732,495	28,718	304,365	1,194	1,025	36,041	0	1,103,838
1997	796,786	23,669	203,065	1,273	225	269,262	0	1,294,280

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Ec. Dev. & Oppor- tunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	302,130	322,690	374,296	73,899	0	0	29,562	0	1,102,577
2000	293,145	340,433	443,796	34,612	0	0	33,529	0	1,145,515
1999	223,154	490,986	479,979	41,358	0	0	30,771	0	1,266,248
1998	243,028	235,016	438,812	330,347	0	0	107,190	0	1,354,393
1997	210,375	217,765	332,268	86,350	0	0	294,930	0	1,141,688

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	220,551	165,774	53,320	59,899	88,934
TOTAL ASSETS	1,084,017	913,613	810,659	1,004,085	416,850
TOTAL LIABILITIES	341,082	484,956	654,525	848,850	111,262
TOTAL FUND BALANCE	742,935	428,657	156,134	155,235	305,588
Unreserved/Undesignated Fund Balance	742,935	428,657	(522,921)	0	0

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount Collected	Current Year Balance of Taxes Receivable
2001	79,921,445	0.94	747,117	737,410	9,707
2000	76,939,255	0.94	716,658	669,035	47,623
1999	70,803,194	0.94	655,454	620,710	34,744
1998	64,504,427	0.94	601,887	531,039	70,848
1997	70,240,690	0.94	660,262	553,185	107,077

Town of Sykesville

Description and Location: The Town of Sykesville is located in Carroll County along the south branch of the Patapsco River, 16 miles west of the City of Baltimore.

Population: 4,197 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & For- feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	1,028,332	22,128	419,074	102,916	2,024	124,786	0	1,699,260
2000	1,018,942	16,270	609,859	45,268	4,580	123,686	0	1,818,605
1999	839,808	20,988	363,469	85,692	4,606	90,483	0	1,405,046
1998	762,567	19,222	313,403	66,969	17,865	106,563	0	1,286,589
1997	764,951	21,359	289,525	129,623	1,930	132,537	4,705	1,344,630

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Ec. Dev. & Oppor- tunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	364,376	301,268	506,841	321,088	0	0	55,325	202,414	1,751,312
2000	321,229	325,045	298,741	46,742	0	0	43,565	497,472	1,532,794
1999	368,046	303,620	404,939	61,615	0	0	48,702	433,577	1,620,499
1998	233,871	269,612	284,282	29,790	0	0	70,494	321,594	1,209,643
1997	245,635	264,142	258,002	51,792	0	0	155,760	286,837	1,262,168

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	1,102,878	1,221,293	868,450	1,090,493	893,857
TOTAL ASSETS	1,292,260	1,468,931	1,184,347	1,374,494	976,925
TOTAL LIABILITIES	116,530	191,687	149,660	124,854	265,984
TOTAL FUND BALANCE	1,175,730	1,277,244	1,034,687	1,250,140	710,941
Unreserved/Undesignated Fund Balance	544,427	811,244	371,215	439,322	541,627

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount Collected	Current Year Balance of Taxes Receivable
2001	78,941,053	0.76	599,952	585,928	14,024
2000	73,600,909	0.76	566,727	565,598	1,129
1999	70,926,104	0.77	546,131	543,670	2,461
1998	65,854,490	0.77	507,029	498,727	8,352
1997	59,850,291	0.79	472,817	479,697	(6,880)

City of Takoma Park

Description and Location: Takoma Park is located in Montgomery County adjacent to the northwest boundary of Prince George's County and the northeast boundary of Washington, D.C.

Population: 17,299 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. The information is excerpted from annual uniform financial reports on file with the Maryland Department of Legislative Services. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & For- feitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	7,044,459	137,079	3,470,616	524,629	65,199	485,005	0	11,726,987
2000	6,390,942	130,936	3,375,574	562,955	91,108	571,086	100,495	11,223,096
1999	6,345,537	131,459	3,496,847	543,432	95,507	385,000	195,699	11,193,481
1998	6,059,963	98,155	3,053,703	530,093	78,231	392,283	321,933	10,534,361
1997	6,661,506	52,072	2,483,158	517,302	106,559	361,703	775,067	10,957,367

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks Recreation and Culture	Total Com. Dev. & Public Housing	Total Ec. Dev. & Oppor- tunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	2,445,732	3,284,253	1,285,667	1,393,904	404,370	0	267,858	1,728,330	10,810,114
2000	2,017,991	3,341,782	1,449,796	1,570,278	394,195	0	294,267	1,899,229	10,967,538
1999	2,099,216	2,874,800	1,693,550	1,431,650	425,539	0	269,353	1,566,274	10,360,382
1998	2,098,483	2,711,926	1,527,944	1,547,534	276,257	0	550,409	1,736,174	10,448,727
1997	1,718,946	3,669,454	2,223,460	1,172,345	413,454	0	138,240	1,602,303	10,938,202

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	4,892,210	5,193,806	3,426,842	2,444,672	2,208,932
TOTAL ASSETS	6,453,205	6,166,262	4,351,698	3,429,696	3,812,264
TOTAL LIABILITIES	1,987,433	2,522,863	921,150	740,004	1,174,197
TOTAL FUND BALANCE	4,465,772	3,643,399	3,430,548	2,689,692	2,638,067
Unreserved/Undesignated Fund Balance	1,119,275	588,837	726,058	233,352	356,019

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount Collected	Current Year Balance of Taxes Receivable
2001	346,745,359	1.605	5,565,263	5,276,026	289,237
2000	318,532,928	1.58	5,032,820	4,905,604	127,216
1999	319,132,911	1.58	5,042,300	4,908,528	133,772
1998	319,382,940	1.535	4,902,528	4,781,482	121,046
1997	318,957,768	1.76	5,613,656	5,513,108	100,548

Town of Westminster

Description and Location: Westminster, the county seat of Carroll County, is located 31 miles northwest of the City of Baltimore.

Population: 16,731 (2000 Census)

The following General Fund information is as of June 30 of the applicable fiscal year. The information is excerpted from annual uniform financial reports on file with the Maryland Department of Legislative Services. All amounts shown below are in dollars.

Revenues

	Total Local Taxes	Total Licenses & Permits	Total Intergov- ernmental Revenues	Total Service Charges	Total Fines & Forfeitures	Total Misc.	Long Term Debt Proceeds	Total Revenues
2001	4,875,185	292,701	2,580,721	703,912	66,315	660,464	0	9,179,298
2000	4,862,519	233,457	2,462,905	556,692	63,877	668,737	0	8,848,187
1999	4,910,110	213,067	2,698,312	564,863	52,911	392,749	185,681	9,017,693
1998	4,195,142	223,263	2,781,454	466,799	50,517	391,279	0	8,108,454
1997	3,912,625	209,397	1,813,729	316,203	48,023	382,840	0	6,682,817

Expenditures

	Total General Gov't	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportunity	Total Debt Service	Total Miscel- laneous	Total Expendi- tures
2001	1,320,080	2,816,178	2,554,252	928,491	119,560	0	43,753	1,338,448	9,120,762
2000	1,205,550	2,474,858	2,153,372	977,864	68,267	0	40,107	1,233,995	8,144,013
1999	1,229,447	2,676,007	1,883,697	661,894	382,865	0	26,169	1,151,260	8,014,339
1998	923,936	2,121,702	2,015,307	673,813	959,128	0	0	1,066,005	7,759,891
1997	827,726	2,076,037	1,964,793	597,897	39,846	0	0	982,713	6,489,012

Assets and Liabilities

	2001	2000	1999	1998	1997
Cash and Investments	15,564,440	14,079,483	12,101,391	11,201,493	10,780,286
TOTAL ASSETS	85,860,005	80,613,691	71,851,377	67,615,448	64,183,612
TOTAL LIABILITIES	72,557,485	67,510,322	61,351,264	58,267,212	55,410,553
TOTAL FUND BALANCE	13,302,520	13,103,369	10,500,113	9,348,236	8,773,059
Unreserved/Undesignated Fund Balance	6,313,742	6,893,728	6,753,353	6,092,074	5,758,304

Property Taxes and Taxes Receivable

	Total assessed value of taxable property	General tax rate/\$100	Actual tax levy	Amount collected	Balance of taxes receivable
2001	384,910,341	0.88	3,387,211	3,347,797	39,414
2000	379,035,779	0.88	3,320,969	3,266,514	54,455
1999	360,099,998	0.88	3,159,429	3,128,071	31,358
1998	344,493,296	0.88	3,015,158	2,970,024	45,134
1997	333,950,147	0.88	2,756,856	2,719,403	37,453

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution, and such summary is qualified in its entirety by reference to the Bond Resolution.

Certain Definitions

“Authorized Officer” means the Secretary and the Deputy Secretary of Housing and Community Development, the Director, any Deputy Director, any program director within the Administration or any other person duly authorized by the regulations of the Administration or by the Secretary to perform such act or discharge such duty.

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

“Cash Flow Certificate” means a certificate by an Authorized Officer demonstrating that the sum of:

(a) the Revenues scheduled to be derived with respect to all Infrastructure Loans pledged under the Bond Resolution,

(b) any other payments on such Infrastructure Loans,

(c) interest and other income estimated by the Administration to be derived from the investment or deposit of money available therefor in any fund or account created by or pursuant to the Bond Resolution (which estimate shall be based upon the investments or deposits made at the time of such certificate or, for any period of time covered by such certificate for which there are no investments, an assumed reinvestment rate reasonably determined by the Administration compounded no more frequently than monthly), and

(d) any other moneys or funds pledged to the payments of the Bonds,

will be sufficient to pay the principal of and interest on all Outstanding Bonds.

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

“County” means the twenty-three counties of the State and Baltimore City.

“Federal Obligations” means direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America.

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

“Interest Payment Date” means each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

“Loan Account” means an account so designated which may be established pursuant to the Bond Resolution.

“Local Government” means a County or Municipality, or any of their agencies or instrumentalities, or any other entity which may now or hereafter be authorized to participate in the Program.

“Municipality” means a municipal corporation in Maryland subject to the provisions of Article XI-E of the Maryland Constitution.

“Outstanding” or “Bonds Outstanding” means all Bonds or portions thereof, including those which have been paid by Ambac pursuant to the Financial Guaranty Insurance Policy, which have been delivered under the Bond Resolution, except:

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

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

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

“Paying Agent” means any bank or trust company designated pursuant to a Series Resolution to serve as a paying agent or place of payment for the Bonds of each such Series, and any successors designated in accordance with the Bond Resolution.

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

(1) Federal Obligations;

(2) Bonds, debentures, notes or other evidences of indebtedness issued by any federal agency, instrumentality or public corporation the obligations of which represent or are guaranteed by the full faith and credit of the United States of America, including (without limitation): Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); and U.S. Department of Housing & Urban Development (HUD);

(3) Bonds, notes or other evidences of indebtedness rated in the highest investment grade rating by any national rating agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(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 in the two highest ratings of any nationally recognized rating agency and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest rating classification of any nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund rated in the single highest rating classification of any nationally recognized rating agency;

(7) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of

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

(8) Investment agreements with any financial institution or other entity with debt rated in the highest rating category of any nationally recognized rating agency;

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

(10) Investments in any mutual fund the portfolio of which is limited to Permitted Investments, including, without limitation, any proprietary mutual fund of the Trustee for which the Trustee or an affiliate is investment advisor or provides other services to such mutual fund and receives reasonable compensation for such services (and if such mutual fund consists solely of Federal Obligations, then such fund shall constitute "Federal Obligations" for the purposes of the Bond Resolution); and

(11) Other forms of investments approved in writing by Ambac.

"Pledged Funds" means any and all revenues, proceeds, payments, rents, charges and other income derived from an Infrastructure Project or any other facilities of a Local Government and pledged to secure payment of a Local Obligation.

"Prepayment" means any money received from a payment of principal on an Infrastructure Loan in excess of the scheduled payments of principal then due or from the sale of an Infrastructure Loan.

"Program" means the Administration's program of financing Infrastructure Loans pursuant to the provisions of the Bond Resolution.

"Redemption Fund" means the fund so designated which is established under the Bond Resolution.

"Revenue Fund" means the fund so designated which is established under the Bond Resolution.

"Revenues" means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including, without limitation, the payments of principal of and interest on Infrastructure Loans (whether paid by or on behalf of the Local Government), but not including Prepayments or investment income in any funds and accounts, and not including any financing, commitment or similar fees or charges of the Administration in connection with the financing of an Infrastructure Loan (unless expressly pledged as security for the Bonds).

"Series" or "Series of Bonds" means all Bonds delivered on original issuance in a simultaneous transaction pursuant to a Series Resolution, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or in substitution for any of such Bonds pursuant to the Bond Resolution.

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

“Surplus Fund” means the fund so designated which is established under the Bond Resolution.

“Term Bonds” means Bonds so designated in a Series Resolution.

Contract with Trustee and Bondholders

As provided in the Act and in consideration of the acceptance by the Trustee of the trusts created under the Bond Resolution and of the purchase and acceptance of Bonds of any Series issued thereunder by any who shall from time to time be holders thereof:

(a) The provisions of the Bond Resolution and applicable Series Resolutions shall be a contract of the Administration with the Trustee and the holders of the Bonds.

(b) The Administration covenants that it will cause to be paid to and deposited with the Trustee all proceeds of Bonds and all payments of Infrastructure Loans financed from such proceeds and all income and receipts therefrom.

(c) The Administration pledges to the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, at the times and in the manner provided in the Bond Resolution and applicable Series Resolutions, and grants a security interest in, (i) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds), (ii) all Local Obligations acquired by the Administration, (iii) the Administration’s right, title and interest in all Infrastructure Loans, (iv) all Revenues and Prepayments, (v) all Pledged Funds pledged in connection with the Local Obligations and (vi) all moneys, Permitted Investments and other assets and income held in and receivable by funds and accounts established by or pursuant to the Bond Resolution and applicable Series Resolutions; all subject to the power of the Administration to direct withdrawals of amounts from these funds and accounts upon the conditions set forth in the Bond Resolution.

(d) The pledge made and security interests granted in the Bond Resolution and the covenants and agreements therein set forth, to be performed by and on behalf of the Administration, shall be for the equal benefit, protection and security of holders of all such Bonds without preference, priority or distinction of any Bond over any other, except as expressly provided or permitted in the Bond Resolution. Subordinated Bonds shall not be of equal rank with the Bonds issued pursuant to the Bond Resolution which are not issued as Subordinated Bonds and shall be entitled to the preferences and priorities provided in the Series Resolution authorizing the issuance of Subordinated Bonds.

(e) Neither the Secretary nor any other person executing the Bonds shall be liable or accountable personally on the Bonds by reason of the issuance thereof. The Bonds of the Administration shall not be a debt of, and do not pledge the faith, credit or taxing power of the State, the Department, the Administration or any political subdivision, and shall be payable solely from the Revenues and property provided for in the Bond Resolution and in the Act.

Additional Obligations

The Administration expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue bonds, notes or other obligations for any lawful purpose or program so long as they are not secured by a charge or lien prohibited by the Bond Resolution.

Temporary Accounts

Each Series Resolution may establish a Capitalized Interest Account to provide funds for the payment of interest to accrue on such Series of Bonds before Revenues are estimated to be available and sufficient for that purpose.

Each Series Resolution may establish a Cost of Issuance Account to provide funds to pay the Cost of Issuance of such Series of Bonds. Upon receipt of a certificate of an Authorized Officer stating that the Cost of Issuance has been fully paid, the Trustee shall transfer any remaining balance in such account to the Loan Account established by such Series Resolution or to the Revenue Fund as directed in a certificate of an Authorized Officer.

Loan Fund and Loan Accounts

Each Series Resolution shall establish a separate Loan Fund to be held by the Trustee, to record the receipt and disbursement of any proceeds of the Series of Bonds therein authorized for the financing of Infrastructure Loans, or for the financing of Infrastructure Loans previously financed by the Administration. Within the Loan Fund, the Trustee shall establish a Loan Account for each Infrastructure Loan.

The Trustee shall, from time to time, pay out money in any Loan Account held for the purpose of making or purchasing Infrastructure Loans or reimbursing the Administration for payments made by it from other funds for that purpose, upon receipt by the Trustee of the following:

(1) upon the first disbursement with respect to a particular Infrastructure Loan a certificate of an Authorized Officer:

(i) stating that the Infrastructure Loan is made in accordance with the provisions of the Bond Resolution and the applicable Series Resolution;

(ii) assigning an identification number to the Infrastructure Loan;

(iii) stating the principal amount of the Infrastructure Loan, the name of the Local Government, the interest rate on the Infrastructure Loan, the term of the Infrastructure Loan and the amount and sources of any portion of the principal amount of the Infrastructure Loan to be provided from sources other than Bond proceeds; and

(iv) a Cash Flow Certificate, if either (A) a new Infrastructure Loan is to be made or an existing Infrastructure Loan is to be increased from Prepayments deposited into the Redemption Fund, or (B) the Infrastructure Loan is being made in lieu of an Infrastructure Loan identified in a previous Cash Flow Certificate, and, in either case, the terms of the Infrastructure Loan materially differ from the terms of the Infrastructure Loan which was prepaid or so identified.

(2) Upon each disbursement with respect to a particular Infrastructure Loan, a certificate of an Authorized Officer stating:

(i) the Loan Account from which the payment is to be made;

(ii) the draw number of the payment;

(iii) the name of the person to, and Infrastructure Loan for, which the payment is to be made;

(iv) the amount to be paid and the manner of the payment; and

(v) that this amount, together with all prior disbursements from the Loan Account and all prior advances made by the Administration to the Local Government on account of the Infrastructure Loan, will not exceed in the aggregate the authorized amount of the Infrastructure Loan.

(3) On or before the first disbursement with respect to a particular Infrastructure Loan or upon any increase in the amount of a particular Infrastructure Loan, evidence that Ambac has approved such Infrastructure Loan or such increase.

As soon as possible after the closing of the financing of each Infrastructure Loan, the Administration shall transmit to the Trustee a certificate of an Authorized Officer stating the due dates and amounts of scheduled payments of principal and interest thereon and the principal balance remaining after each payment.

All interest and other income received from the deposit and investment of money in Loan Accounts shall be transferred by the Trustee, as received, to the Revenue Fund. The Administration may direct the Trustee to transfer amounts in any Loan Account to the Redemption Fund.

Deposit into Funds and Accounts

The Administration will collect and deposit with the Trustee all Revenues and Prepayments receivable from Local Governments on the date of receipt or as soon thereafter as practicable. All such moneys and any other moneys that the Trustee receives on account of any Infrastructure Loan shall be paid into and credited on the books of the Trustee as follows:

- (1) Revenues to the Revenue Fund; and
- (2) Prepayments to the Redemption Fund.

Funds and Accounts

Revenue Fund. On or before each Interest Payment Date with respect to a Series of Bonds, or on or before each date on which Bonds mature or are to be redeemed and on such other date as directed by an Authorized Officer, the Trustee shall withdraw moneys in the Revenue Fund and, except as otherwise provided in the Series Resolution, apply the amounts withdrawn in the following order of priority:

- (1) On each Interest Payment Date, an amount equal to the unpaid interest due and payable on the Bonds on that date shall be applied to the payment of said interest when due, or transmitted to one or more paying agents on each Interest Payment Date, who shall apply such amount to such payment on such date;
- (2) On a date on which Bonds are to be redeemed, an amount equal to the accrued and unpaid interest on the Bonds to be redeemed on such date shall be applied to the payment of said interest or shall be transmitted to one or more paying agents who shall apply it to such payment;
- (3) On a date on which the Bonds are to (A) mature, an amount equal to the principal amount of the Outstanding Bonds, if any, shall be applied to the payment of the principal of said Bonds when due or transmitted to one or more paying agents who shall apply it to such payment on such date, and (B) be redeemed, an amount equal to the Sinking Fund Installment, if any, due on that date shall be applied to the redemption of a like principal amount of Term Bonds to be redeemed or transmitted to one or more paying agents who shall apply it to such redemption;
- (4) To the Trustee and any registrar or co-registrar or any paying agent or agents their reasonable and necessary fees and expenses, if any, as determined by the Administration;
- (5) The remainder to the Surplus Fund.

On or before the 35th day, but not earlier than the 50th day, unless the Administration otherwise directs, before each such Interest Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to select for redemption from all Outstanding Bonds subject to redemption from such Sinking Fund Installment a principal amount of such Bonds, equal to the aggregate principal amount of such Bonds

redeemable with such Sinking Fund Installment, and shall call such Bonds for redemption from such Sinking Fund Installment on the next succeeding Interest Payment Date, and give notice of such call. On or before the 35th day next preceding any Interest Payment Date on which a Sinking Fund Installment is due, the Administration, by a certificate of an Authorized Officer, may (1) deliver to the Trustee for cancellation Bonds which are subject to redemption from such Sinking Fund Installment, or portions thereof (in any Authorized Denominations), in an aggregate principal amount desired or (2) receive a credit in respect of its Sinking Fund Installment obligation for any such Bonds, which before said date have been delivered to the Trustee for cancellation or redeemed (otherwise than through redemption from a Sinking Fund Installment) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment obligation. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation of the Administration with respect to such Sinking Fund Installments as the certificate of an Authorized Officer shall direct and the principal amount of such Bonds to be redeemed by such Sinking Fund Installment shall be accordingly reduced.

On or before the 35th day preceding each Interest Payment Date on which a Sinking Fund Installment is due, the Trustee, if directed by a certificate of an Authorized Officer, shall apply moneys in the Revenue Fund held for such Sinking Fund Installment to the purchase of Outstanding Bonds subject to redemption from such Sinking Fund Installment in the manner hereinafter provided, and upon such purchase such Bonds shall be canceled and the amount of such Sinking Fund Installment shall thereupon be reduced by the principal amount of such Bonds so purchased and canceled, provided that no such Bonds shall be so purchased within the 35 days next preceding the Interest Payment Date on which such Sinking Fund Installment is to be used to redeem Bonds. The price paid by the Trustee (excluding accrued interest, but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed 100% of the principal amount thereof, plus interest accrued to the date of such purchase. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as directed by an Authorized Officer and as may be possible with the amount of money available in the Revenue Fund.

The Administration reserves the right to transfer any amount from other legally available funds to the Trustee for credit to the Revenue Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Infrastructure Loan or to advance such money to cure or avert a default on any Infrastructure Loan, or to make any payment of principal, premium, interest or Sinking Fund Installment with respect to any or all of the Bonds, including, without limitation, proceeds of refunding Bonds. The Administration shall be entitled to recover from the Local Government any amounts so advanced, together with interest thereon at the rate payable on the Infrastructure Loan, or to enforce its right to such recovery under the Infrastructure Loan.

Redemption Fund. The Trustee shall credit to the Redemption Fund all Prepayments which shall be used and applied, as directed by a certificate of an Authorized Officer, either (i) to provide additional funds to a Loan Account for an increase in the amount of an Infrastructure Loan authorized by the Administration or for new Infrastructure Loans to be financed by the Administration, (ii) for the establishment of one or more Loan Accounts for new Infrastructure Loans to be financed by the Administration, (iii) for the purchase or redemption of Outstanding Bonds, (iv) for transfer to the Revenue Fund of amounts included in a Prepayment representing interest on a Infrastructure Loan, or (v) if a sufficient amount of Bonds are not redeemable within said period and cannot be purchased at or below their principal amount or the redemption price applicable on their next ensuing redemption date, then any amount not so applied during said period shall be used and applied for one or more of the purposes authorized in clauses (i), (ii) or (iii) of this paragraph as soon thereafter as possible; provided that on the first day of each month while any Prepayment or amount transferred from a Loan Account is held in the Redemption Fund, the Trustee shall, unless otherwise directed by the Administration, transfer from the Redemption Fund to the Revenue Fund the scheduled monthly payment of principal of the Infrastructure Loan with respect to which the Prepayment was received or to which the Infrastructure Loan was to be made. Such Prepayments shall be so used and applied within six months after the receipt of such Prepayments, except that such six-month period may be extended if the Administration files with the Trustee a Cash Flow Certificate based upon the scheduled investment earnings on such Prepayments, the scheduled Revenues to be received, if any, from any new Infrastructure Loans to be financed or amounts of any Infrastructure Loans to be increased, or upon the redemption of such Bonds, as applicable.

The Administration may authorize the increase of any Infrastructure Loan or the financing of a new Infrastructure Loan, as contemplated in the preceding paragraph, and for such purpose, may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of the Bond Resolution, except as provided in the preceding paragraph, to one or more designated Loan Accounts for disbursement. Upon filing with the Trustee of a certificate of an Authorized Officer, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Loan Account designated in the certificate.

Upon receipt of the certificate of an Authorized Officer, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with the two preceding paragraphs to the purchase or redemption of Bonds designated in the certificate. Bonds not purchased may be redeemed at a redemption price determined by the Series Resolution. Bonds shall not be purchased pursuant to this paragraph after notice is sent to Bondholders of the redemption of Bonds.

Interest and other income from the investment or deposit of amounts in the Redemption Fund shall be transferred by the Trustee to the Revenue Fund upon receipt thereof. Notwithstanding the foregoing sentence, the Administration may transfer moneys held in the Redemption Fund credited to or derived from any Series of Bonds being refunded to any other Series of Bonds, including, without limitation, refunding Bonds.

Surplus Fund. The Trustee shall credit to the Surplus Fund any amounts remaining after satisfying the requirements of all other funds and accounts under the Bond Resolution, and any other amounts as may be provided in a Series Resolution.

Subject to the provisions of the Bond Resolution and any Series Resolution, amounts in the Surplus Fund may be withdrawn and applied by the Trustee from time to time upon receipt by the Trustee of a certificate of an Authorized Officer:

- (1) for deposit to any fund or account established or created pursuant to the Bond Resolution or any Series Resolution; or
- (2) free and clear of any lien or pledge created by the Bond Resolution or any Series Resolution, for any lawful purpose of the Administration.

If there is not a sufficient amount in the Revenue Fund to provide for the payment next due of principal of and interest on the Bonds and any Sinking Fund Installments, the Trustee shall withdraw from the Surplus Fund and pay into the Revenue Fund the amount of the deficiency then remaining. The Trustee shall notify the Administration in writing before any such withdrawal from the Surplus Fund.

Investment of Funds and Accounts

The Administration may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the funds and accounts held by the Trustee in Permitted Investments, the maturity or redemption date (at the option of the Administration or the Trustee) of which shall coincide as nearly as practicable with the times at which moneys in said fund or account will be required for the purposes provided in this Bond Resolution.

Obligations purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of the Bond Resolution shall be deemed at all times to be a part of such fund or account, and except as otherwise expressly provided in the Bond Resolution, the income or interest earned by, or the increment to, a fund or account due to the investment thereof shall be transferred to the Revenue Fund as received.

Except as otherwise provided in a Series Resolution, the amount in any fund or account held by the Trustee under the provisions of the Bond Resolution shall be determined as of the end of each month as follows:

(i) the bid and asked prices of investments as published by a nationally recognized pricing service on or the date immediately preceding the date of determination, or the average bid price at the time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments;

(ii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(iii) as to any investment not specified above: the value thereof established by prior agreement among the Administration, the Trustee and Ambac.

The Trustee shall sell at the best price obtainable, as determined by the Administration, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Administration in writing, on or before the last day of each calendar month, of the details of all cash and investments held for the credit of, and transactions in, each fund or account in its custody under the provisions of this Bond Resolution as of the end of the preceding month.

Discharge of Lien of Bond Resolution

If the Administration shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, then unless there shall be delivered to the Trustee a certificate of an Authorized Officer to the contrary, the pledge, estate and rights granted under the Bond Resolution shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Bond Resolution, and execute and deliver to the Administration such instruments in writing as shall be requisite to release the lien thereof, and reconvey, release, assign and deliver to the Administration any and all the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Bond Resolution, except cash held by the Trustee or any paying agent for the payment of the principal of, premium, if any, and interest on the Bonds.

Any Bond shall be deemed to be paid for all purposes of the Bond Resolution when payment of the principal of, premium, if any, and interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment or (B) Federal Obligations maturing as to principal and interest in such amount and at such time as will ensure the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid under the Bond Resolution, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Bond Resolution, except for the purposes of any such payment from such moneys or Federal Obligations.

If the principal or interest due on the Bonds shall be paid by Ambac pursuant to the Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Administration, and the assignment and pledge of the trust estate created by the Bond Resolution and all covenants, agreements and other obligations of the Administration to the holders of the Bonds shall continue to exist and shall run to the benefit of Ambac, and Ambac shall be subrogated to the rights of such holders.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution and is herein called an "Event of Default":

(a) Interest on any of the Bonds is not paid when the same shall become due, or the principal or redemption price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption, or a Sinking Fund Installment is not paid when due;

(b) If there is a default in the performance or observance of any other covenants, agreements or conditions on the part of the Administration contained in the Bond Resolution, a Series Resolution or the Bonds, and such default is not remedied after notice thereof to the Administration and the expiration of a cure period of at least 60 days;

(c) If the Administration shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

Remedies; Rights of Bondholders

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy under the Act, at law or in equity to enforce the payment of the principal and interest on the Bonds then Outstanding. Upon the occurrence of such Event of Default the Trustee may, and at the direction of Ambac, shall, declare the principal of all Bonds Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such principal and interest shall thereupon become immediately due and payable.

If an Event of Default shall have occurred the Trustee may, with the consent of Ambac and shall, at the direction of 25% in aggregate principal amount of Bonds then Outstanding with the consent of Ambac, by written notice to the Administration, if indemnified as provided in the Bond Resolution, be obligated to exercise one or more of the rights and powers conferred by the Bond Resolution, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders. Notwithstanding any other provision of the Bond Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Bond Resolution, the Trustee shall consider the effect on the Bondholders as if there were no Financial Guaranty Insurance Policy.

Except as provided in the Bond Resolution, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings under the Bond Resolution; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Resolution.

No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Bond Resolution or for the execution of any trust thereof or for the appointment of a receiver or any other remedy under the Bond Resolution, unless (1) a default has occurred of which the Trustee has been notified as provided in the Bond Resolution, or of which it is deemed to have notice, (2) such default shall have become an Event of Default and the owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Bond Resolution or to institute such action, suit or proceeding in their own name or names, (3) they have offered to the Trustee indemnity, and (4) the Trustee shall thereafter fail or refuse to exercise the powers granted under the Bond Resolution, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are in every case at the option of the Trustee conditions precedent to the execution of the powers and trusts of the Bond Resolution, and to any action or cause of action for the enforcement of the Bond Resolution, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Bond Resolution by such holder's

action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained for the equal and ratable benefit of the holders of all Bonds then Outstanding (other than owners of Subordinated Bonds, who shall be entitled to the priority established for the applicable Series of Subordinated Bonds). However, nothing contained in the Bond Resolution shall affect or impair the right of any Bondholders to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Administration to pay the principal of and interest on each of the Bonds issued under the Bond Resolution to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

The Trustee may at its discretion waive any Event of Default under the Bond Resolution and its consequences, and shall do so upon the written request of the holders of (1) more than $66\frac{2}{3}\%$ in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein, or (b) any default in the payment when due of the interest on any such Bonds unless, before such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Anything in the Bond Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default and so long as Ambac continues to honor its obligations under the Municipal Bond Insurance Policy, Ambac shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Bond Resolution, including, without limitation, acceleration of the principal of the Bonds as described in the Bond Resolution and the right to annul any declaration of acceleration. Ambac shall also be entitled to approve all waivers of events of default.

Supplemental Bond Resolutions

The Bond Resolution may be supplemented at any time upon filing with the Trustee of a copy of such supplement certified by an Authorized Officer, shall be fully effective in accordance with its terms:

- (1) to close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on, the issuance in the future of Bonds;
- (2) to add to the covenants or agreements of the Administration in the Bond Resolution, other covenants or agreements to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (3) to add to the limitations, restrictions or provisions in the Bond Resolution, other limitations, restrictions or provisions to be observed by the Administration which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (4) to surrender any right, power or privilege reserved to or conferred upon the Administration by the Bond Resolution;
- (5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or any other money, Infrastructure Loans, fund or accounts; or

(6) to specify, determine or authorize by Series Resolution any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

A resolution of the Administration amending or supplementing the Bond Resolution may be adopted upon: (i) filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) filing with the Administration of an instrument in writing made by the Trustee consenting to such resolution, for the following purposes:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution;

(2) to insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; or

(3) to amend the Bond Resolution in any respect which, in the opinion of the Trustee, is not materially adverse to the interests of the Bondholders.

Except as provided above, the Bond Resolution or any supplemental resolution may be amended or supplemented by the holders of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any supplemental resolutions. However, no such amendment or supplement shall permit, without the consent of the holders of all Outstanding Bonds: (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any Bond, (b) a reduction in the principal amount of any Bond or the rate of interest, or sinking fund redemption requirements, thereon, (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution, (e) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding hereunder (except in the case of Subordinated Bonds), or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

Any provision of the Bond Resolution expressly recognizing or granting rights in or to Ambac may not be amended in any manner which affects the rights of Ambac hereunder without the prior written consent of Ambac. Ambac's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Bond Resolution; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) of this sentence which requires Bondholder consent.

Trustee

Under the terms of the Bond Resolution, the Trustee or any successor Trustee shall be a bank, trust company or national banking association having trust powers and a combined capital and surplus of not less than \$50,000,000. The Trustee has accepted the trusts created under the Bond Resolution and has agreed to perform the duties required of it under the terms and conditions thereof. The Trustee shall be under no obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of the Bond Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified. The Trustee shall not be liable in connection with the performance of its duties under the Bond Resolution, except for its own negligence or default.

The Trustee may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out

of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than 60 days' written notice to the Administration and Ambac and publishing notice thereof, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. Such resignation shall take effect upon the day specified in such notice, unless previously a successor shall have been appointed by the Administration or Bondholders, in which event such resignation shall take effect immediately on the appointment of such successor.

The Trustee, or any successor thereof, may be removed at any time by the Administration (so long as the Administration is not in default under the Bond Resolution), at the request of Ambac, by notice given to the Trustee by the Administration, or by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration.

If the Trustee, or any successor Trustee, shall resign, be removed, become incapable of acting, or be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public office shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration. Pending such appointment, the Administration shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by Bondholders. Notwithstanding any other provision of the Bond Resolution, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to Ambac, shall be appointed. The Administration shall, within 20 days after such appointment, publish notice of any such appointment. Any successor Trustee appointed by the Administration shall, immediately and without further act, be superseded by a Trustee appointed by Bondholders. If in a proper case, no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 45 days after the Trustee shall have given written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondholder may apply to any court of competent jurisdiction to appoint a successor.

The Administration reserves the right to approve, in its sole discretion, any successor Trustee if any Trustee is merged or converted or consolidated or if any Trustee sells or transfers all or substantially all of its corporate trust business.

The Administration, in its sole discretion, reserves the right, in the future and from time to time, to undertake to obtain competitive bids from financial and trust institutions for the performance of the services of Trustee under the Bond Resolution. The Trustee has agreed that in the event it is not the successful bidder for trustee services in the future, it shall resign as Trustee upon request of the Administration. Alternatively, at the option of the Administration, the failure of the Trustee to be the successful bidder for trustee services in the future, shall constitute sufficient reason for removal of the Trustee under the Bond Resolution by the Administration.

Publication of Notices

Whenever the Administration or the Trustee is required or permitted to publish notice of any event or occurrence under the Bond Resolution, such notice shall be published in such manner and by such means as the Administration or the Trustee, as the case may be, shall determine to be appropriate. Such publication may be by (but is not limited to) any of the following means: (1) publication in one or more newspapers or trade journals selected by the Administration or the Trustee, as the case may be; (2) publication by or through one or more financial information reporting services; (3) delivery to one or more "nationally recognized municipal securities information repositories" (as such terms is defined in Securities and Exchange Commission Rule 15c2-12) or any successor repository or entity fulfilling a substantially similar or like role; or (4) by mailing a copy of such notice by first class mail, postage prepaid, to the person entitled to receive the notice at such person's address as shown on the records of the Administration or the Trustee.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Letterhead of Miles & Stockbridge P.C., Baltimore, Maryland

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

\$11,790,000
Maryland Department of Housing and Community Development
Community Development Administration
Local Government Infrastructure Bonds
(Ambac Insured)
2002 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by 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"), of \$11,790,000 aggregate principal amount of its Local Government Infrastructure Bonds (Ambac Insured), 2002 Series A (the "2002 Series A Bonds"). With the proceeds of the 2002 Series A Bonds, the Administration will make funds available to finance loans (the "Loans") to counties and municipalities or their agencies or instrumentalities ("Local Governments") in order to finance infrastructure projects of such Local Governments.

The 2002 Series A 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 Resolution Providing for the Issuance of Local Government Infrastructure Bonds (Ambac Insured) of the Community Development Administration, adopted as of February 1, 2002 (the "Bond Resolution"), duly adopted by the Administration and accepted by Allfirst Bank, as trustee (the "Trustee"), and (3) the Series Resolution Providing for the Issuance and Sale of \$11,790,000 Principal Amount of the Community Development Administration Local Government Infrastructure Bonds, (Ambac Insured) 2002 Series A, adopted as of March 1, 2002, (the "Series Resolution") pursuant to which the 2002 Series A Bonds are authorized to be issued. The Bond Resolution and the Series Resolution are referred to collectively as the Resolutions.

The 2002 Series A Bonds are issuable as fully registered bonds without coupons in the denominations of \$5,000 each or any integral multiple thereof. Interest on the 2002 Series A Bonds will be paid by check or draft mailed by the Trustee, or, at the request of any owner of at least \$1,000,000 in principal amount of the 2002 Series A Bonds, by wire transfer, to the persons in whose names the 2002 Series A Bonds are registered on the registration books of the Administration maintained by the Trustee. Principal of and premium, if any, on the 2002 Series A Bonds will be payable at the principal corporate trust office of the Trustee.

The 2002 Series A Bonds mature on June 1 of the years and in the principal amounts and bear interest, if any, at the rates per annum set forth below:

Year	Amount	Interest Rate%	Yield%	Year	Amount	Interest Rate%	Yield%	Year	Amount	Interest Rate%	Yield%
2003	\$ 320,000	3.000	1.580	2013	\$450,000	4.150	4.250	2023	\$210,000	5.000	5.000
2004	330,000	3.000	2.240	2014	470,000	4.250	4.370	2024	225,000	5.000	5.000
2005	340,000	3.000	2.740	2015	495,000	4.350	4.470	2025	235,000	5.000	5.000
2006	355,000	3.250	3.050	2016	510,000	4.450	4.570	2026	245,000	5.000	5.000
2007	365,000	3.300	3.360	2017	540,000	4.550	4.660	2027	260,000	5.000	5.000
2008	380,000	3.500	3.570	2018	525,000	4.650	4.750	2028	270,000	5.000	5.030
2009	395,000	3.700	3.780	2019	550,000	4.700	4.820	2029	285,000	5.000	5.030
2010	400,000	3.850	3.910	2020	580,000	4.750	4.870	2030	295,000	5.000	5.030
2011	425,000	3.950	4.010	2021	610,000	4.800	4.900	2031	315,000	5.000	5.030
2012	440,000	4.000	4.110	2022	640,000	4.800	4.920	2032	330,000	5.000	5.030

The 2002 Series A Bonds maturing on June 1, 2027 and June 1, 2032 are subject to mandatory sinking fund redemption prior to maturity. All of the 2002 Series A Bonds are subject to special redemption prior to maturity, as provided in the Resolution.

The 2002 Series A Bonds are special obligations of the Administration payable solely from the Revenues (as defined in the Bond Resolution) and property of the Administration pledged for the payment thereof pursuant to the Resolutions. The Administration has no taxing power. The 2002 Series A Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

In connection with the issuance of the 2002 Series A Bonds, we have examined the following:

A. A certified copy of the Act.

B. Executed copies of the Resolutions.

C. A specimen of the 2002 Series A Bonds.

D. Such other opinions, documents, certificates and letters as we deem relevant in rendering this opinion.

From such examination we are of the opinion that:

1. The Administration was duly created and validly exists under the provisions of the Act as an agency in the Division of Development Finance of the Department with full power to issue the 2002 Series A Bonds for the purpose of financing the Loans.

2. The Resolutions have been duly adopted and executed by the Administration, are valid and binding upon the Administration, are in full force and effect and are enforceable in accordance with their terms. The 2002 Series A Bonds are entitled to the benefits and security of the Resolutions for the payment thereof in accordance with the terms of the Resolutions.

3. The 2002 Series A Bonds have been duly authorized, executed and issued in accordance with the Constitution and the laws of the State, including the Act, now in force and represent valid and binding special obligations of the Administration, enforceable in accordance with their terms and the terms of the Resolutions except to the extent enforcement may be limited by general principles of equity which may permit the exercise of judicial discretion, the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally, now or hereafter in effect. The 2002 Series A Bonds are payable from the Revenues, as defined in the Bond Resolution, and other funds of the Administration pledged therefor pursuant to the Resolutions.

4. Assuming the accuracy of certain representations and compliance with certain covenants of the Administration and the Local Governments intended to assure compliance with Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), under laws, regulations, rulings and judicial decisions existing on the date hereof, except as set forth in the next paragraph, interest on the 2002 Series A Bonds (including any original issue discount properly attributable to a holder thereof) is excludable from the gross income of the owners thereof for federal income tax purposes and is not a specific item of tax preference directly subject to the alternative minimum tax. The 2002 Series A Bonds, their transfer, the interest payable thereon and any income

derived therefrom, including any profit realized in their sale or exchange, are exempt from taxation of every kind and nature whatsoever by the State or by its political subdivisions, municipal corporations or public units of any kind under existing law, except that no opinion is expressed as to such exemption from Maryland franchise taxes or estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds.

Although, in our opinion, as set forth above, interest on the 2002 Series A Bonds is not a “specific item of tax preference” directly subject to the alternative minimum tax, interest on the 2002 Series A Bonds is included in the “adjusted current earnings” (*i.e.*, alternative minimum taxable income as adjusted for certain items including those items that would be included in the calculation of a corporation’s earnings and profits under Subchapter C of the Code) of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation’s adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and before reduction for certain net operating losses).

The accrual or receipt of interest on the 2002 Series A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S Corporations and foreign corporations operating branches in the United States), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

The opinion we have expressed herein as to the treatment of the interest borne by the 2002 Series A Bonds for federal income tax purposes is based upon laws, regulations, rulings and decisions in effect on the date hereof. Each purchaser of the 2002 Series A Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Very truly yours,

MILES & STOCKBRIDGE P.C.

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APPENDIX F

NOTICE OF SALE

\$11,810,000
Maryland Department of Housing and Community Development
Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)
2002 Series A

ELECTRONIC BIDS will be received by the Community Development Administration (the "Administration") on **Tuesday, February 26, 2002** (the "Bid Date") for the purchase of all (but not less than all) of \$11,810,000 principal amount of Maryland Department of Housing and Community Development, Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) 2002 Series A (the "Series A Bonds"). Bids must be received on the Series A Bonds as provided herein no later than 11:00 a.m., Eastern Standard Time (the "Bid Deadline"). The Administration's communication mechanism for conducting the electronic bidding of the Series A Bonds will be the bidding platform of Bloomberg, L.P. ("Bloomberg®"). For purposes of the electronic bid, the time maintained by Bloomberg® shall constitute the official time.

The Bid Date may be postponed by issuance of a notice of postponement to be communicated through the news communication service provided by Bloomberg, L.P. ("Bloomberg News Service") no later than the Bid Deadline. The Administration reserves the right to modify or amend this Notice of Sale, but any such modifications or amendments shall not be made after 10:00 a.m. Eastern Standard Time, on the Bid Date and shall be communicated through Bloomberg News Service.

Bid proposals shall be submitted by electronic bidding via Bloomberg®. **All bid proposals must be preceded by a good faith deposit, as described herein.** The bid proposal combined with the previously submitted good faith deposit together will constitute a completed bid under the terms of this Notice of Sale.

TERMS AND CONDITIONS

I. THE SERIES A BONDS

Amount, Maturity and Structure

The Series A Bonds will be issued in the aggregate principal amount of \$11,810,000, will be dated March 1, 2002 and will bear interest first payable on June 1, 2002 and semi-annually thereafter on June 1 and December 1 in each year until maturity at such rates as are fixed by the bid proposal accepted by the Administration.

The Series A Bonds will mature (or be subject to mandatory redemption in part on each June 1 commencing with the first year of the consecutive maturities so combined) on June 1 in the years and amounts set forth below:

Year	Amount	Year	Amount	Year	Amount
2003	\$325,000	2013	\$445,000	2023	\$215,000
2004	325,000	2014	470,000	2024	225,000
2005	340,000	2015	495,000	2025	235,000
2006	350,000	2016	510,000	2026	250,000
2007	360,000	2017	540,000	2027	260,000
2008	375,000	2018	525,000	2028	275,000
2009	390,000	2019	555,000	2029	290,000
2010	400,000	2020	580,000	2030	305,000
2011	420,000	2021	610,000	2031	320,000
2012	440,000	2022	645,000	2032	335,000

Optional Term Bonds

Bidders have the option of specifying that the principal amount of the Series A Bonds payable in any two or more consecutive years may, in lieu of maturing in each of such years, be combined into a term bond to mature in the final year of such consecutive serial maturities and be subject to mandatory sinking fund redemption at par in the amounts and in the years as scheduled above. Bidders may elect to structure multiple term bonds.

Redemption

Optional Redemption. The Series A Bonds maturing before June 1, 2012 are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after June 1, 2012 shall be subject to redemption at the option of the Administration, in whole or in part at any time, on or after June 1, 2012 at the principal amount thereof, plus accrued interest thereon.

Special Redemption. The Series A Bonds are subject to special redemption at the principal amount thereof, plus accrued interest thereon, at the option of the Administration, in whole or in part, at any time, without premium from (1) the Series A Bond proceeds not used to finance Infrastructure Loans (as defined in the hereinafter described Bond Resolution), and (2) amounts on deposit in the Surplus Fund created under the Bond Resolution.

Mandatory Sinking Fund Redemption

Consecutive maturities combined by bidders to form term bonds shall be subject to mandatory redemption in part on each June 1 commencing with the first year of the consecutive maturities so combined, at the principal amount set forth in the maturity schedule above plus accrued interest to the redemption date.

Form and Payment

One bond representing each maturity of the Series A Bonds will be issued to and registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York ("DTC") as registered owner of the Series A Bonds, and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Series A Bonds. Individual purchases will be made in book-entry form only. Purchasers will not receive physical delivery of certificates representing their interest in the Series A Bonds purchased. The successful bidder(s) shall pay all fees, costs and expenses payable to DTC with respect to the Series A Bonds purchased.

Allfirst Bank, Baltimore, Maryland will act as Trustee and Paying Agent for the Series A Bonds. Principal of, premium if any, and interest on the Series A Bonds will be paid to DTC so long as Cede & Co. is the registered owner of the Series A Bonds. The Series A Bonds will be payable at the corporate trust office of Allfirst Bank, Baltimore, Maryland as Trustee and Paying Agent for the Series A Bonds. Interest on the Series A Bonds will be paid (i) by check or draft mailed by the Paying Agent to the registered owners thereof, or (ii) upon the request of any registered owner of the Series A Bonds having an aggregate principal amount of \$1,000,000 or more, by wire transfer made on the interest payment date (or if such date is not an interest payment date, the next succeeding business day) in immediately available funds from the Paying Agent to the bank and account number specified by such owner in writing to the Paying Agent.

Authority for Issuance

The Series A Bonds will be issued pursuant to the authority of Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland, as amended (the "Act"), a Resolution Providing for the Issuance of Local Government Infrastructure Bonds (Ambac Insured) of the Community Development Administration adopted by the Administration as of February 1, 2002 (the "Bond Resolution"), and a Series Resolution Authorizing the Issuance and Sale of \$11,810,000 Principal Amount of Local Government Infrastructure Bonds (Ambac Insured) 2002 Series A, which will be adopted by the Administration as of March 1, 2002 (the "Series Resolution").

Bond Insurance

Ambac Assurance Corporation ("Ambac") has issued a commitment for a financial guaranty insurance policy relating to the Series A Bonds. All bids may be conditioned upon the issuance, effective as of the date on which the Series A Bonds are issued, of a policy of insurance by Ambac, insuring the payment when due of principal of and interest on the Series A Bonds. Each Series A Bond will bear a legend referring to the insurance. The purchaser, holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the Bond Legend without the approval of Ambac.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series A Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series A Bonds. The successful bidder(s) shall pay all fees for obtaining CUSIP numbers for the Series A Bonds.

Credit Rating

It is anticipated that the Series A Bonds will be rated by Moody's Investors Service, Inc. and Fitch, Inc. based upon the insurance policy to be issued by Ambac.

Additional Information

For more details regarding the Series A Bonds, the Administration and the security for the Series A Bonds (including the insurance Policy to be issued by Ambac), reference is made to the Preliminary Official Statement dated February 19, 2002. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Copies of the Preliminary Official Statement may be obtained from Roy A. Westlund, Deputy Director of the Administration (Telephone: 410-514-7411; Fax: 410-514-7431; Email: westlund@dhcd.state.md.us).

II. BIDDING SPECIFICATIONS

Electronic Bidding: Bid Time

Notice is hereby given that electronic bids for the purchase of the Series A Bonds must be submitted via Bloomberg®, in accordance with the rules of participation and any other requirements of Bloomberg® (the "Rules of Participation") and this Notice of Sale until the Bid Deadlines. A description of the Rules of Participation can be found through the bidding page of Bloomberg®.

Bids may be submitted electronically pursuant to this Notice of Sale no later than 11:00 a.m., Eastern Standard Time on Tuesday, February 26, 2002. No bid will be received on the Series A Bonds after 11:00 a.m., Eastern Standard Time. To the extent any instructions or directions set forth in the Rules of Participation conflict with this Notice of Sale, the terms of this Notice of Sale shall control.

For further information about Bloomberg®, potential bidders may contact Bloomberg Municipal New Issues Desk at 609-279-3250.

Electronic Bidding: Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid(s) in accordance with the Rules of Participation and this Notice of Sale. Each prospective bidder shall be solely responsible to make necessary arrangements to access Bloomberg® for the purpose of submitting its bid(s) in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Administration nor Bloomberg L.P. shall be responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, the Bloomberg® service, the use of such facilities being the sole risk of the prospective bidder. Neither the Administration nor Bloomberg® shall have any duty or obligation to provide or assure access to Bloomberg® to any prospective bidder, except as specifically provided herein. The Administration is using Bloomberg® as a communication mechanism, and not as the Administration's agent, to conduct the electronic bidding for the Series A Bonds.

The Administration is not bound by any advice and determination of Bloomberg® as to whether any particular bid complies with the terms of this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids via Bloomberg® are the sole responsibility of the bidders; and the Administration is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing its bid(s) for the Series A Bonds, the bidder should telephone Bloomberg Municipal New Issues Desk at 609-279-3250.

Electronic Bidding: Procedures

In order to submit a bid proposal, the bidder must have the Bloomberg® system. For bidders who do not currently have or operate the Bloomberg® system, Bloomberg, L.P. has agreed to allow these bidders access to its terminal and bidding system without charge for the one-time use of making a bid on the Series A Bonds. Bidders who are interested in bidding but who currently do not have the Bloomberg® system should contact the Bloomberg Municipal New Issues Desk at 609-279-3250.

Electronic bids must be submitted for the purchase of the Series A Bonds via Bloomberg®. Bids will be communicated electronically to the Administration at the Bid Deadlines. Prior to that time, a prospective bidder

may (1) submit the proposed terms of its bid, (2) modify the proposed terms of its bid for the Series A Bonds, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series A Bonds, or (3) withdraw its proposed bid for the Series A Bonds. Once the bids are communicated electronically via Bloomberg® to the Administration, each bid will constitute an irrevocable offer to purchase the Series A Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Bloomberg® shall constitute the official time. All bid proposals submitted electronically shall be irrevocable from the Bid Deadlines until 3:00 p.m. Eastern Standard Time on the Bid Date and shall be subject to acceptance by the Administration during that period.

All electronic bids must be preceded by a good-faith deposit, described below. A bid proposal communicated electronically combined with the previously submitted good-faith deposit will constitute a completed bid under the terms of this Notice of Sale.

List of Members of Account

The facilities of Bloomberg® currently do not allow the bidders to list the names of the syndicate members of the account on whose behalf the bid is made. At least one day prior to the Bid Date, bidders are requested to fax the names of the members of the account on whose behalf the bid is made to Roy A. Westlund, Deputy Director of the Administration (Telephone: 410-514-7411; Fax: 410-514-7431; Email: westlund@dhcd.state.md.us). The fax of the names of the syndicate members shall not be considered by the Administration as part of the bid proposal and shall not constitute a condition of acceptance of a bid by the Administration.

Right to Modify or Amend Notice of Sale; Right to Postpone Sale

The Administration reserves the right to modify or amend this Notice of Sale, including changing the scheduled maturities or increasing or reducing the aggregate principal amount of the Series A Bonds and the principal amount of any maturity offered for sale, prior to the Bid Date. If any modifications occur, supplemental information with respect to the Series A Bonds will be communicated via Bloomberg News Service not later than 10:00 a.m. Eastern Standard Time, on the Bid Date, and bidders shall bid upon the Series A Bonds based upon the terms thereof set forth in this Notice of Sale, as so modified by such supplemental information.

In addition, the Administration reserves the right to postpone the date established for the receipt of bids. In the event of a postponement, the new date and time of sale and any revised date of expected delivery will be announced via Bloomberg News Service at any time prior to the Bid Deadlines. On any such alternative sale date, bidders may submit bids for the purchase of the Series A Bonds in conformity with the provisions of this Notice of Sale, subject to any changes thereto which will be communicated through Bloomberg News Service.

The Administration encourages each bidder for the Series A Bonds to make a good faith effort to include minority business enterprises in the syndicate purchasing the Series A Bonds.

The successful bidder(s) will be required to submit on the Bid Date a listing of representative offices, if any, located in the State of Maryland, with telephone numbers, where the Series A Bonds will be available for sale to the public.

Interest Rates and Bidding Details

Each bid shall specify the interest rate *per annum* due on each maturity of that particular series. No more than one interest rate for each maturity date shall be specified, and each interest rate *per annum* shall be a multiple of one-eighth ($\frac{1}{8}$) or one-twentieth ($\frac{1}{20}$) of one percent. The highest interest rate specified on any Series A Bond of the series bid for shall not exceed the lowest specified rate by more than $3\frac{1}{2}\%$. A zero rate may not be named for any maturity. Each rate of interest specified for Bonds of such series of any maturity shall not be less than the rate of interest specified for any earlier maturity. Bidders may designate in their proposal two or more consecutive annual principal payments as a term bond which matures on the maturity date of the last annual principal payment of the sequence. One or two sequences of annual principal payments may be designated as term bonds. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond.

The amount bid for the Series A Bonds (exclusive of accrued interest) shall not be less than \$11,691,900 (or 99.00%).

The Administration reserves the right to adjust the principal amount of each maturity subsequent to acceptance of a bid in order to achieve level annual debt service. Such adjustment shall not reduce or increase the aggregate principal amount of the Series A Bonds or any annual principal maturity of the Series A Bonds by more than 10% from the amount specified herein (as may be amended before the Bid Date). The successful bidder may not withdraw its bid or change the interest rates bid or the initial reoffering prices to the public as a result of any change in the principal amount of the Series A Bonds within these limits. The dollar amount bid for principal by the successful bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount of the Series A Bonds. The interest rates specified by the successful bidder for each maturity in its bid for the Series A Bonds will not change.

Good Faith Deposit

As a condition precedent to the consideration of any bid proposal, each bidder shall provide with its proposal a good faith deposit in the amount of \$118,100 (the "Deposit") by 3:00 p.m., Eastern Standard Time on the business day immediately preceding the Bid Date. Each Deposit shall be in the form of (i) a certified, cashier's or treasurer's check drawn on a responsible financial institution payable to the order of the Administration, or (ii) a financial surety bond naming the Administration as beneficiary. By submitting the Deposit, the bidder also agrees that if its bid is accepted by the Administration, the bidder will be contractually bound by the terms of the bid which are received by the Administration through Bloomberg® at the Bid Deadlines.

If a financial surety bond is to be provided, it must be from an insurance company whose claims paying ability is rated AAA by Standard & Poor's Rating Group, A Division of The McGraw-Hill Companies, Inc. or Aaa by Moody's Investors Service, Inc., and which is licensed to issue such a bond in the State of Maryland, and shall name the Administration as beneficiary (such bond is herein referred to as a "Financial Surety Bond"). In addition, the Financial Surety Bond, including the identity of the insurance company, must be provided to Miles & Stockbridge P.C., 10 Light Street, Baltimore, Maryland 21202, Attention: N. Gordon Knox, Esq., (410) 385-3644, Bond Counsel to the Administration not later than 3:00 p.m. Eastern Standard Time on the business day immediately preceding the Bid Date. The Financial Surety Bond must identify the bidder whose Deposit is guaranteed by the Financial Surety Bond. If the Series A Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser is required to submit the amount of the applicable Deposit to the Administration by wire transfer as instructed by the Administration not later than noon Eastern Standard Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Administration to satisfy the applicable Deposit requirement.

If any successful bidder for the Series A Bonds does not carry out the terms of its proposal to purchase, the Administration will be damaged in an amount difficult or impossible to ascertain or estimate, and consequently the Administration may then retain the entire amount of such bidder's Deposit as stipulated and liquidated damages. Any Deposit of unsuccessful bidders in the form of a check will be returned upon the award of the Series A Bonds. No interest will be paid upon the applicable Deposit made by any bidder.

Basis of the Award

The Series A Bonds may be awarded by the Administration to the responsible bidder whose bid results in the lowest true interest cost to the Administration for the Series A Bonds. The lowest true interest cost will be determined as that rate which, when used in computing the present value as of the dated date of the Series A Bonds of all payments of principal and interest to be paid on the Series A Bonds, compounded semi-annually from the date of the Series A Bonds, produces an amount equal to the purchase price of the Series A Bonds exclusive of accrued interest. For the purpose of calculating the true interest cost, the principal amount of the Series A Bonds scheduled for mandatory sinking fund redemption as a part of a term bond shall be treated as a serial maturity in each year. The judgment of the Secretary of Housing and Community Development of the State of Maryland (the "Secretary") or his designee shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale.

Notice of Reoffering Prices

As promptly as reasonably practicable after the bid proposals are opened, the Administration will notify the bidder to whom the Series A Bonds will be awarded, if and when such award is made. The successful bidder, within one-half hour after receipt of such notice, shall advise the Administration and its Financial Advisor by fax transmission to 410-514-7431 (Attention: Roy A. Westlund) and to 301-552-1956 (Attention: Sophia Green-Robinson), respectively, of the initial reoffering price to the public, expressed as a percentage of par, of each maturity of the Series A Bonds (the "Reoffering Prices").

Rejection of Bids

The Administration reserves the right, in its sole discretion, to reject any and all bids or to waive any irregularity or informality with respect to any bid. Award of the Series A Bonds or rejection of bids will be made on the Bid Date.

III. OFFICIAL STATEMENT

The Preliminary Official Statement is in a form “deemed final” as of its date by the Administration as permitted in SEC Rule 15c2-12(b)(1), subject to revision, amendment and completion in the final Official Statement.

Within seven business days following the Bid Date (but in no event later than the date of delivery of the Series A Bonds) the Administration will authorize the Official Statement, which presently is expected to be substantially in the form of the Preliminary Official Statement. The Administration also will authorize and issue any supplement to the Official Statement that may be necessary between the date of the authorization of the Official Statement and the date of delivery of and payment for the Series A Bonds. The successful bidder(s) shall be responsible to the Administration and its officials for the Reoffering Prices furnished by such bidder(s), which will be included in the Official Statement.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Administration will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Series A Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The successful bidder(s) will also be furnished, without cost, up to 300 copies of the Official Statement (and any amendments or supplements thereto).

IV. DELIVERY OF THE BONDS

The closing of the Series A Bonds will be held at the offices of Miles & Stockbridge P.C., Baltimore, Maryland, at or before noon, Eastern Standard Time, on or before March 14, 2002, or on such later date as may be agreed upon by the Administration and the successful bidder(s) (the “Closing Date”). The obligation of the successful bidder(s) to accept and pay for the Series A Bonds shall be irrevocable. At the closing, **the successful bidder(s) shall pay the purchase price for the Series A Bonds together with accrued interest to the delivery date less the Deposit, in same day funds**, and the Administration shall deliver the Series A Bonds through the facilities of DTC in New York, New York.

V. CONDITIONS TO CLOSING

The obligation of the successful bidder(s) to accept and pay for the Series A Bonds on the Closing Date shall be subject to the satisfaction of the conditions set forth in (a) below. The manager of the successful bidder(s) shall provide to the Administration the documents described in (b) below.

- (a) At or prior to the delivery of the Series A Bonds, the manager of the successful bidder(s) shall have received each of the following documents:
 - (1) The approving opinion, dated the Closing Date, of Miles & Stockbridge P.C., as Bond Counsel to the Administration, in substantially the form attached as Appendix E to the Preliminary Official Statement.
 - (2) A certificate of the Secretary and the Director of the Administration, dated the Closing Date, to the effect that, to the best of their knowledge and belief: (i) the Official Statement (other than any pricing or other information with respect to the terms of the reoffering of the Series A Bonds, information regarding DTC and DTC’s book-entry system provided by DTC, information regarding Ambac and its insurance policy, and the financial and other information contained on pages C-2 through C-8 of Appendix C, as to which no representation will be made) as of its date did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in any material respect, and (ii) no event affecting the Administration has occurred since the date of the Official Statement which should be disclosed in the Official Statement in order to make the statements and information therein not misleading in any material respect.

- (3) A certificate of the Secretary and the Director of the Administration, dated the Closing Date, to the effect that no controversy or litigation of any nature, which, if determined adversely, would materially and adversely affect the operations of the Administration relating to the Series A Bonds or to the application of the proceeds thereof, is now pending for which the Administration has received service of process, or, to their knowledge, threatened in any court, either state or federal, or before any governmental or administrative authority, agency, body or tribunal: (i) restraining or enjoining, or seeking to restrain or enjoin, the issuance, sale, execution or delivery of the Series A Bonds or the collection and application of Revenues (as defined in the Bond Resolution) or assets pledged under the Bond Resolution; or (ii) in any way contesting or affecting (a) the authority for the issuance or the validity of the Series A Bonds or the validity of the Bond Resolution or the Series Resolution, (b) any proceedings of or on behalf of the Administration taken with respect to the issuance or sale of the Series A Bonds, (c) the execution or adoption of the Bond Resolution and the Series Resolution, (d) the pledge effected by the Bond Resolution, (e) the existence or powers of the Administration or the Department, (f) the title of the Secretary or the officers of the Administration, to their respective offices, or (g) the existence or powers of the Administration to implement the "The Program" as described in the Official Statement and the Offering Memorandum; or (iii) in any manner questioning (a) the proceedings or authority for the issuance of the Series A Bonds, (b) any provision made or authorized for the payment of the Series A Bonds, (c) the existence or operations of the Administration, or (d) the power of the Administration to finance Infrastructure Loans (as defined in the Bond Resolution) listed in the Official Statement or to undertake any other transactions contemplated by the Official Statement.
- (b) At or prior to the delivery of the Series A Bonds, the manager(s) of the successful bidder(s) shall furnish to the Administration each of the following documents:
- (1) A certificate acceptable to Bond Counsel stating (i) the Reoffering Prices to the public of the Series A Bonds; (ii) that the successful bidder has made a *bona fide* public offering of the Series A Bonds at the Reoffering Prices; and (iii) that a substantial amount of the Series A Bonds were sold to the public (excluding bond houses, brokers and other intermediaries) at such initial Reoffering Prices. Bond Counsel advises that [a] such certificate must be made on the best knowledge, information, and belief of the successful bidder; [b] the sale to the public of 10% or more in par amount of the Series A Bonds of each maturity at the initial Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the bonds; and [c] reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Series A Bonds.
- (2) A certificate from each member of the successful bidding group stating that: (i) such member does not have any contract or direct or indirect financial or business relationship, other arrangement or understanding with the Administration's auditors, financial advisors, trustee or bond counsel that relates to or could be considered material in connection with the process of offering and selling the Bonds, except as has been disclosed to the Administration; (ii) such member does not have any contract or direct or indirect financial or business relationship, other arrangement or understanding with any "Local Government" described in the Official Statement in connection with an "Infrastructure Loan" to be financed with the proceeds of the Series A Bonds that relates to, could be considered material in connection with, or would result in less than an arm's length transaction relating to, the process of offering and selling the Bonds, except as has been disclosed to the Administration; (iii) the only compensation that such member is receiving in connection with the issuance and sale of the Series A Bonds is a portion of the amount of the discount set forth in the bid proposal; (iv) such member has not made any contribution to any candidate for political office in Maryland that violates Rule G-37 of the Municipal Securities Rulemaking Board; (v) any consulting arrangement entered into by such member relating to the Administration is in compliance with Rule G-38; and (vi) such member will comply with the provisions of Article 33, Sections 30-1 through 30-4 of the Annotated Code of Maryland, to the extent applicable.

- (3) A receipt or other evidence acceptable to the Administration establishing that a copy of the Official Statement has been filed with all “nationally recognized municipal securities information repositories”, in accordance with the requirements of SEC Rule 15c2-12.

VI. MISCELLANEOUS

The Administration will bear the cost of printing the Series A Bonds, the Preliminary Official Statement and 300 copies of the Official Statement, and the fees and expenses of Bond Counsel, Counsel to the Administration, and the Financial Advisor to the Administration. All other expenses incurred by the successful bidder in connection with its public offering and distribution of the Series A Bonds shall be borne by such bidder(s).

The Administration reserves the right to withdraw the Series A Bonds from sale at any time up to the Bid Deadlines, without notice. The Administration also reserves the right to reject any and all bids and/or waive any irregularity or informality with respect thereto.

COMMUNITY DEVELOPMENT ADMINISTRATION

By: Harry D. Sewell, *Director*

Dated: February 15, 2002

APPENDIX G

FORM OF AMBAC FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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