OFFICIAL STATEMENT DATED MARCH 21, 2006

NEW ISSUE

In the opinion of Bond Counsel, (i) assuming compliance with certain covenants described herein, under existing statutes, regulations, and decisions, interest on the Series A Bonds will be excludable from gross income for federal income tax purposes and will not be includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment and, (ii) by the terms of the Act, 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, except that no opinion is expressed as to estate or inheritance taxes, or other taxes not levied or assessed directly on the Series A Bonds, their transfer or income therefrom. See "Tax Matters".

DHCD
Maryland Department of Housing and Community Development

$8,940,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Local Government Infrastructure Bonds
(Ambac Insured)
2006 Series A

Dated: Date of Delivery **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 December 1, 2006 and semiannually thereafter on June 1 and December 1 of each year to DTC by Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), as trustee (the "Trustee"). 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 Series A 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 Series A Bonds. The Series A 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. The Administration has no taxing power.

Year	Amount	Interest Rate%*	Yield%*	CUSIP	Year	Amount	Interest Rate%*	Yield%*	CUSIP
2007	$455,000	4.000	3.300	57419N6T6	2017	$390,000	4.000	3.930†	57419N7D0
2008	470,000	4.000	3.340	57419N6U3	2018	405,000	4.000	4.000	57419N7E8
2009	490,000	4.000	3.390	57419N6V1	2019	420,000	4.000	4.060	57419N7F5
2010	510,000	3.500	3.430	57419N6W9	2020	440,000	4.000	4.120	57419N7G3
2011	525,000	3.500	3.470	57419N6X7	2021	410,000	4.125	4.180	57419N7H1
2012	450,000	3.500	3.540	57419N6Y5	2022	370,000	4.125	4.210	57419N7J7
2013	465,000	4.000	3.650	57419N6Z2	2023	380,000	4.125	4.240	57419N7K4
2014	485,000	4.000	3.720	57419N7A6	2024	400,000	4.125	4.270	57419N7L2
2015	505,000	4.000	3.780	57419N7B4	2025	415,000	4.125	4.300	57419N7M0
2016	525,000	4.000	3.860	57419N7C2	2026	430,000	4.250	4.330	57419N7N8

† Priced to call on June 1, 2016

*The interest rates shown above are the interest rates payable by the Administration resulting from the successful bid for the Series A Bonds on March 21, 2006 by a group of investment banking firms. The interest rates, prices or yields were furnished by the successful bidder for the Series A Bonds. Other information concerning the terms of reoffering of the Series A Bonds, if any should be obtained from the successful bidder and not from the Administration or the Department.

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 McKennon Shelton & Henn LLP, 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 April 5, 2006.

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.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series A Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Administration since the date hereof.

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

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 PRICES AS SET FORTH ON THE COVER PAGE.

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OFFICIAL STATEMENT
of the
Community Development Administration
Maryland Department of Housing and Community Development
Relating to
$8,940,000
Local Government Infrastructure Bonds
(Ambac Insured)
2006 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), 2006 Series A (the "Series A Bonds"). The Administration is authorized to issue the Series A Bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act"); a resolution providing for the issuance of Local Government Infrastructure Bonds (Ambac Insured) adopted by the Administration as of February 1, 2002, as amended and supplemented (the "Bond Resolution") and appointing Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, as trustee (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 seventh Series of Bonds issued under the Bond Resolution. The Series A Bonds, the Bonds previously issued under the Bond Resolution and any additional bonds which the Administration may issue under the Bond Resolution (collectively called the "Bonds") are and will be on a parity, equally and ratably secured under the Bond Resolution, except for Subordinated Bonds which will not be on a parity, equally and ratably secured under the Bond Resolution. As of January 1, 2006, $57,040,000 principal amount of Bonds were outstanding, consisting of six Series of Bonds which financed Infrastructure Loans (hereinafter defined) for twenty-one Local Governments.

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 E - "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 $8,940,000 of Infrastructure Loans for five 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 and refinance with the proceeds of the Series A Bonds is included in this Official Statement in Appendix C. A list of the Local Governments and Infrastructure Projects the Administration has financed with the proceeds of the Bonds previously issued under the Bond Resolution is included in this Official Statement as Appendix D. A summary of certain provisions of the Bond Resolution is included in this Official Statement as Appendix E and the proposed form of the opinion of Bond Counsel is included in this Official Statement as Appendix F. The Notice of Sale and form of bid proposal are included in this Official Statement as Appendix G. Audited and unaudited financial statements of the Administration's Local Government Infrastructure Bonds (Ambac Insured) are included in this Official Statement as Appendix H. A copy of the form of the Policy is included in this Official Statement as Appendix I. **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 E - "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 Investor Relations, at telephone: 410-514-7326, fax: 410-987-4672 or email: cda_bonds@mdhousing.org.

THE SERIES A BONDS

General Description

The Series A Bonds will be dated the date of their delivery (the "Delivery Date"). 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 the Delivery Date, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2006, to DTC by 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.

Plan of Financing

Financing of New Infrastructure Loans. The Administration will apply a portion of the proceeds of the Series A Bonds to finance an aggregate principal amount of $3,992,300.00 of new Infrastructure Loans (the "New Loans") for three Local Governments. See Appendix C – "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS—Infrastructure Loans Expected to be Financed with a Portion of the Proceeds of the Series A Bonds". Upon the issuance of the Series A Bonds, a portion of the proceeds allocable to the New Loans will be deposited to the credit of the Infrastructure Loan Fund in accordance with the terms of the Resolutions. Such amounts will be disbursed by the Trustee to finance the New Loans in accordance with the requirements of the Resolutions and the Program. See Appendix B – "THE PROGRAM".

Refunding of Outstanding Infrastructure Loans. The Administration will apply a portion of the proceeds of the Series A Bonds in the amount of $4,947,700.00 (the "Refunding Proceeds") to currently refund a portion of certain principal maturities of the Administration's Infrastructure Financing Bonds (Ambac Insured), 1995 Series A (the "Series 1995A Bonds") and a portion of certain principal maturities of its Infrastructure Financing Bonds, (MBIA Insured) Series 1996 A (the "Series 1996A Bonds"). The Series 1995A Bonds and the Series 1996A Bonds are referred to hereinafter, collectively, as the "Refunded Bonds." The Refunded Bonds financed or refinanced certain Infrastructure Loans to three Local Governments (the "Prior Loans"). See Appendix C – "LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS" -- Infrastructure Loans Expected to be Refunded with a Portion of the Proceeds of the Series A Bonds.

The Series 1995A Bonds were issued pursuant to the Resolution Providing for the Issuance of Infrastructure Financing Bonds (Ambac Insured) of the Administration, adopted as of January 1, 1989 and a Series Resolution Providing for the Issuance and Sale of Infrastructure Financing Bonds (Ambac Insured), 1995 Series A, adopted as of April 1, 1995 (collectively, the "1995 Resolution"). The Series 1996A Bonds were issued pursuant to the Resolution Providing for the Issuance of Infrastructure Financing Bonds (MBIA Insured) of the Administration, adopted as of May 1, 1996 and a Series Resolution Providing for the Issuance and Sale of Infrastructure Financing Bonds (MBIA Insured), 1996 Series A, adopted as of May 1, 1996 (collectively, the "1996 Resolution"). The 1995 Resolution and the 1996 Resolution are referred to hereinafter, collectively, as the "Prior Resolutions."

Upon the issuance of the Series A Bonds, the Refunding Proceeds will be deposited to the credit of the Infrastructure Loan Fund in accordance with the terms of the Resolutions. Such amounts shall be transferred to the trustee for the Refunded Bonds for deposit in an escrow account within the respective Redemption Fund created under the Prior Resolutions and applied to pay the redemption price of the Refunded Bonds on or about June 1, 2006, as directed by the Administration. The Refunding Proceeds will be pledged only to the payment of the Refunded Bonds, and will not be available for the payment of principal of, premium, if any, or interest on the Series A Bonds.

Payment of Cost of Issuance. The Administration will directly apply $212,212.18 of the proceeds of the Series A Bonds to the payment of the total costs of issuing the Series A Bonds.

The Administration will directly net $16,254.17 of the proceeds of the Series A Bonds as the underwriter's discount of $31,506.27, less an original issue premium of $15,252.10.

Application of Series A Bond Proceeds

Series A Bonds. The proceeds of the sale of the Series A Bonds will be applied and deposited as follows:

Infrastructure Loan Fund	$ 3,883,733.65
Redemption Fund	4,827,800.00
Costs of Issuance Account[1]	212,212.18
Original Issue Premium	(15,252.10)
Underwriter's Discount	31,506.27
Total Series A Bonds	$8,940,000.00

(1) Includes bond insurance costs, certain fees and expenses of the Administration, the Trustee, printing costs and other miscellaneous expenses.

Redemption Provisions

Optional Redemption. The Series A Bonds maturing on or after June 1, 2017, are subject to redemption, at the option of the Administration, in whole or in part at any time, on or after June 1, 2016, 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 Bonds 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 E - "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, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect 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 Cede & Co., or such other DTC nominee as may be requested by an authorized representative of DTC. DTC's current practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Administration or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Administration or the Trustee, disbursement of such payments to Direct Participants 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.

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

Redemption notices shall be sent to DTC. If less than all of the Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

DTC, Cede & Co. or such other DTC nominee will not consent or vote with respect to the Series A Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy to the Administration as soon as possible after the record date for any consent or vote. The omnibus proxy assigns Cede & Co.'s consenting or voting rights 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 Department nor the Administration nor the Trustee will have any responsibility or obligation to the Direct Participants or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Participant; (B) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series A Bonds; (C) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolutions to be given to Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

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.

So long as Cede & Co. is the registered owner of the Series A Bonds, as nominee of DTC, references in this Official Statement to the owners of the Series A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and Cede & Co. will be treated as the only Bondholder of Series A Bonds for all purposes under the Resolutions.

The Administration may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to Series A Bonds without the consent of Beneficial Owners or Bondholders.

DTC may discontinue providing its services as a securities depository with respect to the Series A Bonds at any time by giving reasonable notice to the Administration or Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates for the Series A Bonds will be printed and delivered. The Administration may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates for the Series A Bonds will be printed and delivered.

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

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, including the Refunded 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 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. THE ADMINISTRATION HAS NO TAXING POWER.

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 I 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 has 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, Paying Agent or Bond Registrar, 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, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,994,000,000 (unaudited) and statutory capital of approximately $5,649,000,000 (unaudited) as of December 31, 2005. Statutory capital consists of Ambac 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 Ratings have each assigned a triple-A financial strength rating to Ambac.

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 Series A Bonds 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 "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac's financial statements prepared in accordance with statutory accounting standards are available from Ambac. The address of Ambac's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Document by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006.

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 MATTERS

Maryland Income Taxation

In the opinion of Bond Counsel, by the terms of the Act, Series A Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in their sale and exchange, are exempt from taxation of every kind and nature of taxation whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations or public units of any kind. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series A Bonds, their transfer or income therefrom.

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, the interest on the Series A Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Series A Bonds, including restrictions that must be complied with throughout the term of the Series A Bonds in order that the interest thereon be excludable from gross income. These include: (i) a requirement that certain earnings received from the investment of the proceeds of the Series A Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Series A Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series A Bonds and the facilities financed and refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series A Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Administration and the Local Governments have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series A Bonds. It is the opinion of Bond Counsel that, assuming compliance with such covenants, the interest on the Series A Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code

Interest on the Series A Bonds is not includable in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment; however, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Series A Bonds. In addition, interest income on the Series A Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

In rendering its opinion, Bond Counsel will rely on the Tax and Section 148 Certificate made on behalf of the Administration by officers thereof with respect to certain material facts within the knowledge of the Administration, and on related certificates made on behalf of the Local Governments with respect to certain matters within the knowledge of the Local Governments.

See Appendix F hereto for the proposed form of opinion of Bond Counsel.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series A Bonds may be issued at an initial public offering price which is less than the amount payable on such Series A Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price at which a substantial amount of the Discount Bonds of each maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (i) any holder of a Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial issue price of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the tax regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

Additional Federal Income Tax Considerations

Certain Federal Tax Consequences of Ownership

There are other federal tax consequences of ownership of obligations such as the Series A Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, Social Security or railroad retirement benefits are includable in gross income for federal income tax purposes; and (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Series A Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

Purchase, Sale and Retirement of Series A Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Series A Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series A Bond will be its cost. Upon the sale or retirement of a Series A Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Series A Bond, determined by adding to the original cost basis in such Series A Bond the amount of original issue discount that is treated as having accrued as described below under "Tax Accounting Treatment of Discount Bonds." Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Series A Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 15%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 35%. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances. The operation of sunset, effective date and similar timing provisions in current law would result in a change in the tax rates in certain future time periods.

If a holder acquires a Series A Bond after its original issuance at a discount below its principal amount (or in the case of a Series A Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such Series A Bond was first issued), the holder will be deemed to have acquired the Series A Bond at "market discount," unless the amount of market discount is de minimis, as described in the following paragraph. If a holder that acquires a Series A Bond with market discount subsequently realizes a gain upon the disposition of the Series A Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Series A Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Series A Bond not issued at an original issue discount, market discount will be de minimis if the excess of the Series A Bond's stated redemption price at maturity over the holder's cost of acquiring the Series A Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Series A Bond and its stated maturity date. In the case of a Series A Bond issued with original issue discount, market discount will be de minimis if the excess of the Series A Bond's revised issue price over the holder's cost of acquiring the Series A Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Series A Bond and its stated maturity date. For this purpose, a Series A Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Series A Bond during the period between its original issue date and the date of acquisition by the holder.

A Series A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Series A Bond exceeds the amount payable at maturity. Under tax regulations applicable to the Series A Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Series A Bonds. The holder will be required to reduce his tax basis in the Series A Bond for purposes of determining gain or loss upon disposition of the Series A Bond by the amount of amortizable bond premium that accrues (determined in the manner prescribed in the regulations) during his period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Series A Bonds.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Series A Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

FINANCIAL STATEMENTS OF THE PROGRAM

This Official Statement includes audited financial statements (the "Financial Statements") for the year ended June 30, 2005 and June 30, 2004, for the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) in Appendix H which were audited by Reznick Group, P.C. (the "Auditors"). Unaudited financial statements for the six months ended December 31, 2005 for the Community Development Administration, Local Government Infrastructure Bonds (Ambac Insured) are also included in Appendix H.

The Financial Statements have been audited by the Auditors, who are independent certified public accountants, as indicated in their reports with respect thereto and are included herein in reliance upon the authority of such firm as an expert in giving such report. As indicated in the report of the Auditors, such Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States.

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

McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, is acting as Bond Counsel to the Administration in connection with the issuance of the Series A Bonds. The proposed form of Bond Counsel's approving opinion will be in substantially the form set forth in Appendix F. 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 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 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 officer of the State or any County or municipal corporation or by 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 March 21, 2006, in accordance with the Notice of Sale, the form of which is included as a part of Appendix G 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 G - "NOTICE OF SALE".

RATINGS

Moody's Investors Service, Inc. and Fitch Ratings 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 Ratings and an explanation of the significance of those ratings may be obtained only from Moody's Investors Service, Inc. and Fitch Ratings, 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 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 Series A 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, as amended, to provide, or cause to be provided, 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 (the "Annual Information"):

1. a copy of the annual financial statements of the Administration's Local Government Infrastructure Bonds (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, or cause to be provided, 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, or cause to be given 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.

Compliance. The Administration is in compliance with the Rule.

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.

Financial Advisor

Caine Mitter & Associates, Incorporated ("Caine Mitter") serves as financial advisor to the Administration and has 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. As financial advisor to the Administration, Caine Mitter will also perform computations relating to the sufficiency of the proceeds of the Series A Bonds to pay, when due, the principal, interest and redemption premium, if any, on the Refunded Bonds.

Selection and Compensation of Professionals

The Administration's financial advisor is selected by the Administration periodically through a competitive process in accordance with State procurement law. 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.

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This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or 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.

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

By: /s/ Mary A. Burkholder
Mary A. Burkholder, Director

March 21, 2006

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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 five divisions: the Division of Development Finance ("DDF"), the Division of Credit Assurance, the Division of Neighborhood Revitalization ("DNR"), 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.

DDF, through the Administration, is the bond issuing division of the Department. DDF is also a lending division of the Department, originating loans under various lending programs and providing loan underwriting services to the Department and its other divisions and agencies. While DDF is responsible for managing all aspects relating to the bond issuance, the Secretary has delegated the Program's general management and administration, including marketing, coordination, and customer service, to DNR.

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 Investor Relations, at telephone: 410-514-7326, fax: 410-987-4672 or email: cda_bonds@mdhousing.org.

Principal Executive Officers

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

Victor L. Hoskins was appointed by the Governor as Secretary of the Department on January 15, 2003 and duly commissioned as of February 28, 2003. Mr. Hoskins has over 20 years of experience in real estate and economic development in both the public and private sectors. Prior to his appointment, he was a Senior Vice President of Strategic Alliances for UrbanAmerica, L.P., a real estate investment company focusing on acquiring and developing commercial real estate in inner city communities. Mr. Hoskins also served as Deputy Commissioner of Housing and Community Development for Baltimore City and before that as Assistant Secretary for Marketing for the Maryland Department of Business and Economic Development. Mr. Hoskins received a B.A. in Psychology/Urban Studies from Dartmouth College and a Master in City Planning from the Massachusetts Institute of Technology.

Shawn S. Karimian was appointed by the Secretary, with the approval of the Governor, as Deputy Secretary of the Department effective March 17, 2003. Most recently, Mr. Karimian was a Technical Manager for Lucent Technologies. Previously, he served as Director of Construction and Building Inspection for the Baltimore City Department of Housing and Community Development. Mr. Karimian holds a Bachelor of Science, Mechanical Engineering (BSME) and a Master of Science, Mechanical Engineering (MSME) from the University of Tulsa. In addition, he holds a Master of Business Administration from the University of Phoenix.

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.

Mary A. Burkholder was appointed by the Secretary, with the approval of the Governor, as an Assistant Secretary of the Department and Director of the Community Development Administration, effective February 2, 2004. Prior to joining the Department, Ms. Burkholder served as Senior Associate with the economic consulting firm, ZHA, Inc. Ms. Burkholder also served as Deputy Director of the Illinois Department of Commerce and Community Affairs and as

Assistant Secretary of Marketing for the Maryland Department of Business and Economic Development. Ms. Burkholder holds a Bachelor of Arts degree from the University of Michigan and a Master of Community Planning from the University of Maryland.

Edward G. Landon was appointed Deputy Director, Community Development, for the Administration, effective September 7, 2004. Prior to joining the Department, Mr. Landon worked with the Housing Authority of Baltimore City for 18 years, serving as Associate Deputy Director for Engineering and Construction. Mr. Landon received a B.S. in Engineering from the University of Maryland and an M.B.A. degree from the University of Baltimore.

Brian P. McLaughlin was appointed, effective May 14, 2003, Assistant Secretary for the Maryland Department of Housing & Community Development where he directs the Department's Division of Neighborhood Revitalization. Prior to his appointment, Mr. McLaughlin was employed with Fannie Mae under several capacities including Senior Asset Manager, where he managed the performance of equity investments in a $350 million portfolio of commercial and multifamily housing assets. Mr. McLaughlin has also directed a community development corporation located in south-central Pennsylvania where he was responsible for all phases of land assembly, pre-development, and construction for a $21-million urban infill housing and commercial revitalization project utilizing low-income housing tax credit, historic tax credit, conventional, and 501(c)(3) bond financing. Mr. McLaughlin received a B.A. degree cum laude in Public Policy from Duke University and a Master's degree in City Planning with a concentration in real estate finance from the Massachusetts Institute of Technology. He has also completed coursework at MIT's Center for Real Estate, Harvard University's School of Arts & Sciences, and Harvard's John F. Kennedy School of Government

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

Senior Staff of the Administration

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

Sergei V. Kuzmenchuk was appointed Director of Finance for the Administration on January 18, 2006. Mr. Kuzmenchuk served as a Deputy Director of Finance for the Administration since 2000, and prior to that as a financial analyst since 1999. Prior to joining the Department Mr. Kuzmenchuk worked in various financial management and international trade and banking capacities domestically and overseas. Mr. Kuzmenchuk earned his M.B.A degree in Accounting from the Joseph A. Sellinger, S.J., School of Business and Management, Loyola College in Maryland in 2002, was granted a M.P.M. degree in Public Sector Financial Management from the School of Public Policy, University of Maryland, College Park, in 1995, and received his B.A. and M.A. degrees in English and French Interpretation from the Minsk State Linguistic University, Minsk, Belarus in 1993.

Charles F. G. Day Jr., Manager, Infrastructure Finance Program, has been with the Maryland Department of Housing and Community Development's Division of Neighborhood Revitalization since October 2003. Before joining the Department, Mr. Day was employed at Ferris, Baker Watts, Inc. for nearly ten years, working on their fixed income trading desk - Municipal Bonds (marketing, trading, and underwriting). Mr. Day holds a B.B.A. degree from James Madison University, and is currently enrolled in the University of Maryland's Robert H. Smith School of Business, MBA Program.

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 $5,460,000 of the Infrastructure Financing Bonds (Ambac Insured) remains outstanding as of January 1, 2006, 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. 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 $83,190,000 (of which $59,835,000 Infrastructure Financing Bonds (MBIA Insured) remains outstanding as of January 1, 2006, for the purpose of financing loans to 44 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. The Administration, through the issuance of Single Family Program Bonds and Residential Revenue Bonds, currently 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.

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

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

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

The Partnership Rental Housing Program provides funding from general obligation bonds to local governments, housing authorities, and partnerships in which these entities are involved, to assist in financing the construction or rehabilitation of low income housing. The public entities provide the land and participate in the ownership and management of the properties. The properties are intended to remain low income housing in perpetuity, and the State moneys are required to be repaid only if the low income requirements are not enforced.

The Department's Rental Service Programs include the Rental Assistance Programs and the Project-Based Section 8 Contract Administration. Under the Rental Assistance Programs, the Administration administers the rental subsidies provided under Section 8 of the United States Housing Act of 1937, as amended, in every County of the State. The housing subsidy staff also administers a Rental Allowance Program, which is funded with State appropriations. The program is administered through local governments and provides fixed monthly rental assistance payments up to twelve months, subject to extension by the Secretary, to lower income households that cannot be served by federal or other state programs and are either homeless or have critical and emergency housing needs.

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

Neighborhood Revitalization Programs. The Department operates neighborhood revitalization programs through DNR. DNR 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 the Administration

Since 1976, the Administration has issued bonds to finance its various housing and other programs. As of January 1, 2006, the Administration had housing bonds outstanding of $2,171,210,000, with an original principal amount of $2,953,305,000. **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.**

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 seventh Series of Bonds issued under the Bond Resolution. The Series A Bonds, the Bonds previously issued under the Bond Resolution 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. There are no Subordinate Bonds currently outstanding under the Bond Resolution. As of January 1, 2006, $57,040,000 principal amount of Bonds were outstanding, consisting of six Series of Bonds which financed Infrastructure Loans for twenty-one Local Governments. Under prior 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. Appendix D sets forth information on each Infrastructure Loan financed with the proceeds of the prior Series of 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 with respect to which the Local Obligations financing such facilities 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 for the Infrastructure Loans. The regulations also provide procedures for approval of the Infrastructure Loans and set forth certain other general requirements 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 Program 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 at par 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 (including underwriter's discount and bond insurance premium) will be divided between the Local Governments whose Infrastructure Loans will be financed from the proceeds of the Series A Bonds. The aggregate share of these costs in the amount of $228,466.35 will be paid by the Local Governments. 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 by and between the Administration and each Local Government (the "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 currently 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 Transportation I Article, §8-401 through §8-413 of the Annotated Code of Maryland.

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 has 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 I 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.

LOCAL GOVERNMENTS AND LOCAL OBLIGATIONS

The Bonds, together with any additional bonds issued under the Bond Resolution in the future, rank on a parity and are equally and ratably secured under the Bond Resolution, except for Subordinated Bonds which will not be on a parity, 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 of the Bonds and any additional bonds issued under the Bond Resolution in the future. Therefore, full and timely payment by each Local Government is required to provide sufficient Revenues with which to make payments on the Bonds as well as any additional bonds issued and outstanding under the Bond Resolution.

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 by 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, County, or Municipality (if any) guaranteeing the Local Obligations of its agency or instrumentality described in this Appendix.

List of Participating Local Governments and their Obligations

This section provides information concerning the Local Governments which are expected to receive Infrastructure Loans from the proceeds of the 2006 Series A Bonds.

Infrastructure Loans Expected to be Financed with a Portion of the Proceeds of the 2006 Series A Bonds

Local Government	Location by County	Amount of Loan ($)	Loan Term (in years)	Purpose
Havre de Grace	Harford	$425,000	5	Vehicle & equipment purchases
		$500,000	10	City pier replacement
		$400,000	20	Park improvements
La Plata	Charles	$2,417,300	20	Purchase property, streetscape improvements, and engineer and construct a well
Middletown	Frederick	$250,000	20	East Green Street extension & improvements project
	TOTAL	**$3,992,300**		

Infrastructure Loans Expected to be Refunded with a Portion of the Proceeds of the 2006 Series A Bonds

Local Government	Location by County	Amount of Loan ($)	Loan Term (in years)	Purpose
La Plata	Charles	$759,900	10	Refinance LGIF[1] 1996 Series A Bonds
St. Mary's Metropolitan Commission	St. Mary's	$517,200	14	Refinance LGIF[1] 1995 Series A Bonds
		$641,500	15	Refinance LGIF[1] 1996 Series A Bonds
Thurmont	Frederick	$3,029,100	20	Refinance LGIF[1] 1996 Series A Bonds
	TOTAL	**$4,947,700**		

[1] Local Government Infrastructure Finance Program

Description and Location: The City of Havre de Grace is located in northeastern Maryland, at the confluence of the Susquehanna River and the Chesapeake Bay. It also lies about 40 miles northeast of Baltimore, Maryland.

Population: 11,331 (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
2005	$5,466,453	$581,502	$1,572,666	$0	$8,168	$307,688	$872,644	$8,809,121
2004	$4,948,278	$355,870	$1,565,762	$0	$11,044	$173,228	$340,162	$7,394,344
2003	$4,290,570	$177,440	$1,464,261	$0	$9,022	$185,531	$0	$6,126,824
2002	$4,262,220	$169,076	$1,013,081	$0	$7,207	$450,471	$0	$5,902,055
2001	$4,117,563	$124,656	$996,884	$0	$8,970	$605,946	$0	$5,854,019

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation And Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportu-nity	Total Debt Service	Total Miscel-laneous	Total Expendi-Tures
2005	$2,615,143	$3,004,233	$3,205,893	$98,792	$0	$11,790	$324,527	$159,356	$9,419,734
2004	$2,138,573	$2,697,339	$2,735,742	$99,532	$0	$18,279	$213,910	$143,986	$8,047,361
2003	$1,952,484	$2,370,904	$2,575,463	$158,709	$0	$0	$197,537	$68,921	$7,324,018
2002	$3,289,139	$2,331,300	$2,040,841	$129,357	$0	$0	$234,941	$0	$8,025,578
2001	$2,520,878	$1,922,826	$2,191,729	$476,520	$0	$0	$417,539	$45,045	$7,574,537

Assets & Liabilities:

	2005	2004	2003	2002	2001
Cash and Investments	$999,530	$598,588	$403,654	$1,027,407	$2,503,952
Total Assets	$1,938,151	$2,337,982	$1,583,781	$2,134,438	$4,136,450
Total Liabilities	$1,370,818	$1,710,037	$682,814	$487,355	$728,846
Total Fund Balance	$567,332	$627,945	$900,967	$1,647,083	$3,407,604
Unreserved/ Undesignated Fund Balance	$0	-$10,714	$0	$0	$1,541,257

Havre de Grace cont.

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2005	$608,963,199	0.72	$4,384,535	$4,379,835	$4,700
2004	$529,246,110	0.72	$3,810,572	$3,803,739	$0
2003	$506,798,938	0.62	$3,114,653	$3,088,516	$0
2002	$480,915,964	0.62	$2,978,680	$2,948,291	$0
2001	$187,904,440	1.55	$2,902,229	$2,858,806	$0

Property Taxes and Taxes Receivable: Personal and Ordinary Business Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2005	$11,944,420	1.705	$203,652	$180,545	$23,107
2004	$17,758,250	1.705	$302,778	$266,281	$0
2003	$24,690,410	1.550	$382,711	$335,133	$0
2002	$24,030,340	1.550	$372,471	$304,524	$0
2001	$22,363,870	1.550	$346,640	$292,881	$0

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2005	$14,702,160	1.705	$250,672	$208,716	$41,956
2004	$10,659,950	1.705	$181,752	$156,015	$0
2003	$11,991,240	1.550	$185,864	$167,797	$0
2002	$12,268,610	1.550	$190,163	$190,163	$0
2001	$11,382,500	1.550	$176,429	$176,429	$0

[1] Prior to 2002 real property was assessed at 40% of market value.

Jurisdiction description and location: The Town of La Plata is located in Charles County, approximately 30 miles south of Washington, DC, and 60 miles south of Baltimore, Maryland.

Population: 9,344

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-Features	Total Misc.	Long Term Debt Proceeds	Total Revenues
2005	$2,926,417	$306,840	$653,620	$3,319	$3,229	$1,256,496	$0	$5,149,921
2004	$2,583,471	$401,291	$603,785	$3,854	$3,295	$3,379,986	$1,750,040	$8,725,722
2003	$2,236,988	$384,477	$1,651,384	$625,888	$3,384	$497,744	$0	$5,399,865
2002	$2,248,280	$87,918	$655,136	$610,066	$2,484	$487,687	$0	$4,091,571
2001	$1,961,238	$60,883	$446,139	$562,602	$3,701	$302,297	$195,438	$3,532,298

Expenditures:

	Total General Govt.	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
2005	$3,496,033	$735,477	$1,353,167	$202,801	$0	$0	$301,918	$584,449	$6,673,845
2004	$2,796,675	$867,915	$1,703,727	$260,370	$0	$0	$1,926,815	$522,530	$8,078,032
2003	$1,783,535	$1,053,835	$1,054,583	$124,088	$0	$0	$325,275	$564,066	$4,905,382
2002	$962,344	$530,293	$1,102,450	$90,555	$0	$0	$371,988	$495,585	$3,553,215
2001	$918,031	$778,973	$771,961	$112,790	$0	$0	$248,159	$460,321	$3,290,235

Assets & Liabilities:

	2005	2004	2003	2002	2001
Cash and Investments	$4,891,931	$6,229,543	$5,494,070	$3,450,181	$3,196,121
Total Assets	$5,235,317	$6,490,836	$6,007,621	$5,225,118	$4,722,120
Total Liabilities	$100,213	$38,808	$384,633	$273,907	$439,965
Total Fund Balance	$5,135,104	$6,452,028	$5,622,988	$4,951,211	$4,282,155
Unreserved / Undesignated Fund Balance	$2,318,440	$3,274,235	$4,514,475	$4,943,174	$4,169,360

La Plata cont.

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$601,680,013	0.320	$1,925,376	$1,920,325	$5,051
2004	$546,289,290	0.320	$1,689,475	$1,689,475	$0
2003	$456,674,223	0.32	$1,417,455	$1,409,293	$8,462
2002	$430,011,758	0.32	$1,352,183	$1,348,289	$3,894
2001	$163,079,570	0.75	$1,185,587	$1,185,514	$1,073

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$15,443,200	0.75	$115,824	$111,144	$4,680
2004	$13,644,133	0.75	$102,331	$87,825	$14,506
2003	$9,352,667	0.75	$70,145	$46,654	$23,491
2002	$10,400,800	0.75	$78,006	$42,829	$35,177
2001	$9,191,333	0.75	$68,935	$19,318	$49,617

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$12,810,100	0.75	$96,076	$96,038	$38
2004	$12,761,466	0.75	$95,711	$95,437	$274
2003	$8,395,333	0.75	$62,965	$58,309	$4,656
2002	$19,884,533	0.75	$149,134	$76,885	$72,249
2001	$7,273,467	0.75	$54,551	$39,824	$14,727

[1] Prior to 2002 real property was assessed at 40% of market value.

Jurisdiction description and location:	Burgess & Commissioners of Middletown. Located in Frederick County
Population:	3,500

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
2005	$1,304,666	$30,906	$644,866	$4,200	$0	$20,932	$1,400,000	$3,405,570
2004	$1,098,993	$25,242	$326,019	$27,960	$0	$27,833	$0	$1,506,047
2003	$898,882	$24,476	$328,299	$78,342	$0	$42,197	$0	$1,372,196
2002	$725,443	$21,530	$405,871	$59,005	$0	$37,206	$0	$1,249,055
2001	$720,339	$20,610	$266,595	$33,031	$0	$41,755	$0	$1,082,330

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportu-nity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2005	$599,034	$279,908	$633,720	$2,334,771	$0	$0	$0	$138,624	$3,986,057
2004	$658,346	$216,932	$445,231	$50,249	$0	$0	$0	$113,829	$1,484,587
2003	$409,707	$207,442	$399,973	$40,787	$0	$0	$0	$108,635	$1,166,544
2002	$370,402	$132,069	$293,912	$193,440	$0	$0	$0	$102,619	$1,092,442
2001	$397,095	$137,796	$314,730	$31,672	$0	$0	$0	$77,990	$959,283

Assets & Liabilities:

	2005	2004	2003	2002	2001
Cash and Investments	$36,976	$779,848	$785,319	$481,044	$154,765
Total Assets	$5,818,929	$3,986,440	$886,260	$649,131	$432,604
Total Liabilities	$5,711,866	$3,298,890	$220,170	$188,693	$128,779
Total Fund Balance	$107,063	$687,550	$666,090	$460,438	$303,825
Unreserve / Undesignated Fund Balances	$107,063	$687,550	$666,090	$460,438	$303,825

Middletown cont.

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$327,286,200	0.232	$759,304	$747,989	$11,315
2004	$272,083,621	0.232	$631,234	$617,923	$13,311
2003	$211,266,800	0.232	$490,139	$484,934	$5,205
2002	$175,418,100	0.232	$406,970	$404,521	$2,449
2001	$64,163,970	0.58	$372,151	$372,151	$0

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$7,481,700	0.58	$43,394	$43,126	$268
2004	$7,764,655	0.58	$45,035	$44,797	$238
2003	$6,664,800	0.58	$38,656	$38,448	$208
2002	$7,302,760	0.58	$42,356	$41,940	$416
2001	$4,102,590	0.58	$23,795	$23,266	$529

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$1,188,100	0.58	$6,891	$6,891	$0
2004	$870,345	0.58	$5,048	$5,048	$0
2003	$1,333,100	0.58	$7,732	$7,732	$0
2002	$1,202,930	0.58	$6,977	$6,977	$0
2001	$1,421,090	0.58	$8,242	$8,242	$0

[1] Prior to 2002 real property was assessed at 40% of market value.

Jurisdiction description and location:	St. Mary's County, Maryland's first county, straddles the mouth of the Potomac and Patuxent Rivers. It consists of 367 square miles with approximately 400 miles of shoreline. The population has increased nearly 13.5% since 1990.
Population:	86,211 per the 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
2005	$125,186,832	$1,288,530	$12,070,433	$5,221,937	$295,292	$1,434,648	$476,958	$145,974,630
2004	$118,429,066	$1,604,784	$9,991,310	$5,109,259	$286,677	$539,973	$1,030,000	$136,991,069
2003	$107,397,276	$1,250,115	$10,287,992	$4,241,118	$200,291	$446,631	$0	$123,823,423
2002	$101,088,196	$1,233,907	$10,621,586	$3,606,768	$251,130	$1,213,601	$0	$118,015,188
2001	$93,227,463	$1,082,581	$8,634,500	$3,802,681	$117,496	$2,241,973	$0	$109,106,694

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev.& Opportu-nity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2005	$15,545,119	$21,836,826	$8,076,202	$2,606,795	$811,271	$2,595,244	$0	$809,481	$121,249,753
2004	$14,543,089	$23,949,805	$7,408,871	$2,378,960	$812,400	$1,907,433	$0	$908,771	$117,796,584
2003	$14,697,041	$19,921,553	$7,180,232	$2,335,978	$773,516	$2,033,993	$0	$782,123	$111,535,099
2002	$13,644,731	$19,569,902	$7,910,666	$2,422,515	$0	$1,023,141	$0	$554,947	$110,144,535
2001	$11,237,190	$19,245,172	$8,155,241	$2,167,245	$100,416	$705,177	$0	$1,060,284	$101,323,794

Assets & Liabilities:

	2005	2004	2003	2002	2001
Cash and Investments	$64,226,557	$44,081,963	$26,944,361	$27,026,121	$11,649,473
Total Assets	$290,121,901	$249,083,134	$206,613,822	$180,781,246	$25,018,138
Total Liabilities	$260,261,533	$231,218,922	$189,912,407	$170,346,348	$10,569,539
Total Fund Balance	$29,860,368	$17,994,101	$16,701,415	$10,434,898	$14,448,599
Unreserved / Undesignated Fund Balances	$12,188,643	$10,526,965	$1,834,641	$2,392,186	$647,407

St. Mary's County cont.

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2005	$6,060,658,656	0.878	$52,738,574	$51,662,438	$1,076,136
2004	$5,645,252,380	0.908	$50,892,109	$49,526,909	$1,365,200
2003	$5,331,689,868	0.908	$48,027,107	$46,921,829	$1,105,278
2002	$5,050,560,068	0.908	$45,461,909	$44,177,864	$1,284,045
2001	$1,914,536,300	2.270	$43,165,328	$41,829,889	$1,335,439

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2005	$7,162,415	2.20	$157,788	$135,256	$22,532
2004	$8,919,031	2.27	$202,462	$143,872	$58,590
2003	$9,168,546	2.27	$208,126	$142,671	$65,455
2002	$9,881,189	2.27	$224,303	$160,086	$64,217
2001	$9,154,053	2.27	$207,797	$143,107	$64,690

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receivable
2005	$119,942,896	2.20	$2,642,342	$2,642,342	$0
2004	$120,201,718	2.27	$2,728,579	$2,728,579	$0
2003	$122,074,802	2.27	$2,771,098	$2,771,098	$0
2002	$124,667,224	2.27	$2,829,946	$2,830,358	-$412
2001	$125,690,573	2.27	$2,853,176	$2,853,176	$0

[1] Prior to 2002 real property was assessed at 40% of market value.

Jurisdiction description and location:	Commissioners of Thurmont. The Town is located off of Rt. 15 and is situated about 65 miles northwest of Baltimore, Maryland.

Population: 6,100

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-Features	Total Misc.	Long Term Debt Proceeds	Total Revenues
2005	$1,691,189	$45,026	$768,039	$11,421	$2,775	$69,252	$0	$2,587,702
2004	$1,461,218	$46,991	$664,890	$14,805	$5,810	$43,921	$0	$2,237,635
2003	$1,378,902	$53,496	$606,130	$13,477	$6,215	$54,373	$0	$2,112,593
2002	$1,328,815	$38,852	$531,697	$12,903	$4,776	$97,093	$0	$2,014,136
2001	$1,221,640	$44,883	$465,390	$11,811	$5,425	$117,244	$0	$1,866,393

Expenditures:

	Total General Govt.	Total Public Safety	Total Public Works	Total Parks, Recreation and Culture	Total Com. Dev. & Public Housing	Total Economic Dev. & Opportu-nity	Total Debt Service	Total Miscel-laneous	Total Expendi-tures
2005	$392,086	$599,056	$535,338	$71,118	$0	$0	$0	$309,716	$1,907,314
2004	$535,029	$518,743	$578,869	$65,507	$0	$0	$0	$278,600	$1,976,748
2003	$322,324	$596,204	$512,175	$111,308	$0	$0	$0	$231,705	$1,773,716
2002	$359,279	$524,047	$549,018	$82,435	$0	$0	$0	$178,001	$1,692,780
2001	$239,014	$491,852	$423,622	$114,821	$0	$0	$0	$149,663	$1,418,972

Assets & Liabilities:

	2005	2004	2003	2002	2001
Cash and Investments	$2,818,960	$2,332,521	$3,393,462	$2,263,380	$2,263,913
Total Assets	$5,478,626	$5,114,913	$6,160,919	$3,042,257	$2,628,630
Total Liabilities	$2,803,113	$2,878,647	$2,936,967	$164,019	$71,748
Total Fund Balance	$2,675,513	$2,236,266	$3,223,952	$2,878,238	$2,556,882
Unreserved/Undesignated Fund Balances	$2,499,782	$2,119,564	$3,084,169	$2,683,220	$2,491,661

Thurmont cont.

Property Taxes and Taxes Receivable: Real Property

	Total assessed Value of Real Property[1]	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$387,911,919	0.273	$1,002,924	$979,503	$23,421
2004	$338,230,705	0.248	$838,812	$833,767	$5,045
2003	$310,530,286	0.25	$770,115	$768,164	$1,951
2002	$291,533,534	0.25	$723,003	$719,693	$3,310
2001	$113,070,968	0.62	$701,040	$701,040	$0

Property Taxes and Taxes Receivable: Personal Property

	Total assessed Value of Personal Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$16,186,800	0.62	$100,358	$100,358	$0
2004	$20,051,340	0.62	$124,318	$124,318	$0
2003	$21,301,650	0.62	$132,070	$132,070	$0
2002	$20,917,730	0.62	$129,690	$129,690	$0
2001	$21,211,422	0.62	$131,511	$126,895	$4,616

Property Taxes and Taxes Receivable: Railroads & Public Utilities Property

	Total assessed Value of Railroads & Public Utilities Property	General tax rate/$100	Actual Tax Levy	Amount Collected	Current Year Balance of Taxes Receiv-able
2005	$3,411,230	0.62	$21,150	$21,150	$0
2004	$2,676,010	0.62	$16,591	$16,591	$0
2003	$2,853,260	0.62	$17,690	$17,690	$0
2002	$3,047,070	0.62	$18,892	$18,892	$0
2001	$2,977,710	0.62	$18,462	$18,462	$0

[1] Prior to 2002 real property was assessed at 40% of market value.

APPENDIX D

INFRASTRUCTURE LOANS FINANCED WITH THE PROCEEDS OF PRIOR SERIES OF BONDS

This Appendix D provides information concerning the Local Governments which received Infrastructure Loans from the proceeds of prior Series of Bonds.

Financial information concerning Local Governments which received Infrastructure Loans financed with proceeds of prior Series of Bonds is contained in the Annual Information provided by the Administration with respect to the Bonds under SEC Rule 15c2-12, which is expected to be available in March 2006. The annual audited financial statements of the Administration's Local Government Infrastructure Bonds (Ambac Insured) for the year ended June 30, 2005 and the unaudited interim financial statements for the six month period ended December 31, 2005 are available in Appendix H of this Official Statement. Copies of these reports may be obtained from Investor Relations for the Administration: Telephone: (410) 514-7326; Fax: (410) 987-4672; Email: cda_bonds@mdhousing.org.

AMBAC Indenture (2002-Present)
Infrastructure Loans Financed with the Proceeds of the Bonds
(Outstanding Loans as of December 31, 2005)

Local Government	Location by County	Series of Bonds	Amount of Loan ($)	Remaining Loan Term (in years)	Purpose
Aberdeen	Harford	2002B	$2,841,200	17	Complete Ripken baseball complex and construct P.W.[1] facility
Aberdeen	Harford	2004B	$669,300	19	Complete construction on Department of Public Works Facility
Bel Air	Harford	2004A	$79,000 $479,000	6 19	Refinance Sewer Agreement Loan Refinance Sewer Agreement Loan
Berlin	Worcester	2004A	$2,943,000	29	Electric Utility System Upgrade
Cumberland	Alleghany	2004A	$518,500	7	Refinance LGIF[2] 1992 Series A Bond obligation
Federalsburg	Caroline	2004B	$3,715,700	29	Refinance 3 Farmer's Home Loans and 1 bank loan
Frostburg	Allegany	2003A	$4,758,900	18	Refinance 2 USDA[3] Rural Development Loans
Garrett Park	Montgomery	2002A	$715,800	17	Renovate Penn Place, improve streets & lighting
Havre de Grace	Harford	2002B	$358,800	12	Construct P.W.[1] facility
Havre de Grace	Harford	2003A	$1,582,700	13	Refinance 2 USDA[3] Rural Development Loans
Havre de Grace	Harford	2004A	$591,100	19	Complete construction on Department of Public Works Facility
Laurel	Prince George's	2004A	$1,039,400 $2,743,700	9 14	Fleet purchases and I.T.[4] Program purchase Facility maintenance and street improvements
Mount Airy	Carroll & Frederick	2002A	$1,940,000	27	Water system improvements
Myersville	Frederick	2002A	$3,201,400	27	Construct community facility & fire station

AMBAC Indenture (2002-Present) Infrastructure Loans Financed with the Proceeds of the Bonds (Outstanding Loans as of December 31, 2005)					
Local Government	**Location by County**	**Series of Bonds**	**Amount of Loan ($)**	**Remaining Loan Term (in years)**	**Purpose**
New Carrollton	Prince George's	2005A	$1,000,000	20	Bridge repairs and street improvements
North East	Cecil	2003A	$1,863,400	18	Refinance 2 USDA[3] Rural Development Loans
Perryville	Cecil	2002A	$46,500 $425,100	7 17	Refinance bank loan Refinance bank loan
Perryville	Cecil	2004B	$295,000	19	Street improvements
Princess Anne	Somerset	2005A	$600,000	20	Facility repairs and street improvements
Salisbury	Wicomico	2003A	$5,190,000	18	Construct sewer extension, renovate fire station, design fire station & purchase site, construct PW[1] facility, and stabilize Beaver Creek
Salisbury	Wicomico	2004A	$698,300 $4,382,600	9 19	Purchase fire trucks Construct a new fire station, and perform shoreline protection project
Somerset County Sanitary District	Somerset	2004A	$1,753,000	19	Refinance LGIF[2] 1994 Series A Bond obligation
Sykesville	Carroll	2002A	$347,800	12	Construct parking lots
Sykesville	Carroll	2005A	$325,000	15	Construct a police station
Takoma Park	Montgomery	2002A	$1,833,700	17	Construct community center
Takoma Park	Montgomery	2005A	$2,600,000	20	Complete construction of community center
Taneytown	Carroll	2004A	$392,400	29	Renovate City Hall
Westminster	Carroll	2002A	$2,289,700	17	Construct parking structure
Westminster	Carroll	2005A	$4,820,000	25	Facility maintenance, work on Green St., and reimbursement
		Total:	**$57,040,000**		

Footnotes:
[1] **Public Works Facility**
[2] **Local Government Infrastructure Finance Program**
[3] **U.S. Department of Agriculture**
[4] **Information Technology**

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution. It is not a complete recital of the terms of the Bond Resolution and reference should be made to the Bond Resolution for a complete statement of its terms.

Certain Definitions

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms contained in this Official Statement. Terms used but not defined herein shall have the meanings set forth in the Bond Resolution.

"**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.

"**Deputy Director**" means any deputy director of the Administration appointed pursuant to the Act.

"**Deputy Secretary**" means any deputy secretary duly appointed by the Secretary pursuant to the Act.

"**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 (l) 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 the 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 the 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 $66^2/_3$% 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 F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[closing date]

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

Ladies and Gentlemen:

In connection with the issuance and sale by 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") of its $8,940,000 Local Government Infrastructure Bonds (Ambac Insured), 2006 Series A (the "Series A Bonds"), we have examined:

(i) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act");

(ii) 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 Manufacturers and Traders Trust Company, as trustee (the "Trustee");

(iii) the Series Resolution Providing for the Issuance and Sale of the Community Development Administration Local Government Infrastructure Bonds, (Ambac Insured) 2006 Series A, adopted as of April 1, 2006, (the "Series Resolution") (the Bond Resolution and the Series Resolution are referred to collectively as the "Resolutions");

(iv) the form of Bond;

(v) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(vi) other proofs submitted to us relative to the issuance and sale of the Series A Bonds.

The terms of the Series A Bonds are contained in the Series Resolution and the Series A Bonds. The Administration will make funds available from the Series A Bonds to finance and refinance loans to counties and municipalities or their agencies or instrumentalities ("Local Governments") in order to finance and refinance infrastructure projects of such Local Governments.

In rendering this opinion, we have relied on the Tax and Section 148 Certificate dated this date made on behalf of the Administration by officers thereof with respect to certain material facts within the knowledge of the Administration, and on related certificates made on behalf of the Local Governments with respect to certain matters within the knowledge of the Local Governments.

In our review of the documents referred to above, we have assumed and have not independently verified that all signatures are genuine, that all documents submitted to or obtained by us as originals are authentic, and that all documents submitted to or obtained by us as conformed, reproduction, or specimen copies conform to the original documents.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

Based upon the foregoing, it is our opinion that:

(a) The Administration is validly created and existing under the provisions of the Act.

(b) The Resolutions have been duly and lawfully adopted by the Administration, are in full force and effect and are valid and binding upon the Administration.

(c) The Administration is duly authorized to issue the Series A Bonds pursuant to and subject to the provisions of the Act and the Resolutions. The Series A Bonds, executed and authenticated as provided in the Resolutions, have been duly and validly issued by the Administration and constitute valid and binding special obligations of the Administration, payable from the Revenues, as defined in the Bond Resolution, and other funds of the Administration pledged therefor pursuant to the Resolutions.

(d) The Series A Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(e) By the terms of the Act and the Resolutions, the Series A Bonds 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 in the Resolutions and the Act. The Administration has no taxing power.

(f) By the terms of the Act, 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 or by its political subdivisions, municipal corporations or public units of any kind, but no opinion is expressed as to such exemption from estate or inheritance taxes or any other taxes not levied or assessed directly on the Series A Bonds, their transfer or income therefrom.

(g) Assuming compliance with the covenants referred to herein, interest on the Series A Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series A Bonds in order for interest on the Series A Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Series A Bonds. These include: (i) a requirement that certain earnings received from the investment of the proceeds of the Series A Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Series A Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series A Bonds and the facilities financed or refinanced with proceeds of the Series A Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series A Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Administration and the Local Governments have made certain covenants regarding actions required to maintain the excludability from gross income for federal income tax purposes of interest on the Series A Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Series A Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(h) Interest on the Series A Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Series A Bonds. In addition, interest income on the Series A Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof. The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated.

Very truly yours,

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APPENDIX G

NOTICE OF SALE

$9,000,000*
Community Development Administration
Maryland Department of Housing and Community Development
Local Government Infrastructure Bonds (Ambac Insured)
2006 Series A

ELECTRONIC BIDS will be received by the Community Development Administration (the "Administration") on Tuesday**, March 21, 2006** (the "Bid Date") for the purchase of all (but not less than all) of $9,000,000* principal amount of Community Development Administration, Maryland Department of Housing and Community Development, Local Government Infrastructure Bonds (Ambac Insured) 2006 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., local Baltimore, Maryland 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. local Baltimore, Maryland 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 $9,000,000*, will be dated the date of their delivery (the "Delivery Date") and will bear interest first payable on December 1, 2006, and semi-annually thereafter on December 1 and June 1 in each year until maturity at such rates as are fixed by the bid proposal accepted by the Administration.

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* Preliminary, subject to change.

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*
2007	$465,000	2017	$390,000
2008	480,000	2018	405,000
2009	495,000	2019	425,000
2010	510,000	2020	440,000
2011	530,000	2021	410,000
2012	455,000	2022	370,000
2013	470,000	2023	385,000
2014	490,000	2024	400,000
2015	505,000	2025	415,000
2016	525,000	2026	435,000

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 on or before June 1, 2016, are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after June 1, 2017, shall be subject to redemption at the option of the Administration, in whole or in part at any time, on or after June 1, 2016, at the principal amount thereof, plus accrued interest thereon.

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* Preliminary, subject to change.

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.

Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank) 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 Manufacturers and Traders Trust Company, 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 4-101 through 4-255 of the Housing and Community Development Article 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 $9,000,000* Principal Amount of Local Government Infrastructure Bonds (Ambac Insured) 2006 Series A, which will be adopted by the Administration as of April 1, 2006 (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 Ratings 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 March 8, 2006. 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, Bond Finance, of the Administration (Telephone: 410-514-7411; Fax: 410-514-7431; Email: westlund@mdhousing.org).

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* Preliminary, subject to change.

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., local Baltimore, Maryland time on Tuesday, March 21, 2006. No bid will be received on the Series A Bonds after 11:00 a.m., local Baltimore, Maryland 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. local Baltimore, Maryland 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@mdhousing.org). 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. local Baltimore, Maryland 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 ($^1/_8$) or one-twentieth ($^1/_{20}$) of one percent. The highest interest rate specified on any Series A Bond shall not exceed the lowest specified rate by more than 3½%. A zero rate may not be named for any 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. 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 shall not be less than 99.00% of par.

The Administration reserves the right to adjust the principal amount of each maturity subsequent to acceptance of a bid. 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 $90,000.00 (the "Deposit") by 3:00 p.m., local Baltimore, Maryland time on the business day immediately preceding the Bid Date. Each Deposit shall be in the form of 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.

The financial surety bond 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 McKennon Shelton & Henn LLP, Bond Counsel to the Administration, at email: paul.shelton@mshllp.com or fax: 410-895-0960 and to the Administration at email: westlund@mdhousing.org or fax: 410-514-7431 not later than 3:00 p.m. local Baltimore, Maryland 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 local Baltimore, Maryland 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. 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. 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 413-586-7522 (Attention: Thomas Caine), 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, the Administration will deliver to the successful bidder(s), without cost, up to 300 copies of the Official Statement, which presently is expected to be substantially in the form of the Preliminary Official Statement. The Administration also will deliver any supplement to the Official Statement that may be necessary between the date of delivery 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.

IV. DELIVERY OF THE BONDS

The closing of the Series A Bonds will be held at the offices of McKennon Shelton & Henn LLP, Baltimore, Maryland, at or before noon, local Baltimore, Maryland time, on or before April 5, 2006, 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 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 McKennon Shelton & Henn LLP, as Bond Counsel to the Administration, in substantially the form attached as Appendix F 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 in 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 advisor, 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: Mary A. Burkholder, *Director*

Dated: March 8, 2006

APPENDIX H

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS (Ambac Insured)
FINANCIAL STATEMENTS

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Reznick Group

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
(AMBAC INSURED)

JUNE 30, 2005 AND 2004

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

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Reznick Group

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INDEPENDENT AUDITORS' REPORT

Office of the Secretary
Department of Housing and Community Development

We have audited the accompanying financial statements of the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) (the Fund) of the Department of Housing and Community Development of the State of Maryland as of and for the years ended June 30, 2005 and 2004 as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) and do not purport to, and do not, present fairly the financial position of the Department of Housing and Community Development of the State of Maryland as of June 30, 2005 and 2004, and the changes in its net assets and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Community Development Administration Local Government Infrastructure Bonds (Ambac Insured) of the Department of Housing and Community Development of the State of Maryland as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Baltimore, Maryland
September 15, 2005

Atlanta ■ Baltimore ■ Bethesda ■ Charlotte ■ Chicago ■ Sacramento

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF NET ASSETS
(in thousands)

June 30, 2005 and 2004

	2005	2004
RESTRICTED ASSETS		
Restricted current assets		
Cash and cash equivalents on deposit with trustee	$ 25,136	$ 21,051
Community facilities loans	2,260	1,825
Accrued interest receivable	117	215
Total restricted current assets	27,513	23,091
Restricted long-term assets		
Community facilities loans, net of current portion	54,711	43,015
Total restricted assets	$ 82,224	$ 66,106
LIABILITIES AND NET ASSETS		
Current liabilities		
Bonds payable	$ 2,260	$ 1,825
Accrued interest payable	191	208
Due to local governments	24,998	20,889
Accounts payable	-	118
Total current liabilities	27,449	23,040
Long-term liabilities		
Bonds payable, net of current portion	54,780	43,015
Advance trustee fees	6	5
Total long-term liabilities	54,786	43,020
Total liabilities	82,235	66,060
NET ASSETS		
Restricted	(11)	46
Total liabilities and net assets	$ 82,224	$ 66,106

See notes to financial statements

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Operating revenue		
Interest on community facilities loans	$ 1,855	$ 1,242
Interest income on cash equivalents	12	4
Fee income	1	-
	1,868	1,246
Operating expenses		
Interest expense on bonds	1,855	1,243
Operating income	13	3
Transfers of funds, net, as permitted by the Resolution	(70)	-
CHANGES IN NET ASSETS	(57)	3
Net assets - restricted at beginning of year	46	43
Net assets - restricted at end of year	$ (11)	$ 46

See notes to financial statements

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF CASH FLOWS
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Principal and interest received on community facilities loans	$ 3,833	$ 2,177
Origination of community facilities loans	(10,089)	(12,627)
Advance trustee fees received	19	12
Trustee fees paid	(18)	(12)
Loan fees received	70	-
Net cash used in operating activities	(6,185)	(10,450)
Cash flows from investing activities		
Interest received on cash equivalents	12	4
Net cash provided by investing activities	12	4
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	14,080	16,375
Payments on bond principal	(1,880)	(1,050)
Interest on bonds	(1,872)	(1,129)
Transfers among Funds	(70)	-
Net cash provided by noncapital financing activities	10,258	14,196
NET INCREASE IN CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE	4,085	3,750
Cash and cash equivalents on deposit with trustee at beginning of year	21,051	17,301
Cash and cash equivalents on deposit with trustee at end of year	$ 25,136	$ 21,051

(continued)

Community Development Administration
Local Government Infrastructure Bonds (Ambac Insured)

STATEMENTS OF CASH FLOWS - CONTINUED
(in thousands)

Years ended June 30, 2005 and 2004

	2005	2004
Reconciliation of operating income to net cash used in operating activities		
Operating income	$ 13	$ 3
Adjustments to reconcile operating income to net cash used in operating activities		
Increase in community facilities loans	(12,200)	(15,325)
Decrease (increase) in accrued interest receivable	98	(116)
(Decrease) increase in accrued interest payable	(17)	114
(Decrease) increase in accounts payable	(118)	118
Increase in other liabilities	4,110	3,631
Amortization of deferred income on loans	(1)	-
Loan fees deferred	70	-
Interest received on cash equivalents	(12)	(4)
Interest on bonds	1,872	1,129
Net cash used in operating activities	$ (6,185)	$ (10,450)

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)

June 30, 2005 and 2004

NOTE 1 - AUTHORIZING LEGISLATION AND PROGRAM DESCRIPTION

The Community Development Administration (CDA) is authorized to issue Local Government Infrastructure Bonds (Ambac Insured) pursuant to Sections 2-201 through 2-208 of Article 83B of the Annotated Code of Maryland to provide a mechanism for financing the infrastructure needs of local governments. CDA is in the Division of Development Finance in the Department of Housing and Community Development (DHCD) of the State of Maryland.

The accompanying financial statements only include CDA's Local Government Infrastructure Bonds (Ambac Insured) (the Fund). CDA's other Funds are not included.

The Fund was established to issue bonds to provide funds for construction and permanent financing to local governments for public facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Local Government Infrastructure Bonds (Ambac Insured) is accounted for as an enterprise fund. Accordingly, the accompanying financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (GAAP).

Generally Accepted Accounting Principles

CDA reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). CDA has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Consequently, CDA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CDA has adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*. Under GASB Statement No. 34, net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation. Accordingly, all net assets of the Fund are restricted as to their use as all net assets are pledged to bondholders.

The Annual Financial Report may include a Management's Discussion and Analysis. Since CDA is an enterprise fund included in the State of Maryland's Comprehensive Annual Financial Report, a separate Management's Discussion and Analysis is not required in these financial statements. CDA prepares a Management's Discussion and Analysis for the General Accounting Division of the State of Maryland that is not part of these financial statements.

Recent Accounting Pronouncements

Effective July 1, 2004, CDA adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure of information regarding investments: credit risk, interest rate risk, concentration of credit risk and custodial credit risk. This new statement does not have any impact on the Fund's financial position or results of operations. The disclosures are in Note 3.

Cash and Cash Equivalents on Deposit with Trustee

Cash equivalents may include money market funds, repurchase agreements, investment agreements and any other investments, primarily obligations of the U.S. Treasury and U.S. Government Agencies, which have maturities of 90 or less days at the time of purchase. As of June 30, 2005 and 2004, all of CDA's cash equivalents are invested in a money market mutual fund which is more fully described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Facilities Loans

Community facilities loans are carried at their unpaid principal balances, net of unamortized loan fees. See Note 4 for additional information on community facilities loans.

Allowance for Loan Losses

Community facilities loans are secured by the full faith and credit of the applicable local government. Therefore, CDA has determined that no allowance for loan losses was necessary as of June 30, 2005 and 2004.

Accrued Interest Receivable

Accrued interest includes both interest on cash deposits and interest on loans. As of June 30, 2005 and 2004, all loans were current. Therefore, all accrued interest on loans was recorded during the period.

Bonds Payable

Bonds payable are carried at their unpaid principal balances. There are no premiums or discounts to amortize. See Notes 5, 6, and 7 for additional information.

Fee Income

CDA earns financing fees at loan origination. These fees are deferred and amortized over the life of the loan.

Administrative Support

In addition to expenses incurred directly by the Fund, CDA receives certain support services from other divisions of DHCD. Support services and the operating expenses of CDA have been allocated to CDA's General Bond Reserve Fund and reported in the financial statements of CDA's Revenue Obligation Funds. The General Bond Reserve Fund records these expenses as invoiced by DHCD for the fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The employees of CDA are covered by the Maryland State Retirement and Pension System (the System) and the costs of employees' retirement benefits are included in the salaries and related costs charged to CDA's General Bond Reserve Fund. See Note 10 for additional information.

Revenue and Expenses

CDA distinguishes operating revenue and expenses from nonoperating items in conformity with GASB Statement No. 34. Operating revenue and expenses are identified as those activities that are directly related to financing public facilities for local governments. All of the Fund's activities are considered to be operating.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

Due to Local Governments

CDA records the total loan amount when the loan closes and collects interest from the local government on this full loan amount from the date of closing. Due to local governments represents the undrawn loan amount which is held by CDA as an escrow until the funds are needed by the local government.

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE

Proceeds from bonds and revenues from loans are invested in authorized investments as defined in the Local Government Infrastructure Bonds (Ambac Insured) Resolution (the Resolution) and in CDA's Investment Policy until required for financing projects, redeeming outstanding bonds and notes, and funding program expenses. Authorized investments include obligations of the U.S. Treasury, U.S. Government Agencies, investment agreements, money market funds and any other investment as defined by the Resolution.

As of June 30, 2005, the Fund had $25,136 invested in a money market mutual fund (Federated Treasury Obligations Fund) which is classified as cash and cash equivalents. The following represents the GASB 40 evaluation of this asset for interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, CDA's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for bond debt service, projected loan originations and ongoing operations.

The Federated Treasury Obligations Fund invests exclusively in U.S. Treasuries and in repurchase agreements collateralized by Treasury securities. It is operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. It can reasonably be expected to have a fair value that will be unaffected by interest rate changes because the interest rates are variable and the principal can be recovered on demand. As of June 30, 2005, the cost of this money market mutual fund approximated fair value and its maturity is less than one year.

Credit Risk and Concentration of Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither CDA's Investment Policy nor the Resolution require investment agreements or deposits to be collateralized. CDA's Investment Policy places no limit on the

NOTE 3 - CASH AND CASH EQUIVALENTS ON DEPOSIT WITH TRUSTEE (Continued)

amount that CDA may invest in any one fund. According to the Resolution, securities must be rated at the highest investment grade by any national rating agency. U.S. dollar denominated accounts and bankers' acceptances which have a rating on their short-term certificates of deposit must be in the two highest ratings of any nationally recognized rating agency.

As of June 30, 2005, the Federated Treasury Obligations Fund was rated AAAm by Standard and Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or counterparty failure, CDA will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. This money market fund is held in trust by the trustee, kept separate from the assets of the bank and from other trust accounts and are held in CDA's name.

NOTE 4 - COMMUNITY FACILITIES LOANS

Community facilities loans are secured by the full faith and credit of the applicable local government. As such, no allowance for loan losses was necessary as of June 30, 2005 and 2004. As of June 30, 2005, interest rates on such loans range from 2.73% to 4.87% with remaining loan terms ranging from less than 6 years to 29 years. As of June 30, 2004, interest rates on such loans range from 2.73% and 4.87% with remaining loan terms ranging from less than 7 years to 30 years.

NOTE 5 - BONDS PAYABLE

The bonds issued by CDA are special obligations of CDA and are payable from the revenue and special funds of the Resolution. These bonds do not constitute debt of and are not guaranteed by the State of Maryland or any other program of the State of Maryland or any political subdivision. The provisions of the Resolution require or allow for the redemption of

(in thousands)

NOTE 5 - BONDS PAYABLE (Continued)

bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of community facilities loans. All outstanding bonds are subject to redemption at the option of CDA, in whole or in part at any time, after certain dates, as specified in the respective series resolutions. All bonds have fixed interest rates and all are tax-exempt.

The following is a summary of the bond activity for the year ended June 30, 2005 and the bonds payable as of June 30, 2005:

					Bond Activity		
	Issue Dated	Range of Interest Rates	Range of maturities	Bonds Payable at 6/30/2004	New bonds issued	Scheduled maturity payments	Bonds Payable at 6/30/2005
Local Government Infrastructure Bonds (Ambac Insured)							
2002 Series A	3/1/2002	3.00%-5.00%	2005-2032	$11,140	$ -	$ (340)	$ 10,800
2002 Series B	10/1/2002	2.25%-4.375%	2005-2022	3,345	-	(145)	3,200
2003 Series A	3/1/2003	2.00%-4.50%	2005-2023	13,980	-	(585)	13,395
2004 Series A	4/22/2004	2.00%-4.875%	2005-2034	16,375	-	(755)	15,620
2004 Series B	11/18/2004	3.00%-4.50%	2006-2034	-	4,735	(55)	4,680
2005 Series A	5/26/2005	3.75%-4.40%	2006-2030	-	9,345	-	9,345
Total				$44,840	$14,080	$ (1,880)	$ 57,040

(in thousands)

NOTE 5 - BONDS PAYABLE (Continued)

The following is a summary of the bond activity for the year ended June 30, 2004 and the bonds payable as of June 30, 2004:

	Issue Dated	Range of Interest Rates	Range of maturities	Bonds Payable at 6/30/2003	Bond Activity: New bonds issued	Bond Activity: Scheduled maturity payments	Bonds Payable at 6/30/2004
Local Government Infrastructure Bonds (Ambac Insured)							
2002 Series A	3/1/2002	3.00% - 5.00%	2004 - 2032	$ 11,470	$ -	$ (330)	$ 11,140
2002 Series B	10/1/2002	2.25% - 4.375%	2004 - 2022	3,485	-	(140)	3,345
2003 Series A	3/1/2003	2.00% - 4.50%	2004 - 2023	14,560	-	(580)	13,980
2004 Series A	4/22/2004	2.00% - 4.875%	2005 - 2034	-	16,375	-	16,375
Total				$29,515	$16,375	$ (1,050)	$ 44,840

NOTE 6 - DEBT SERVICE REQUIREMENTS

As of June 30, 2005, the required principal payments for bonds (including mandatory sinking fund payments) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2006	$ 2,235	$ 2,260
2007	2,173	2,315
2008	2,114	2,380
2009	2,045	2,450
2010	1,969	2,515
2011 - 2015	8,485	13,440
2016 - 2020	5,775	14,225
2021 - 2025	2,772	10,945
2026 - 2030	1,144	4,320
2031 - 2035	234	2,190
Total	$ 28,946	$ 57,040

(in thousands)

NOTE 6 - DEBT SERVICE REQUIREMENTS (Continued)

As of June 30, 2004, the required principal payments for bonds (including mandatory sinking fund payments) and interest payments for each of the next five years and in five-year increments thereafter, are as follows:

Years ended June 30,	Interest	Principal
2005	$ 1,774	$ 1,825
2006	1,668	1,870
2007	1,626	1,910
2008	1,581	1,960
2009	1,527	2,015
2010 - 2014	6,614	10,885
2015 - 2019	4,500	11,240
2020 - 2024	2,087	9,265
2025 - 2029	763	2,020
2030 - 2034	233	1,850
Total	$ 22,373	$ 44,840

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2005, were as follows:

	Beginning balance	Additions	Reductions	Due within one year	Ending balance
Long-term bonds payable	$ 43,015	$ 14,080	$ (55)	$ (2,260)	$ 54,780
Advance trustee fees	5	19	(18)	-	6
Total long-term liabilities	$ 43,020	$ 14,099	$ (73)	$ (2,260)	$ 54,786

(in thousands)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the year ended June 30, 2004, were as follows:

	Beginning balance	Additions	Reductions	Due within one year	Ending balance
Long-term bonds payable	$ 28,465	$ 16,375	$ -	$ (1,825)	$ 43,015
Advance trustee fees	5	12	-	(12)	5
Total long-term liabilities	$ 28,470	$ 16,387	-	$ (1,837)	$ 43,020

NOTE 8 - BOND INSURANCE

All bonds of the Fund are insured by Ambac Assurance Corporation. The provisions of the policy require the insurer to pay that portion of the principal and interest on the bonds which become due for payment but are not paid by CDA. The insurance generally extends for the term of the bonds and cannot be canceled by the insurer.

NOTE 9 - NET ASSETS

At June 30, 2005, the balance in net assets for the Fund was a negative $11. During 2005, this fund received loan financing fees in the amount of $70 which were transferred to the General Bond Reserve Fund, a separate fund in CDA’s Revenue Obligation Funds. The $70 is recognized as deferred income in the Fund and amortized over the life of the loan as described in Note 2. As the deferred fees are amortized, the income will offset the amount transferred.

NOTE 10 - PENSION AND OTHER POST-RETIREMENT BENEFITS

Eligible employees of CDA and employees of the State of Maryland are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. CDA's only liability for retirement and post-employment benefits is its required annual contribution, which was paid in full by CDA to the State of Maryland prior to year end. The System prepares a separate audited Comprehensive Annual Financial Report which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202 or by visiting the website at www.sra.state.md.us.

COMMUNITY DEVELOPMENT ADMINISTRATION
LOCAL GOVERNMENT INFRASTRUCTURE BONDS
(Ambac Insured)
Unaudited Interim Financial Statements
For the six month period ended
December 31, 2005

Community Development Administration
Local Government Infrastructure Bonds
(Ambac Insured)

Balance Sheets

As of December 31, 2005 and June 30, 2005
(in thousands)

	12/31/2005 (Unaudited)	6/30/2005 (Audited)
Restricted assets		
Restricted current assets:		
Cash on deposit with trustee	$ 19,286	$ 25,136
Community facilities loans	2,260	2,260
Accrued interest receivable	53	117
Total restricted current assets	21,599	27,513
Restricted long-term assets:		
Community facilities loans, net of current portion	54,713	54,711
Total restricted long-term assets	54,713	54,711
Total restricted assets	$ 76,312	$ 82,224
Liabilities and net assets		
Current liabilities:		
Bonds payable	$ 2,260	$ 2,260
Accrued interest payable	186	191
Due to local governments	19,067	24,998
Total current liabilities	21,513	27,449
Long-term liabilities:		
Bonds payable, net of current portion	54,780	54,780
Advance trustee fees	11	6
Total long-term liabilities	54,791	54,786
Total liabilities	76,304	82,235
Net assets:		
Restricted	8	(11)
Total net assets	8	(11)
Total liabilities and net assets	$ 76,312	$ 82,224

See accompanying notes.

Community Development Administration
Local Government Infrastructure Bonds
(Ambac Insured)

Statements of Revenue, Expenses and Changes in Net Assets

For the six months ended December 31, 2005 and December 31, 2004
(in thousands)

	12/31/2005 (Unaudited)	12/31/2004 (Unaudited)
Operating revenue		
Interest on community facilities loans	$ 1,115	$ 876
Interest income on cash accounts	8	2
Fee and deferred income	11	-
	1,134	878
Operating expenses		
Interest expense on bonds	1,115	876
	1,115	876
Operating income	19	2
Changes in net assets	19	2
Net assets - restricted at beginning of period	(11)	46
Net assets - restricted at end of period	$ 8	$ 48

See accompanying notes.

Community Development Administration
Local Government Infrastructure Bonds
(Ambac Insured)

Statements of Cash Flows

For the six months ended December 31, 2005 and December 31, 2004
(in thousands)

	12/31/2005 (Unaudited)	12/31/2004 (Unaudited)
Cash flows from operating activities		
Interest received on community facilities loans	$ 1,179	$ 953
Origination of community facilities loans	(5,931)	(6,630)
Advance trustee fees received	13	9
Trustee fees paid	(8)	(8)
Loan fees received	9	-
Net cash from operating activities	(4,738)	(5,676)
Cash flows from investing activities		
Interest received on cash accounts	8	2
Net cash from investing activities	8	2
Cash flows from noncapital financing activities		
Proceeds from sale of bonds	-	4,735
Interest on bonds	(1,120)	(920)
Net cash from noncapital financing activities	(1,120)	3,815
Net decrease in cash on deposit with trustee	(5,850)	(1,859)
Cash on deposit with trustee at beginning of period	25,136	21,051
Cash on deposit with trustee at end of period	$ 19,286	$ 19,192

Community Development Administration
Local Government Infrastructure Bonds
(Ambac Insured)

Statements of Cash Flows

For the six months ended December 31, 2005 and December 31, 2004
(in thousands)

	12/31/2005 (Unaudited)	12/31/2004 (Unaudited)
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 19	$ 2
Adjustments to reconcile operating income to net cash from operating activities		
Increase in community facilities loans	-	(4,735)
Decrease in accrued interest receivable	64	77
Decrease in accrued interest payable	(5)	(44)
Increase in accounts payable	-	82
Decrease in other liabilities	(5,926)	(1,976)
Amortization of deferred income on loans	(2)	-
Interest received on cash accounts	(8)	(2)
Interest on bonds	1,120	920
Net cash from operating activities	$ (4,738)	$ (5,676)

See accompanying notes.

Community Development Administration
Local Government Infrastructure Bonds
(Ambac Insured)

Notes to Unaudited Interim Financial Statements

December 31, 2005
(in thousands)

1. **Basis of presentation:**

   In the opinion of management, the accompanying interim financial statements of the Community Development Administration (CDA) Local Government Infrastructure Bonds (Ambac Insured) present fairly the financial position at December 31, 2005 and the results of its operations for the six months ended December 31, 2005 and December 31, 2004. These interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations. The December 31, 2005 financial statements are unaudited, and certain information and footnote disclosures normally included in the annual financial statements have been omitted. Readers of these statements should refer to the financial statements and notes thereto as of June 30, 2005 and for the year then ended, which have been included elsewhere in this disclosure. The results of operations presented in the accompanying financial statements are not necessarily representative of operations for the entire year.

2. **Reclassification:**

   Certain amounts in the Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flows for December 31, 2004 have been reclassified to conform to the June 30, 2005 audited financial statement presentation.

Ambac

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.

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne G. Gill

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.

Noraida Lauro

Authorized Officer of Insurance Trustee

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