

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2017 B Bonds is excludable from gross income for federal income tax purposes, except during the period when the Series 2017 B Bonds are held by a "substantial user" of the facilities financed by the Series 2017 B Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is further of the opinion that interest on the Series 2017 B Bonds is not a specific preference item and is not included in adjusted current earnings for purposes of the federal alternative minimum tax. In addition, in the opinion of Bond Counsel, under existing statutes, the Series 2017 B Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes. See "TAX MATTERS" herein.



\$12,000,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Housing Revenue Bonds
(FHA Risk-Sharing Insured Pass-Through)
Series 2017 B (Non-AMT)

Dated: Date of Delivery**Due: As shown below**

The Series 2017 B Bonds shown above are being issued by the Community Development Administration (the "**Administration**"), a unit of the Division of Development Finance of the Department of Housing and Community Development (the "**Department**"), a principal department of the State of Maryland (the "**State**"), as fully registered bonds pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "**Act**") and a Resolution Providing for the Issuance of Housing Revenue Bonds adopted by the Administration as of November 1, 1996, and amended and restated as of July 1, 2006 (the "**Bond Resolution**"). The Series 2017 B Bonds are issued pursuant to the Bond Resolution, as supplemented by a Series Resolution Providing for the Issuance and Sale of \$12,000,000 Principal Amount of Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through), Series 2017 B, to be adopted by the Administration as of May 1, 2017 (the "**Series Resolution**"). The Series 2017 B Bonds will be issued in denominations of \$1.00 or any integral multiple thereof. Interest on the Series 2017 B Bonds will be payable at the fixed interest rates shown below on the first day of each calendar month, commencing on July 1, 2017, on any redemption date and at maturity. Principal of the Series 2017 B Bonds is payable in the amounts and on the dates shown below, subject to prior redemption.

The proceeds of the Series 2017 B Bonds will be applied to finance one loan (the "**Series 2017 B Loan**") for one multifamily residential rental facility, and the Series 2017 B Bonds will be secured, as described under the captions "INTRODUCTION" and "THE SERIES 2017 B DEVELOPMENT" herein.

MATURITY SCHEDULE

\$5,735,000 of 1.40% Principal Amount of Housing Revenue Bonds
 (FHA Risk-Sharing Insured Pass-Through) Series 2017 B due July 1, 2019
 (CUSIP No.: 57419R L94)†

\$6,265,000 of 3.75% Principal Amount of Housing Revenue Bonds
 (FHA Risk-Sharing Insured Pass-Through) Series 2017 B due March 1, 2059
 (CUSIP No.: 57419R M28)†

Price of All Series 2017 B Bonds: 100%

The Series 2017 B Bonds are subject to redemption at par prior to maturity, including special redemption, mandatory redemption and optional redemption, under certain circumstances as described herein.

The Series 2017 B Bonds are special obligations of the Administration, payable solely from Repayments and Prepayments on the Series 2017 B Loan, and any other Revenues and property of the Administration pledged therefor under the Series Resolution. The Administration has no taxing power. The Series 2017 B Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department. The Series 2017 B Bonds are being issued as a Stand-Alone Series as defined under "THE COMMUNITY DEVELOPMENT ADMINISTRATION – Limited Obligations; Stand-Alone Series" herein. Although additional bonds have been and may be issued under the Bond Resolution by issuance of a separate series resolution, any such additional bonds and any other obligations heretofore or hereafter issued under such other series resolution are or will be secured as provided in such other series resolution separate and apart from the Series 2017 B Bonds.

This cover page contains only a brief description of the Administration, the Series 2017 B Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Series 2017 B Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision and should pay particular attention to the discussion in "CERTAIN BONDHOLDERS' RISKS."

The Series 2017 B Bonds are offered for delivery when, as and if issued by the Administration and accepted by the Underwriter, and the delivery of the Series 2017 B Bonds is subject to the opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel, as to the validity of, and the excludability from gross income for federal income tax purposes of interest on, the Series 2017 B Bonds. Certain legal matters will be passed upon for the Administration by an Assistant Attorney General of the State of Maryland as Counsel to the Department. Certain legal matters will be passed upon for the Underwriter by its counsel, Eichner Norris & Neumann PLLC, Washington, D.C. Certain legal matters will be passed upon for the borrower of the Series 2017 B Loan by the counsel described under "CERTAIN LEGAL MATTERS" herein. It is expected that the Series 2017 B Bonds will be available for delivery to DTC on or about May 10, 2017.

JEFFERIES

Dated: April 28, 2017

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed by S&P Capital IQ, a division of McGraw Hill Financial Inc. CUSIP data herein are set forth for convenience of reference only. Neither the Administration nor the Underwriter assumes any responsibility for the selection or use of CUSIP numbers or for the accuracy of such data. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2017 B Bonds.

No dealer, broker, salesman or other person has been authorized by the Administration to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 B Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to the registration or qualification under the securities laws of such jurisdiction. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2017 B Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Administration since the date hereof.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or owners of any of the Series 2017 B Bonds. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2017 B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

No registration statement relating to the Series 2017 B Bonds has been filed with the Securities and Exchange Commission (the "Commission") or with any state securities agency. The Series 2017 B Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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OFFICIAL STATEMENT

\$12,000,000

**COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
Housing Revenue Bonds
(FHA Risk-Sharing Insured Pass-Through)
Series 2017 B (Non-AMT)**

INTRODUCTION

This Official Statement, which includes the front cover page and the appendices hereto, provides certain information concerning the Community Development Administration (the “**Administration**”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “**Department**”), a principal department of the State of Maryland (the “**State**”), and otherwise in connection with the offer and sale of the above-captioned Bonds (the “**Series 2017 B Bonds**”). The Series 2017 B Bonds are being issued pursuant to Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “**Act**”) and a Resolution Providing for the Issuance of Housing Revenue Bonds adopted by the Administration as of November 1, 1996, and amended and restated as of July 1, 2006 (the “**Bond Resolution**”). The Series 2017 B Bonds are issued pursuant to the Bond Resolution, as supplemented by a Series Resolution Providing for the Issuance and Sale of \$12,000,000 Principal Amount of Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through), Series 2017 B, to be adopted by the Administration as of May 1, 2017 (the “**Series Resolution**,” and together with the Bond Resolution, the “**Resolutions**”). Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is the trustee (the “**Trustee**”) under the Resolutions. The Trustee has not participated in the preparation of this Official Statement. Capitalized terms used herein and not defined have the meanings specified in the Resolutions. See **APPENDIX B – “BOND RESOLUTION AND FORM OF SERIES RESOLUTION.”**

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page and the appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2017 B Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Administration or the Underwriter, and any one or more owners of the Series 2017 B Bonds.

The Administration

The Administration is a unit in the Division of Development Finance of the Department, created in 1970. The Department consists of five divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, and the Division of Information Technology. The Administration pays all costs and expenses of operating its programs from earnings received from its programs financed by bond indentures and resolutions of the Administration in excess of the amounts required to pay principal of and interest on its bonds and notes. See “THE COMMUNITY DEVELOPMENT ADMINISTRATION” herein.

Purposes of the Series 2017 B Bonds

Proceeds of the Series 2017 B Bonds will be used to fund the following loan for the following development:

<u>Loan Amount</u>	<u>Name of Development</u>	<u>Borrower</u>	<u>Location</u>	<u>New Construction/ Rehabilitation</u>	<u>Number of Units</u>
\$12,000,000 ¹	HELP Perry Point Veterans Village ²	HELP Perry Point LP ³	Perryville, Cecil County, Maryland	Rehabilitation and New Construction	75

¹ The “Series 2017 B Loan.”

² The “Series 2017 B Development.”

³ The “Series 2017 B Borrower.”

The Series 2017 B Loan will be bifurcated into a short term amount (the “**Short Term Amount**”) and a long term amount (the “**Long Term Amount**”), as described under “PLAN OF FINANCE – The Series 2017 B Loan – Terms of the Series 2017 B Loan” herein. The Series 2017 B Loan will be made pursuant to a financing agreement (the “**Financing Agreement**”) between the Series 2017 B Borrower and the Administration. See “PLAN OF FINANCE” and “THE SERIES 2017 B DEVELOPMENT.”

Description of the Series 2017 B Bonds

Interest on the Series 2017 B Bonds is payable at the fixed interest rates shown on the front cover page hereof commencing on July 1, 2017 and thereafter on the first day of each calendar month, on any redemption date and at maturity and will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2017 B Bonds will be issued in denominations of \$1.00 or any integral multiple thereof. Principal of the Series 2017 B Bonds is payable in the amounts and on the dates as shown on the front cover page hereof, subject to prior redemption. All principal of prepayments and Recovery Payments related to the Series 2017 B Loan, including amounts paid pursuant to any Credit Enhancement, received by or on behalf of the Administration on or before the 20th day of any calendar month will be applied on the first day of the immediately succeeding calendar month to the mandatory redemption of the Series 2017 B Bonds as described under “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.” The Series 2017 B Bonds maturing on July 1, 2019 (the “**Short Term Bonds**”) and March 1, 2059 (the “**Long Term Bonds**”) are also subject to special and optional redemption in whole or in part at par as described in “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption.” The Series 2017 B Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will serve as securities depository for the Series 2017 B Bonds, as described in **APPENDIX D** hereto.

For a more complete description of the Series 2017 B Bonds and the Resolutions pursuant to which the Series 2017 B Bonds are being issued, see “TERMS OF THE SERIES 2017 B BONDS” and APPENDIX B – “BOND RESOLUTION AND FORM OF SERIES RESOLUTION.”

Security and Sources of Payment

The Series 2017 B Bonds are secured by and payable from all of the Administration's rights and interest in and to the revenues pledged to the payment of the Series 2017 B Bonds under the Series Resolution, in particular, the scheduled principal and interest payments due on the Series 2017 B Loan ("**Repayments**"), Recovery Payments received with respect to the Series 2017 B Loan and certain funds held in the Series 2017 B Account of the Bond Proceeds Fund and the Series 2017 B Account of the Debt Service Reserve Fund (as further described herein, the "**Trust Estate**"). See "SECURITY AND SOURCES OF PAYMENT."

*The Series 2017 B Loan will be insured under the FHA Risk-Sharing Program described in **APPENDIX E** hereto, which provides for payment by the U.S. Department of Housing and Urban Development ("**HUD**") and the Administration, as reimbursed by the Maryland Housing Fund ("**MHF**"), of 100% of the unpaid principal balance of the Series 2017 B Loan as of the date of default and interest on the Series 2017 B Loan from the date of default to the date of the initial claim payment ("**Risk-Sharing Insurance**"). To the extent permitted by law, including applicable HUD regulations, while the Series 2017 B Bonds are Outstanding, the Administration agrees to name the Trustee as payee with respect to any claims for Risk-Sharing Insurance proceeds relating to such Series 2017 B Loan or to otherwise provide that such proceeds are delivered to the Trustee for deposit under the Resolutions.*

The Series 2017 B Bonds are special obligations of the Administration, payable solely from Repayments and Recovery Payments, and any other Revenues and property of the Administration pledged therefor under the Series Resolution. The Administration has no taxing power. The Series 2017 B Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

THE SERIES RESOLUTION PROVIDES THAT ONLY REPAYMENTS AND RECOVERY PAYMENTS RECEIVED WITH RESPECT TO THE SERIES 2017 B LOAN MAY BE USED TO REDEEM THE SERIES 2017 B BONDS UNDER THE REDEMPTION PROVISIONS DESCRIBED IN "TERMS OF THE SERIES 2017 B BONDS – PRIOR REDEMPTION." REPAYMENTS OR RECOVERY PAYMENTS RECEIVED WITH RESPECT TO LOANS OTHER THAN THE SERIES 2017 B LOAN SHALL NOT BE USED UNDER ANY CIRCUMSTANCES TO MAKE SUCH REDEMPTION PAYMENTS. FURTHERMORE, REPAYMENTS AND RECOVERY PAYMENTS RECEIVED WITH RESPECT TO THE SERIES 2017 B LOAN SHALL NOT BE APPLIED UNDER ANY CIRCUMSTANCES TO REDEEM ANY SERIES OF BONDS OTHER THAN THE SERIES 2017 B BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the Series 2017 B Bonds, Kutak Rock LLP, as Bond Counsel to the Administration, will deliver an opinion in the form included as **APPENDIX C** hereto. 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. The Underwriter is being represented in connection with its purchase of the Series 2017 B Bonds by its counsel, Eichner Norris & Neumann PLLC. The Series 2017 B Borrower is being represented by its legal counsel. See "CERTAIN LEGAL MATTERS." Caine Mitter and Associates Incorporated and People First Financial Advisors are serving as financial advisors to the Administration in connection with the issuance of the Series 2017 B Bonds. See "FINANCIAL ADVISORS."

Continuing Disclosure

The Series 2017 B Borrower will constitute an “obligated person” in respect of the Series 2017 B Bonds within the meaning of Rule 15c2-12. In connection with the origination of the Series 2017 B Loan, the Series 2017 B Borrower will agree, for the benefit of the owners (including beneficial owners) of the Series 2017 B Bonds, to provide to Manufacturers and Traders Trust Company, as dissemination agent (the “**Dissemination Agent**”) Audited Financial Statements (as defined in the form of Borrower Continuing Disclosure Undertaking attached hereto as **APPENDIX F**) and the financial information described in Section 1(a) of such form of Borrower Continuing Disclosure Undertaking (the “**Borrower Financial Information**”) not later than 180 days after the end of each fiscal year for the Series 2017 B Borrower. The Series 2017 B Borrower will also agree to provide to the Dissemination Agent notice of certain events within five (5) Business Days of the occurrence of such events. A form of the Borrower Continuing Disclosure Undertaking is attached hereto as **APPENDIX F**.

In the Series Resolution, the Administration has agreed to provide certain information about the Series 2017 B Loan and the Series 2017 B Development on a monthly or quarterly basis, as applicable, by filing a report on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”). See “**AVAILABILITY OF CONTINUING INFORMATION.**” In addition, under the Series Resolution, the Administration has agreed to provide debt service coverage ratios for the Series 2017 B Development on an annual basis (the “**Administration Annual Financial Information**,” and together with the Borrower Financial Information, the “**Annual Financial Information**”) by filing a report on EMMA.

Investment Considerations

The purchase and ownership of the Series 2017 B Bonds involve investment risks. Prospective purchasers of the Series 2017 B Bonds being offered by this Official Statement are urged to read this Official Statement in its entirety. For a discussion of certain risks relating to the Series 2017 B Bonds, see “CERTAIN BONDHOLDERS’ RISKS.”

THE COMMUNITY DEVELOPMENT ADMINISTRATION

General Information

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

The Secretary is the head of the Department and is appointed by the Governor with the advice and consent of the Senate. The Department consists of five divisions: the Division of Development Finance, the Division of Credit Assurance, the Division of Finance and Administration, the Division of Neighborhood Revitalization, and the Division of Information Technology.

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

The Administration is in the process of developing a lending program to finance commercial business projects located in the State (the “**Business Lending Program**”). In order to provide an initial contribution of funds to the Business Lending Program, the Administration intends to withdraw excess monies on deposit under the Administration’s single family residential revenue bond resolution (the “**Single Family Resolution**”). Any such funds withdrawn from the Single Family Resolution would be released from the lien and pledge of the Single Family Resolution following the Administration’s compliance with the requirements for the release of funds thereunder. The Administration does not intend to reimburse the Single Family Resolution for such withdrawal.

The Secretary, with the approval of the Governor, appoints the Deputy Secretary and the Director of the Administration, and the Director of the Administration, with the approval of the Secretary, appoints the Deputy Directors of the Administration and the other senior staff members of the Administration. The Act establishes the Housing Finance Review Committee (“**HFRC**”) which has the responsibility to review and to give recommendations to the Secretary regarding loans or categories of loans and the investment and project financing policies of the Administration. HFRC 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 HFRC.

The Division of Credit Assurance, the insuring division of the Department, provides certain asset management, monitoring and workout related services to the Department and its divisions and agencies, including the Administration. MHF is a unit of the Department assigned to the Division of Credit Assurance. Certain additional information about MHF is set forth in **APPENDIX E – “FHA RISK-SHARING PROGRAM – THE MHF Insurance Program.”**

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

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

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

The administration of the Neighborhood Business Works Program (“**NBW**”) has been delegated by the Secretary to the Administration. NBW provides financing to small businesses and non-profit organizations that are located or expanding in communities designated for revitalization by local governments.

The Department has established a Revenue Bond Advisory Board (the “**Board**”). The Board provides independent advice and expertise to the Department with respect to issuance of revenue bonds, including the Bonds. The Board consists of seven members appointed by the Secretary, including the Deputy Secretary (who chairs the Board), one other representative of the Department, two representatives of other executive branch 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 and underwriters.

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

The office of the Administration is located at 7800 Harkins Road, Lanham, Maryland 20706. Inquiries for documents or concerning this Official Statement should be directed to Investor Relations at (301) 429-7897 or cdabonds_mailbox.dhcd@maryland.gov.

FHA Risk-Sharing Program

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

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

The Administration currently is an active participant in the FHA Risk-Sharing Program for new loans financed by bonds. Pursuant to a commitment letter issued by MHF to the Administration in connection with the Series 2017 B Loan, MHF is expected to reimburse the Administration for the Administration's share of any loss incurred under the FHA Risk-Sharing Program.

Principal Executive Officers

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

Kenneth C. Holt was appointed by the Governor on March 11, 2015 as Secretary of the Department. Mr. Holt previously served as Chairman, Chief Financial Officer and Treasurer of Tratify, a software firm based in Baltimore, Maryland that develops patented analytical personality assessment tools used in human resources, career planning and education. From 1985 to 2011, Mr. Holt was employed by Morgan Stanley Smith Barney, in various capacities, including Branch Manager, Senior Portfolio Manager and Senior Vice President. As a member of the Maryland General Assembly from 1995 to 1999, Mr. Holt served on the House Appropriations Committee and on the Subcommittee on Education and Economic Development. He also served on the legislative task force whose recommendations led to the creation of the Maryland Enterprise Investment Fund. He holds a Bachelor of Arts degree from the University of Maryland, College Park.

Anthony (Tony) Reed was appointed Deputy Secretary of the Department with the approval of the Governor effective March 15, 2017. Mr. Reed has over 18 years of experience in federal, state and local government contracting. Mr. Reed is a Certified Project Manager (PMP), an Instructor for the Project Management Institute, and a Master Instructor for the National Institute of Government Procurement. Previously, Mr. Reed served as the Senior Strategic Management Adviser with the Washington Suburban Sanitary Commission, the Assistant Director of Construction in the Office of Contracting and Procurement (District of Columbia) the Regional Administrator of the National Capital Region (the U.S. General Services Administration's largest region), and Assistant Secretary of the Maryland Department of General Services. Mr. Reed received his Bachelors of Science in Criminal Justice from John Jay College of Criminal Justice, and a Masters Degree in Public Administration from New York University.

Matthew J. Heckles was appointed by the Secretary with the approval of the Governor as Assistant Secretary of the Department and Director of the Administration effective September 1, 2016. Mr. Heckles most recently served as the Director of Housing Finance for the Delaware State Housing Authority with oversight of the agency's single family program administration and financing, including management of its housing bond portfolio. Prior to his time in housing finance, Mr. Heckles served for ten years in several other capacities at the Delaware State Housing Authority, with responsibilities focusing on housing policy, new program development, performance evaluation and external relations. He holds a Bachelor of Arts in Economics and International Relations and a Masters of Business Administration from the University of Delaware.

John R. Maneval was appointed Deputy Director, Multi-Family, Single-Family, Energy and Business Lending for the Administration effective September 1, 2016. He previously served as Acting Assistant Secretary responsible for the Division of Development Finance, Acting Director of the Division of Development Finance, and Acting Director of the Administration from June 27, 2016 until his present appointment and as Deputy Director, Multi-Family and Business Lending for the Administration from May 20, 2015 to June 27, 2016. Prior to that, Mr. Maneval served for three years as the Director of Lending for NeighborWorks Capital, a nationally-focused Community Development Finance Institution serving members of the NeighborhoodWorks network. During his tenure at NeighborhoodWorks Capital, Mr. Maneval oversaw the rapid growth of annual lending resulting in the growth of the lending portfolio from \$30 million to over \$80 million. Mr. Maneval previously worked with the Administration from 2001 to 2012 in various capacities and also has experience working in real estate development for a nationally-focused nonprofit organization. Mr. Maneval has a Master of City Planning degree from the University of Pennsylvania, and a Bachelor of City Planning degree from the University of Virginia.

Sergei V. Kuzmenchuk joined the Department as its Chief Financial Officer in June of 2015 after serving as Chief Financial Officer at the District of Columbia Housing Finance Agency (the "DCHFA") since October 2008. Prior to joining the DCHFA, he served as the Department's Deputy Director of Finance for the Administration from August 2000 until January 2006 and Director of Finance for the Administration from

January 2006 until October of 2008. Prior to his work at the Department and the DCHFA, Mr. Kuzmenchuk worked in various financial management and international trade and banking capacities, both domestically and overseas. Mr. Kuzmenchuk earned his Master of Business Administration degree in Accounting in 2002 from the Joseph A. Sellinger, S.J., School of Business and Management, Loyola University, and in 1995 earned a Master of Public Management degree in Public Sector Financial Management from the School of Public Policy, University of Maryland, College Park. In 1993, Mr. Kuzmenchuk received his Bachelor of Arts and Master of Arts degrees in English and French Interpretation from the Minsk State Linguistic University, Minsk, Belarus.

Allen W. Cartwright, Jr. was appointed Director of the Division of Credit Assurance effective April 9, 2015. He joined the staff of the Division of Credit Assurance as the Deputy Director of MHF in March 2006. Mr. Cartwright also serves as Director, Single-Family Operations. Mr. Cartwright previously served as MHF Manager of Finance from 1988 through 1991. Prior to rejoining the Division of Credit Assurance in 2006, Mr. Cartwright was the Chief of Mission Support and then Chief of Customer Care for the Washington Suburban Sanitary Commission from April 2000 through November 2005. Mr. Cartwright also served as the Director of Finance and then the Assistant Secretary of Finance and Administration for the Maryland Department of Natural Resources from 1991 through 2000. He has worked as finance manager for the Federal Home Loan Mortgage Corporation (Freddie Mac), MCI and DuPont. He is a Certified Public Accountant and earned his Bachelor of Science in Commerce from the McIntire School of Commerce at the University of Virginia.

Kristen Keenan Musallam was appointed Deputy Director, Bond Finance, for the Administration effective as of May 25, 2016. Ms. Musallam previously served as Director of Finance for the Administration from April 2015 until May 25, 2016. For the four years prior to her appointment as Director of Finance for the Administration, she served as Deputy Director of Finance for the Administration. Before joining the Administration, Ms. Musallam served as the Director of Growth for KIPP DC, a network of high-performing charter schools serving low-income students, where she managed tax-exempt bond issuances and tax credit financing for the new construction and rehabilitation of school facility projects. Previously, she held the positions of U.S. Equity Research Associate and Institutional Sales Analyst with J.P. Morgan Asset Management. Ms. Musallam holds a Bachelor of Arts degree from Boston College and a Master of Business Administration degree from Harvard Business School.

Michael C. Smith was appointed Director of Finance for the Administration effective June 2016. For the year prior to his appointment as Director, he served as Deputy Director of Finance for the Administration. He also served as Secondary Marketing Manager for the Administration from November 2012 until the Deputy Director appointment. Before joining the Administration, Mr. Smith served as Risk Manager for Ally Financial. He also held various positions at Freddie Mac and Fannie Mae over a 20 year period, the most recent as Execution and Market Analysis Director. Mr. Smith holds a Bachelor of Arts degree from the University of Maryland Baltimore County, and a Masters Degree in Business from the University of Baltimore.

Limited Obligations; Stand-Alone Series

The Series 2017 B Bonds are special limited obligations of the Administration secured by and payable only from the Trust Estate and are issued on a stand-alone basis (a “**Stand-Alone Series**”) and have been designated as Subordinate Contract Obligations under the Resolutions. “**Subordinate Contract Obligations**” is defined under the Bond Resolution to include “**Subordinate Bonds**,” which may be issued on a stand-alone, non-parity basis as provided under “BOND RESOLUTION AND FORM OF THE SERIES RESOLUTION – The Bond Resolution – Authorization of Subordinate Contract Obligations; Conditions Precedent to Delivery.” See “SECURITY AND SOURCES OF PAYMENT – Pledge of Trust Estate” herein.

Administration and MHF Financial Statements

The audited financial statements of the Administration and of MHF as of June 30, 2016 and for the year then ended, available on EMMA, provide certain financial information about the Administration. These financial statements have been cross-referenced solely for purposes of providing a general overview for potential purchasers of the financial status of the Administration given that the Administration will service the Series 2017 B Loan and because of MHF's obligation to reimburse the Administration as described in **APPENDIX E – "FHA RISK-SHARING PROGRAM – The MHF Insurance Program."** The overall financial status of the Administration and MHF does not indicate and will not necessarily affect whether amounts will be available in the Trust Estate to pay principal and interest on Series 2017 B Bonds when due.

TERMS OF THE SERIES 2017 B BONDS

General Terms

Principal Payment; Maturity

The principal and any redemption price of the Series 2017 B Bonds is payable to DTC as long as it is the registered owner of the Series 2017 B Bonds. Principal of the Series 2017 B Bonds is payable in the amounts and on the dates shown on the front cover page of this Official Statement, subject to prior redemption as described in "Prior Redemption" under this caption.

Interest Rate; Payment of Interest

Interest on the Series 2017 B Bonds is payable to DTC as long as it is the registered owner of the Series 2017 B Bonds. The Series 2017 B Bonds will bear interest at the fixed interest rates per annum shown on the front cover page of this Official Statement. Interest on the Series 2017 B Bonds will be payable on the first day of each calendar month, commencing July 1, 2017 (each, an "**Interest Payment Date**"), on any redemption date and at maturity, and will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest shall accrue initially from the dated date to, but excluding, July 1, 2017, and thereafter shall accrue from the first calendar day of each month to, but excluding, the first calendar day of the immediately succeeding month, until payment of the principal of or redemption price on the Series 2017 B Bonds.

Book-Entry System

The Series 2017 B Bonds will be issued as fully registered bonds without coupons. DTC will act as securities depository for the Series 2017 B Bonds. The ownership of one fully registered Bond in the aggregate principal amount of each maturity of the Series 2017 B Bonds will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **APPENDIX D – "BOOK-ENTRY SYSTEM."** **So long as the Series 2017 B Bonds are registered in the DTC book-entry form described in APPENDIX D, each Beneficial Owner of a Series 2017 B Bond should make arrangements with a DTC Direct Participant to receive notices or communications with respect to matters concerning the Series 2017 B Bonds.**

Defeasance and Discharge

The Short Term Bonds shall not be subject to defeasance pursuant to the Resolutions.

The Long Term Bonds may be defeased pursuant to the Resolution on and after March 1, 2029 to the earliest practicable redemption date (after giving effect to the notice requirements of the Resolutions). See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Optional Redemption.”

Authorized Denominations

Purchases of the Series 2017 B Bonds are to be made in denominations of \$1.00 or any integral multiple thereof.

Prior Redemption

Special Redemption from Unexpended Proceeds

The Long Term Bonds are subject to special redemption prior to maturity, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount thereof or portions thereof to be so redeemed, together with accrued interest to the date of redemption, from unexpended proceeds transferred to the Series 2017 B Account of the Redemption Fund from the Series 2017 B Account of the Revenue Fund, upon transfer from the Series 2017 B Account of the Bond Proceeds Fund. See “PLAN OF FINANCE – Disbursements from the Series 2017 B Account of the Bond Proceeds Fund.”

Mandatory Redemption

The Series 2017 B Bonds are subject to mandatory redemption in whole or in part, on any Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of the Series 2017 B Bonds to be redeemed, without premium, in an amount equal to all Series 2017 B Loan prepayments and Recovery Payments related to the principal of the Series 2017 B Loan, including amounts paid pursuant to any applicable Credit Enhancement, received by or on behalf of the Administration on or before the 20th day of the calendar month immediately preceding such Interest Payment Date.

While any Long Term Bonds remain Outstanding, if less than all of the Series 2017 B Bonds are to be redeemed as described in the preceding paragraph, the Series 2017 B Bonds shall be redeemed on a pro rata by maturity basis, or on any other basis determined by the Administration after giving effect to expected Cash Flows in the Trust Estate; provided that Prepayments resulting from the Series 2017 B Borrower’s exercise of its Pre-conversion Prepayment Option (as defined in “PLAN OF FINANCE – The Series 2017 B Loan – Prepayment”) under the Financing Agreement, together with amounts transferred from the Construction Loan Reserve Account to the Series 2017 B Account of the Revenue Fund necessary to redeem the outstanding principal amount of the Short Term Bonds plus accrued interest to the redemption date, shall be used to redeem the Short Term Bonds, subject to satisfaction of the conditions precedent to prepayment of the Series 2017 B Loan in the Series 2017 B Note.

Optional Redemption

The Short Term Bonds. The Short Term Bonds are not subject to redemption at the option of the Administration prior to maturity.

The Long Term Bonds. The Long Term Bonds are subject to redemption at the option of the Administration, from any source other than Recovery Payments and Repayments related to the Series 2017 B Loan, in whole or in part, at any time on or after March 1, 2029, at a redemption price equal to 100% of the principal amount thereof plus the accrued interest thereon to the date of redemption.

Selection of Series 2017 B Bonds of Same Maturity for Partial Redemption

If less than all of the Series 2017 B Bonds of the same maturity are to be redeemed on any date, each of the Series 2017 B Bonds of such maturity then Outstanding shall be redeemed in part, pro rata, in proportion to the Outstanding aggregate principal amount of each such Series 2017 B Bond to the Outstanding aggregate principal amount of all Outstanding Series 2017 B Bonds of such maturity. To effect this pro rata redemption while the Series 2017 B Bonds are held in the DTC book-entry-only system, such mandatory redemption is to be made as a “Pro-Rata Pass-Through Distribution of Principal” by DTC. This redemption procedure, if effected by DTC, will cause a pro rata redemption of Series 2017 B Bonds among DTC Participants upon a redemption, but may not ensure a pro rata redemption of Series 2017 B Bonds among all Beneficial Owners thereof. See **APPENDIX D – “BOOK-ENTRY SYSTEM”** for a general description of the DTC book-entry system.

Notice of Redemption

No notice will be given to any Bondholder or Beneficial Owner of the date or amount of the mandatory redemption of any Series 2017 B Bond.

Other than with respect to Series 2017 B Bonds that are subject to mandatory redemption, when any Series 2017 B Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Administration, not more than 60 days nor less than 30 days prior to the redemption date with respect to the Series 2017 B Bonds, to the registered owner of each Series 2017 B Bond to be redeemed at such Owner’s address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar and to EMMA. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any Series 2017 B Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any Series 2017 B Bonds to be redeemed other than by mandatory redemption, notice of redemption will only be given to DTC or its nominee as the registered owner of such Series 2017 B Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any Series 2017 B Bond to be redeemed shall not affect the validity of the redemption of such Series 2017 B Bond. See APPENDIX D – “BOOK-ENTRY SYSTEM.”

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PLAN OF FINANCE

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the Series 2017 B Bonds.

SOURCES OF FUNDS:	<u>Estimated Amounts</u>
Proceeds of Series 2017 B Bonds ⁽¹⁾	\$12,000,000.00
Other Administration funds ⁽²⁾	<u>192,613.92</u>
TOTAL SOURCES OF FUNDS.....	<u>\$12,192,613.92</u>
USES OF FUNDS:	
Series 2017 B Account of Bond Proceeds Fund ⁽¹⁾	\$11,258,795.31
Series 2017 B Account of Revenue Fund ⁽¹⁾	31,068.96
Series 2017 B Account of Debt Service Reserve Fund ⁽²⁾	192,613.92
Construction Loan Reserve Account ⁽¹⁾	<u>710,135.73</u>
TOTAL USES OF FUNDS.....	<u>\$12,192,613.92</u>

-
- (1) The proceeds of the Series 2017 B Bonds will be deposited as follows: (a) \$11,258,795.31, to the Series 2017 B Account of the Bond Proceeds Fund for the payment of costs of the Series 2017 B Development, (b) \$710,135.73, to the Construction Loan Reserve Account to fund capitalized interest and a portion of the ongoing fee of the Administration, the Trustee's fee, the rebate analyst's fee, and the MHF administrative fee and (c) \$31,068.96, to the Series 2017 B Account of the Revenue Fund. See "PLAN OF FINANCE – Use of Proceeds" and "PLAN OF FINANCE – Construction Loan Reserve Account" below.
- (2) The Administration funds will be transferred from the Debt Service Reserve Fund and deposited to the Series 2017 B Account of the Debt Service Reserve Fund to satisfy the Debt Service Reserve Requirement as of the Delivery Date. See "SECURITY AND SOURCES OF PAYMENT – Series 2017 B Account of the Debt Service Reserve Fund; Credit Enhancement."

Use of Proceeds

Proceeds of the Series 2017 B Bonds will be used to fund the Series 2017 B Loan by the deposit of \$710,135.73 to the Construction Loan Reserve Account, \$31,068.96 to the Revenue Fund, and the remainder of the proceeds to the Series 2017 B Account of the Bond Proceeds Fund. Such proceeds shall be used to finance, in part, the acquisition, construction and equipping of the Series 2017 B Development as described in "Disbursements from Series 2017 B Account of the Bond Proceeds Fund" under this caption. See also "THE SERIES 2017 B DEVELOPMENT."

The Series 2017 B Loan will be considered to be fully originated upon deposit of the proceeds of the Series 2017 B Bonds on the date of issuance of the Series 2017 B Bonds as described in the preceding paragraph.

Disbursements from the Series 2017 B Account of the Bond Proceeds Fund

Except as otherwise provided under this caption, amounts on deposit in the Series 2017 B Accounts of the Bond Proceeds Fund are to be disbursed from time to time by the Trustee, on and after the date on which the promissory note executed by the Series 2017 B Borrower (the "Series 2017 B Note") has been initially endorsed by HUD for Risk-Sharing Insurance (described in "The Series 2017 B Loan" under this

caption), to pay costs of the acquisition, construction and equipping of the Series 2017 B Development that is approved by the Administration pursuant to the terms, conditions and provisions of the Financing Agreement.

No amounts shall be disbursed by the Trustee prior to such initial endorsement by HUD. Following completion of the Series 2017 B Development, the Administration will request final endorsement of the Series 2017 B Note by HUD for Risk-Sharing Insurance. For further information about Risk-Sharing Insurance, see **APPENDIX E** hereto. See also “The Series 2017 B Loan – The Financing Agreement” under this caption.

Any unexpended proceeds of the Series 2017 B Bonds credited to the Series 2017 B Account of the Bond Proceeds Fund that are not used to pay the costs of acquiring, constructing and equipping the Series 2017 B Development shall be transferred by the Trustee, at the direction of the Administration, to the Series 2017 B Account of the Revenue Fund, and subsequently transferred to the 2017 B Account of the Redemption Fund to redeem the Series 2017 B Bonds as described in “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Special Redemption from Unexpended Proceeds.”

Construction Loan Reserve Account

Except as provided in the following paragraph, moneys in the Construction Loan Reserve Account shall be used only to pay the following costs: (i) to the extent provided in the Financing Agreement with respect to payment of interest on the Series 2017 B Loan, interest on the Series 2017 B Bonds by transfer to the Series 2017 B Account of the Revenue Fund on each Interest Payment Date, (ii) an Administration fee equal to 0.25% of the aggregate principal amount of the Series 2017 B Bonds, (iii) the Trustee’s fee, (iv) the rebate analyst’s fee, and (v) the MHF administrative fee. Such interest on the Series 2017 B Bonds and fees shall be payable from the Construction Loan Reserve Account from the date of issuance of the Series 2017 B Bonds to, but not including, July 1, 2019 (subject to prior redemption of the Short Term Bonds as described under “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption”) with regard to the Short Term Amount and from the date of issuance of the Series 2017 B Bonds through the end of the construction period with regard to the Long Term Amount.

In connection with the exercise by the Series 2017 B Borrower of its Pre-conversion Prepayment Option, at the direction of the Administration, the Trustee will transfer amounts on deposit in the Construction Loan Reserve Account to the Series 2017 B Account of the Revenue Fund equal to the interest necessary to effect a corresponding redemption of the Short Term Bonds as described under “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.” After such Short Term Bonds are redeemed prior to maturity pursuant to the mandatory redemption provisions described in “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption,” an amount in the Construction Loan Reserve Account equal to (a) the interest that would have been payable on such Short Term Bonds being redeemed for the period from the redemption date to their maturity date and (b) the portion of the amount therein that will not be needed to pay costs described in clauses (ii), (iii), (iv) and (v) of the preceding paragraph as a result of such redemption, shall be returned to the Series 2017 B Borrower.

The Series 2017 B Loan

Generally

Proceeds of the Series 2017 B Bonds are expected to be used by the Administration to fund the Series 2017 B Loan to the Series 2017 B Borrower. The Series 2017 B Borrower plans to use the proceeds of the Series 2017 B Loan deposited to the Series 2017 B Account of the Bond Proceeds Fund, together

with certain other moneys available to the Series 2017 B Borrower, to finance the costs of acquiring, constructing and equipping the Series 2017 B Development as described in further detail in “THE SERIES 2017 B DEVELOPMENT.” The Series 2017 B Loan proceeds deposited to the Series 2017 B Account of the Bond Proceeds Fund are to be disbursed as described in “PLAN OF FINANCE—Disbursements from the Series 2017 B Account of the Bond Proceeds Fund.” The Series 2017 B Loan will be secured by a leasehold deed of trust delivered by the Series 2017 B Borrower in favor of the Administration (the “**Deed of Trust**”), encumbering the Series 2017 B Development. See **APPENDIX A** for a description of certain characteristics of the Series 2017 B Loan.

The Financing Agreement

The Financing Agreement provides for the terms under which the Administration will provide the Series 2017 B Loan to the Series 2017 B Borrower. The Series 2017 B Loan will be originated in full on the date of issuance of the Series 2017 B Bonds. However, no amounts may be disbursed from the Series 2017 B Account as an advance under a particular Series 2017 B Loan until after HUD has initially endorsed the related Series 2017 B Note for Risk-Sharing Insurance. The Financing Agreement requires that, at all times, the Series 2017 B Loan must remain subject to Risk-Sharing Insurance.

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Terms of the Series 2017 B Loan

In accordance with the Financing Agreement for the Series 2017 B Loan, the Series 2017 B Loan will be in the amounts and will be subject to the terms, among others, as follows:

<u>Loan</u>	<u>Long Term Amount</u>	<u>Long Term Interest Rate¹</u>	<u>Short Term Amount</u>	<u>Short Term Interest Rate¹</u>	<u>Optional Prepayment Date (Short Term/ Long Term)</u>	<u>First Principal Payment Date</u>	<u>Permanent Mortgage Loan Term (Years)</u>
Series 2017 B Loan	\$6,265,000	4.23%	\$5,735,000	1.88% ²	2/1/19/ 2/1/29	3/1/19	40

¹ Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

² Payments of interest on the Long Term Amount during the construction period and payments of the entire amount of interest on the Short Term Amount will be made from amounts deposited to the Construction Loan Reserve Account.

The Series 2017 B Note will provide for a late charge of five percent (5%) of any monthly payment due that is not made by the Series 2017 B Borrower within ten (10) days after the due date of such monthly payment.

Prepayment

With respect to the Short Term Amount, the Series 2017 B Borrower shall have the option under the Series 2017 B Note (the “**Pre-conversion Prepayment Option**”), on and after the optional prepayment date with respect to the Short Term Amount in the table above under “PLAN OF FINANCE – The Series 2017 B Loan” and subject to certain conditions set forth in the Financing Agreement, to prepay the Series 2017 B Loan in an amount not to exceed the principal amount of the Short Term Bonds. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.” Under the Financing Agreement, the Series 2017 B Borrower and the Administration will agree that the Long Term Amount may not be prepaid in whole or in part at the option of the Series 2017 B Borrower at any time prior to the optional prepayment date with respect to the Long Term Amount in the table above under “PLAN OF FINANCE – The Series 2017 B Loan.” See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Optional Redemption – The Short Term Bonds.”

Security for the Series 2017 B Loan

The Series 2017 B Loan will be secured by (i) the Deed of Trust and (ii) the Risk-Sharing Insurance. Amounts will only be disbursed from the Series 2017 B Account of the Bond Proceeds Fund in accordance with the disbursement process described in “PLAN OF FINANCE – Disbursements from the Series 2017 B Account of the Bond Proceeds Fund,” following initial endorsement of the Series 2017 B Note by HUD for Risk-Sharing Insurance.

Upon completion of the construction of the Series 2017 B Development and satisfaction of HUD requirements, the Administration will request final endorsement of the Series 2017 B Note by HUD for Risk-Sharing Insurance. See **APPENDIX E** for a discussion of the FHA Risk-Sharing Program. If such final endorsement of the Series 2017 B Note by HUD has not occurred within six months of completion of construction of the Series 2017 B Development, there shall be an event of default under the Financing Agreement. Upon an event of default under a Financing Agreement, the related Series 2017 B Loan shall be subject to acceleration, and the Administration will file a claim with HUD under the Risk-Sharing Insurance and will also have the right to exercise any other remedy under the Financing Agreement. See

“TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption” and “CERTAIN BONDHOLDERS’ RISKS – Loan Insurance Redemption Considerations.”

Servicing by the Administration

The Administration will service the Series 2017 B Loan, handling the receipt and disbursement of funds related to the Series 2017 B Loan. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Administration will oversee compliance by the Series 2017 B Borrower with requirements of the Series 2017 B Loan, including occupancy and rental restrictions with respect to the Series 2017 B Loan and the Series 2017 B Development, and will review the financial status of the Series 2017 B Development. The Administration similarly oversees and will oversee compliance for the other Loans outstanding under the Bond Resolution. The Administration believes that, through its in-house servicing operations, the Administration is servicing the Loans in accordance with servicing practices or standards as required to maintain any applicable insurance with respect to such Loans. For more information concerning the Administration, see “THE COMMUNITY DEVELOPMENT ADMINISTRATION.”

Modification of Loan Terms

In the Bond Resolution, the Administration may, in its discretion, modify, amend or alter any security for, or any terms or provisions, of any Loan, provided that, if such modification, amendment or alteration is material, the Administration has filed with the Trustee a Cash Flow Certificate. The Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification. See **APPENDIX B** “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – The Bond Resolution -- Particular Covenants -- Covenants with Respect to Loans; Acquired Developments.”

Notwithstanding the foregoing, in the Series Resolution, the Administration will covenant not to modify, amend or alter any security for, or any terms or provisions of, the Series 2017 B Loan in any manner that is materially adverse to the interests of the Bondholders, as determined in good faith by the Administration. See **APPENDIX B** “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – Form of Series Resolution – Additional Covenants – Amendment of Series 2017 B Loan.”

“Due on Sale” Provisions

The Series 2017 B Loan does not contain a “due on sale” clause restricting sale or transfer of the Series 2017 B Development.

Assumability

The Series 2017 B Loan may be assumed, subject to HUD review and approval, upon the sale of the Series 2017 B Development.

First Lien Mortgage Loan

The Series 2017 B Loan is a multifamily, fixed rate mortgage loan secured by a first lien on the Series 2017 B Borrower’s leasehold estate in the Series 2017 B Development.



Each of the 75 rental units will contain a range/oven, refrigerator, garbage disposal, dishwasher, microwave, washer/dryer hook-ups, ceiling fans, walk-in closet and a patio/balcony. The Series 2017 B Development will be located on the VAMC in Perryville and the tenants will have access to onsite services and mental health and medical services at the VAMC. Public transportation to and from the Series 2017 B Development to the center of Perryville will be available. The Perryville MARC train station is less than a twenty minute walk or five minute drive from the Series 2017 B Development. Broad Street, also a five minute drive from the Series 2017 B Development, has churches, restaurants, a post office and community centers. Pulaski Highway, a ten minute drive from the Series 2017 B Development, has a grocery store, banks, and restaurants. Pursuant to a Memorandum of Understanding between the Series 2017 B Developer (as hereinafter defined), the VA Maryland Health Care System, the Department, Cecil County, Maryland and the Town of Perryville, Maryland (the “**Town**”), the VA and the Town will provide water, sewer, police and emergency services for the Series 2007 B Development. The Series 2017 B Development also offers peaceful surroundings overlooking the Susquehanna River and the mouth of Chesapeake Bay

Due to the inherent uncertainty of future events and conditions, no assurance can be given that the revenues generated by the Series 2017 B Development will be sufficient to pay the operating expenses of the Series 2017 B Development and the amounts due under the Series 2017 B Loan and the Series 2017 B Bonds. The ability of the Series 2017 B Borrower to generate sufficient revenues will be affected by a variety of factors, including, but not limited to, the maintenance of a sufficient level of occupancy, the ability to achieve rent to cover debt service and operating expenses, the level of operating expenses, management, adverse changes in applicable laws and regulations, general economic conditions and other factors in the surrounding market area for the Series 2017 B Development. Adverse changes may occur from time to time with respect to any of the preceding factors or other factors or events which may have a negative impact on the occupancy level or rental income of the Series 2017 B Development. A default by the Series 2017 B Borrower under the Financing Agreement may result in the redemption of all or a portion of the Series 2017 B Bonds. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.”

The Series 2017 B Borrower and the Series 2017 B Developer

The Series 2017 B Borrower was formed for the specific purpose of acquiring, constructing, rehabilitating and operating the Series 2017 B Development. As such, the Series 2017 B Borrower has no

historical earnings and no assets other than its interest in the Series 2017 B Development. Accordingly, it is expected that the Series 2017 B Borrower will not have any source of funds to make payments on the Series 2017 B Loan, other than revenues generated by the Series 2017 B Development.

The managing member of the Series 2017 B Borrower is HELP Perry Point MM LLC, a Maryland limited liability company (the “**Managing Member**”). The Managing Member is solely owned by H.E.L.P. Development Corp. (the “**Series 2017 B Developer**”), a New York non-profit corporation and IRS 501(c)(3) entity which was formed in 1996 and since that time acquired and developed over 1,200 low income housing tax credit (“**LIHTC**”) units throughout the United States. The Series 2017 B Developer is an affiliate of H.E.L.P. Property Management Company, Inc. which focuses solely on property management and will serve as the property manager of the Series 2017 B Development. See “Property Management” under this caption.

Unit Mix

The unit mix and maximum income level for tenants of the type of units of the Series 2017 B Development are as follows:

<u>Unit Type</u>	<u>Size (s.f.)</u>	<u># of Units</u>	<u>AMI</u>
1 Bedroom	664	8	30%
1 Bedroom	664	58	50%
2 Bedroom	756	8	50%
3 Bedroom	1169	1	50%
Total		75	

Financing Sources and Uses

The table below represents the financing sources and uses for the acquisition, construction and equipping of the Series 2017 B Development:

Sources and Uses Schedule

Sources of Funds

Bond Proceeds (Long Term)	\$6,265,000
Bond Proceeds (Short Term)	5,735,000
CDA State/Subordinate Loans	6,950,000
LIHTC and Solar Tax Credit Equity	6,471,704
H.E.L.P. Capital Contribution	560,100
H.E.L.P. Development Corp. Loan	2,873,137
Deferred Developer Fee	204,207
Total Sources of Funds	<u><u>\$29,059,148</u></u>

Uses of Funds

Payment on maturity (Short Term Bonds)	\$5,735,000
Construction/Rehabilitation Costs	17,105,976
Construction/Rehabilitation Fees	2,048,293
Financing Fees and Charges	1,635,461
Syndication Related Costs	135,418
Developer's Fee	2,000,000
Guarantees and Reserves	399,000
Total Uses of Funds	<u>\$29,059,148</u>

Source: Series 2017 B Borrower.

Low Income Housing Tax Credits; Solar Tax Credits

Simultaneously with the issuance of the Series 2017 B Bonds, the Series 2017 B Borrower expects to admit NEF Assignment Corporation, an Illinois non-profit corporation, as nominee (the “**Limited Partner**”), as the limited partner with a 99.99% limited partnership interest in the Series 2017 B Borrower. The Limited Partner will receive an allocation of LIHTCs, federal solar energy tax credits and other tax and non-tax benefits in connection with its investment in the Series 2017 B Borrower. The Limited Partner is expected to fund approximately \$6,471,704 of equity in the form of capital contributions in the Series 2017 B Borrower. The funding levels and the timing of funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above.

The Series 2017 B Borrower expects to use the equity in order to pay, among other things, the amounts due on the Series 2017 B Loan related to the amounts due at maturity on the Short Term Bonds. However, even if sufficient equity is not obtained, the Series 2017 B Borrower is obligated to make payments when due on the Series 2017 B Loan. If the Series 2017 B Borrower does not make such required payments, there would be a default under the Financing Agreement. Upon an event of default under the Financing Agreement, the Series 2017 B Loan shall be subject to acceleration, and the Resolutions provide that the Administration shall file a claim with HUD under the Risk-Sharing Insurance and will also have the right to exercise any other remedy under the Financing Agreement. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption,” “CERTAIN BONDHOLDERS’ RISKS – Loan Insurance Redemption Considerations” and “– LIHTC Risks.”

The Series 2017 B Contractor

The general contractor for the Series 2017 B Development is expected to be Harkins Builders, Inc., a Maryland corporation (the “**Series 2017 B Contractor**”). According to the Series 2017 B Contractor, it was formed in 1965 and provides pre-construction and construction services in the Maryland and mid-Atlantic market with an emphasis on multi-family housing. The Series 2017 B Contractor has constructed or renovated over 14,200 LIHTC units, including 165 LIHTC developments with approximately 8,000 LIHTC units in Maryland.

Property Management

H.E.L.P. Property Management Company, Inc., a property management company and related entity to the Series 2017 B Developer, will provide property management for the Series 2017 B Development following completion of the construction and rehabilitation. H.E.L.P. Property Management Company,

Inc. currently manages 17 affordable housing properties around the United States, with over 1,145 units, 952 of which are LIHTC units. Eight of these properties are project-based Section 8 subsidized.

Income, Rent and Use Restrictions

The Series 2017 B Borrower will be restricted by several agreements that limit the income of, and rents that may be charged to, tenants of the Series 2017 B Development. Restrictions contained in the Declaration of Restrictive Covenants and the Low Income Housing Tax Credit Covenant, each between the Administration and the Series 2017 B Borrower, to be executed on or before the date of issuance of the Series 2017 B Bonds, are expected to require the Series 2017 B Borrower to rent 100% of the residential units in the Series 2017 B Development to tenants whose annual household income does not exceed 60% of the AMI, adjusted for family size, and to charge rents which do not exceed 30% of the tenant's imputed income.

Section 42 Compliance Period

Under Section 42 of the Tax Code, the Series 2017 B Development will also be subject to rent and income restrictions for 40 years after (i) the "placed in service" date, or (ii) the year following the "placed in service" date, at the owner's election. See "Income, Rent and Use Restrictions" under this caption.

Section 8 Veterans Affairs Supportive Housing Program

HUD and the VA award Veterans Affairs Supportive Housing ("VASH") vouchers based on geographic need and public housing agency administrative performance. The VASH program, in partnership with the VAMC, assists homeless veterans by combining Housing Choice Voucher ("HCV") rental assistance with case management services. The VASH program is administered in accordance with general HCV program requirements. In addition, the 2008 Appropriations Act allows HUD to waive or specify alternative requirements for any provisions or regulation affecting the HCV program in order to effectively deliver and administered VASH rental assistance. The Department has been awarded funding for 143 VASH vouchers. Upon completion of construction and rehabilitation of the Series 2017 B Development and after being inspected to ensure it meets HUD's housing quality standards, HUD, through the Department, will provide 75 VASH project-based Section 8 housing vouchers to be used for all of the units restricted to tenants whose annual household income does not exceed 50% AMI, adjusted for family size. If the VASH vouchers are not renewed through no fault of the Series 2017 B Borrower, the income limits of all tenants may be increased to 60% AMI.

Environmental Review

Both the VA and the Administration (in conjunction with HUD) have completed their environmental assessments for the Series 2017 B Development pursuant to applicable National Environmental Policy Act ("NEPA") requirements. The Administration completed its initial environmental review and issued a Finding of No Significant Impact ("FONSI") on February 15, 2017 and published a notice of intent to request release of funds on February 15, 2017 which required a 30-day public comment period. Upon expiration of that 30-day public comment period, the Administration submitted a request for release of funds to HUD. On April 12, 2017, HUD approved the Administration's request for release of funds. The VA published a Notice of Availability ("NOA") for a 30-day public comment period in late March, 2017 and issued a FONSI on April 27, 2017. No further notices or waiting periods are required by the VA.

SECURITY AND SOURCES OF PAYMENT

Pledge of Trust Estate

The Series 2017 B Bonds are being issued as a Stand-Alone Series. See “THE COMMUNITY DEVELOPMENT ADMINISTRATION – Limited Obligations; Stand-Alone Series” herein. Pursuant to the Bond Resolution, the payment of a Stand-Alone Series, including the principal or redemption price of and interest on, and the purchase price of, each Bond in a Stand-Alone Series, may be secured by the pledge of funds and accounts under the Bond Resolution, subordinate, however, to the pledge securing Parity Obligations, and upon such terms and conditions set forth in the Series Resolution authorizing such Subordinate Contract Obligations. **The Series 2017 B Bonds are being issued as a Stand-Alone Series and are not secured by the pledge of funds and accounts under the Bond Resolution securing Parity Obligations, as permitted under the Bond Resolution and pursuant to the Series Resolution, and the Series 2017 B Bonds will be secured solely by the proceeds and Revenues pledged as security therefor under the Series Resolution and not by any other moneys, funds or accounts held under the Bond Resolution; the Series 2017 B Bond proceeds and Revenues will not constitute security for or a source of payment of any other Series of Bonds (or Subseries thereof) or other obligations outstanding or hereafter issued under or entered into in accordance with the Bond Resolution.** See APPENDIX B, “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – The Bond Resolution – Authorization of Subordinate Contract Obligations; Conditions Precedent to Delivery.” See also “PLAN OF FINANCE – Sources and Uses of Funds.”

Pursuant to the Bond Resolution, the Administration may establish one or more stand-alone, non-parity accounts or subaccounts within any fund created under the Bond Resolution for the following purposes: (a) deposit, investment and custody of: (i) all or any portion of the proceeds of any Subordinate Contract Obligations, (ii) all or any portion of any Revenues from any Loan financed with the proceeds of Subordinate Contract Obligations, (iii) any other moneys received with respect to such Loan, and (iv) any Revenues pledged to payment of such Subordinate Contract Obligations (subject to any prior claims as provided in the applicable series resolution); and (b) payment of such Subordinate Contract Obligations. The Series 2017 B Bonds will be secured by and payable from the following accounts created and established pursuant to the Bond Resolution:

- (a) the Series 2017 B Account of the Bond Proceeds Fund;
- (b) the Series 2017 B Account of the Revenue Fund;
- (c) the Series 2017 B Account of the Debt Service Reserve Fund;
- (d) the Series 2017 B Account of the Redemption Fund; and
- (e) the Construction Loan Reserve Account.

Amounts deposited to the foregoing funds and accounts constitute the Trust Estate. See “– Revenues” and “– Debt Service Reserve Fund; Credit Enhancement” under this caption.

The Series 2017 B Bonds are special obligations of the Administration payable solely from the Revenues and property of the Administration pledged therefor under the Resolutions.

The Administration has no taxing power. The Series 2017 B Bonds do not constitute a debt of the State, any political subdivision thereof, the Administration or the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department. In addition, payment of principal of, and interest and redemption premium, if any, on the Series 2017 B Bonds is not guaranteed by the State, the Department, the Administration, FHA or any other party.

Revenues

Pursuant to the Series Resolution, the Trustee shall promptly deposit in the Series 2017 B Account of the Revenue Fund all Revenues and Recovery Payments with respect to the Series 2017 B Loan received on and after the date of issuance of the Series 2017 B Bonds. Recovery Payments are defined in the Bond Resolution as any money representing principal of the Series 2017 B Loan and any premium or penalty with respect thereto received or recovered by the Administration, in excess of any expenses necessarily incurred by the Administration in collection thereof, from (i) the sale or other disposition of the Series 2017 B Development, (ii) Prepayments, (iii) condemnation of the Series 2017 B Development or part thereof, to the extent not needed to improve or repair the Series 2017 B Development, (iv) other proceedings taken in the event of default by the Series 2017 B Borrower, (v) the sale or other disposition of the Series 2017 B Loan and mortgage in default for the purpose of realizing on the mortgagee's interest therein, (vi) to the extent not needed to improve or repair the Series 2017 B Development, hazard insurance, or (vii) the payment of principal of the Series 2017 B Loan by a Credit Enhancer as a result of any of the events described in the preceding clauses (ii) through (vi) with respect to the Series 2017 B Loan subject to Credit Enhancement. Prepayments are defined in the Bond Resolution as any money received from a payment of principal on the Series 2017 B Loan in excess of the scheduled payments of principal then due or from the sale, assignment or other disposition of the Series 2017 B Loan. As provided in the Series Resolution, only the Revenues and Recovery Payments with respect to the Series 2017 B Loan are pledged to the holders of the Series 2017 B Bonds. See "SECURITY AND SOURCES OF PAYMENT – Pledge of Trust Estate" above.

Pursuant to the Series Resolution, on each Interest Payment Date, the Trustee shall (i) apply amounts received as interest on the Series 2017 B Loan on or before the 20th day of the calendar month immediately preceding such Interest Payment Date in the Series 2017 B Account of the Revenue Fund to the payment of interest on the Series 2017 B Bonds (except to the extent that the Trustee is directed to apply amounts on deposit in the Construction Loan Reserve Account to the payment of interest on the Series 2017 B Bonds as described in "PLAN OF FINANCE – Construction Loan Reserve Account" to pay interest on the Series 2017 B Bonds on any Interest Payment Date), and (ii) amounts received as principal of Repayments and Recovery Payments on or before the 20th day of the calendar month immediately preceding such Interest Payment Date in the Series 2017 B Account of the Revenue Fund to the Series 2017 B Account of the Redemption Fund to be applied to the payment of principal of the Series 2017 B Bonds upon the redemption thereof as described in "TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption" and "– Optional Redemption," and to pay the principal of the Series 2017 B Bonds upon the maturity thereof.

After such transfers described in the preceding paragraph, on each Interest Payment Date, the Trustee shall transfer remaining amounts received as interest on the Series 2017 B Loan in the order as follows: (a) to make payments required by the Bond Resolution to replenish amounts in the Debt Service Reserve Fund necessary to satisfy the Debt Service Reserve Requirement for the Series 2017 B Bonds, (b) to pay fees and expenses of the Trustee, if any, with respect to the Series 2017 B Bonds, (c) to pay fees and expenses of the Administration, if any, with respect to the Series 2017 B Bonds, (d) to pay the rebate analyst's fee, and (e) to pay the MHF administrative fee, except to the extent that such payments are made from amounts in the Construction Loan Reserve Account as described in "PLAN OF FINANCE Construction Loan Reserve Account." After such transfers, remaining amounts received as interest on the Series 2017 B Loan on or before the 20th day of the calendar month shall be paid to the Administration; provided, however, that (i) the amount remaining in the Series 2017 B Account of the Revenue Fund remaining after payment of such amount to the Administration shall be not less than one-month's interest on the Series 2017 B Bonds Outstanding on the date of such payment, (ii) such amounts so paid to the Administration shall be subject to reduction at the option of the Administration, and (iii) such amounts so paid to the Administration shall for all purposes of the Series Resolution be paid to the Administration

either (i) in an amount equal to any Operating Expenses, to the extent unpaid as provided in subclause (f)(v) under “FORM OF RESOLUTIONS – The Bond Resolution – Revenue Fund” are satisfied, or (ii) free and clear of the lien of the Bond Resolution provided the requirements of the last paragraph of subclause (f) under “FORM OF RESOLUTIONS – The Bond Resolution – Revenue Fund” are satisfied. Upon the final payment or defeasance of the Series 2017 B Bonds, any remaining balances in the Series 2017 B Account of the Revenue Fund shall be transferred to the Administration, free and clear of the lien and pledge of the Resolutions. See **APPENDIX B – “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – The Bond Resolution – Revenue Fund.”**

Debt Service Reserve Fund; Credit Enhancement

As part of the Trust Estate, the Series 2017 B Bonds are secured by the Series 2017 B Account of the Debt Service Reserve Fund established under the Series Resolution. The Debt Service Reserve Requirement for the Series 2017 B Bonds will initially be satisfied as described in “PLAN OF FINANCE – Sources and Uses of Funds” and is an amount equal to one-half of the maximum principal and interest payment due in any calendar year on the Long Term Bonds, plus one additional month of the maximum amount of interest due in any calendar year on the Series 2017 B Loan, based on the receipt of Repayments on the Series 2017 B Loan. Under the Bond Resolution, the Debt Service Reserve Requirement may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction and confirmation from the Rating Agency that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. Upon such reduction in the Debt Service Reserve Requirement, any moneys in the Series 2017 B Account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Series 2017 B Account of the Debt Service Reserve Fund and credited by the Trustee to any other fund. Upon the final payment or defeasance of the Series 2017 B Bonds, any remaining balances in the Series 2017 B Account of the Debt Service Reserve Fund shall be transferred to the Administration, free and clear of the lien and pledge of the Resolutions. See **APPENDIX B – “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – The Bond Resolution – Definitions and Determinations – Definitions – ‘Debt Service Reserve Requirement.’”**

If moneys in the Series 2017 B Account of the Revenue Fund are insufficient to provide for the payment when due of any principal of or interest on the Series 2017 B Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Series 2017 B Account of the Revenue Fund the amount of the deficiency then remaining. The Trustee shall notify the Administration in writing prior to any such withdrawal from the Debt Service Reserve Fund.

Any balance in the Series 2017 B Account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, may, at the direction of the Administration by an Authorized Officer, be withdrawn from the Debt Service Reserve Fund and credited by the Trustee to any other fund.

At any time while the Series 2017 B Bonds are outstanding, the Debt Service Reserve Requirement for the Series 2017 B Bonds may be satisfied in whole or in part by the available amount under any Credit Enhancement providing for advances of, or other direct or indirect source of funds for, the timely payment of Repayments relating to the Series 2017 B Bonds, as shall be designated pursuant to a supplement to the Series Resolution, upon receipt of a Confirmation from the Rating Agency that funding the Debt Service Reserve Requirement in whole or in part with such Credit Enhancement will not, in and of itself, impair or cause the Series 2017 B Bonds to fail to retain, the then existing rating assigned to the Series 2017 B Bonds by the Rating Agency. **There will be no Credit Enhancement delivered to satisfy the Debt Service Reserve Requirement for the Series 2017 B Bonds at the time of issuance.**

For further information with respect to the Debt Service Reserve Fund, see **APPENDIX B – “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – The Bond Resolution – Debt Service Reserve Fund.”**

Additional Bonds

Although additional bonds have been and may be issued under the Bond Resolution by issuance of a separate series resolution, any such additional bonds and any other obligations heretofore or hereafter issued under such other series resolution are or will be secured as provided in such other series resolution separate and apart from the Series 2017 B Bonds. See **APPENDIX B – “BOND RESOLUTION AND FORM OF SERIES RESOLUTION – The Bond Resolution – Authorization of Subordinate Contract Obligations; Conditions Precedent to Delivery.”**

Weighted Average Life of the Long Term Bonds

Yield, Maturity and Prepayment Considerations. Except where indicated otherwise, references under this subheading to the Series 2017 B Loan relate to the Long Term Amount.

Prepayments of the Long Term Amount of the Series 2017 B Loan will affect the weighted average life of and the yield realized by investors of the Long Term Bonds.

- The principal portion of the Repayment for the Series 2017 B Loan may be in the form of scheduled or unscheduled amortization. The portion of the Series 2017 B Loan consisting of the Long Term Amount will amortize in level monthly payments.
- The terms of the Series 2017 B Loan will provide that, following the lock-out period, the Series 2017 B Loan will be subject to prepayment at the option of the Series 2017 B Borrower at par, without premium or penalty, with the prior consent of the Administration. Furthermore, the Administration may permit the Series 2017 B Loan to be refinanced or prepaid (without regard to any lock-out period).
- In addition, in the event of a default, HUD may permit a mortgage loan insured under the FHA Risk-Sharing Program such as the Series 2017 B Loan to be refinanced or prepaid without regard to any lock-out, consent right, statutory prepayment prohibition or prepayment penalty provisions.
- The condemnation of, or occurrence of a casualty loss on, the mortgaged property securing the Series 2017 B Loan or the acceleration of payments due under the Series 2017 B Loan by reason of default may also result in a prepayment at any time.

No representation is made as to the expected weighted average life of the Series 2017 B Bonds or the percentage of the original unpaid principal balance of the Series 2017 B Loan that will be paid to Bondholders at any particular time. A number of factors may influence prepayment behavior.

- While some prepayments occur randomly, the payment behavior of the Series 2017 B Loan may be influenced by a variety of economic, tax, geographic, demographic, legal and other factors.
- These factors may include the age, geography and payment terms of the Series 2017 B Loan; remaining depreciable life of the underlying property; characteristics of at the Series 2017 B Borrower; amount of the Series 2017 B Borrower’s equity; the availability of mortgage

financing; in a fluctuating interest rate environment, the difference between the interest rates on the Series 2017 B Loan and prevailing mortgage interest rates; the extent to which the Series 2017 B Loan is assumed or refinanced or the Series 2017 B Development is sold or conveyed; changes in local industry and population as they affect vacancy rates; population migration; and the attractiveness of other investment alternatives.

- These factors may also include the application of (or override by HUD of) lock-out periods, prepayment consent rights or statutory prepayment prohibition periods. For a more detailed description of the prepayment provision of the Series 2017 B Loan, see “PLAN OF FINANCE – The Series 2017 B Loan.”

No representation is made by the Administration or the Underwriter or their respective counsel concerning the particular effect that any of these or other factors may have on the prepayment behavior of the Series 2017 B Loan. The relative contribution of these or other factors may vary over time.

Forward-Looking Average Life Calculations

The “**Weighted Average Life**” of a bond refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal of that bond will be repaid to the investor. As a result, any projection of the Weighted Average Life of and yield on any Series 2017 B Bond must include an assumption about the anticipated timing and amount of payments on such Series 2017 B Bond, which will depend upon the rate of prepayments of the Series 2017 B Loan, including optional Series 2017 B Borrower Prepayments and Recovery Payments resulting from liquidation of the Series 2017 B Loan due to default. In general, Prepayments of principal and defaults on the Series 2017 B Loan will shorten the Weighted Average Life and term to maturity of the Series 2017 B Bond. Accordingly, no assurance can be given as to the Weighted Average Life of any Series 2017 B Bond.

The Weighted Average Life of the Series 2017 B Bonds is calculated as described in “Weighted Average Life” under this caption.

Prepayment Assumption Models

No representation is made about the anticipated rate of Prepayments or foreclosure on the Series 2017 B Loan or about the anticipated yield to maturity of the Long Term Bonds. Prospective purchasers of the Long Term Bonds are urged to base their decisions whether to purchase the Long Term Bonds upon a comparison of desired yield to maturity with the yield to maturity that would result based on the price that the purchaser pays for the Series 2017 B Bonds and upon the purchaser’s own determinations about anticipated rates of Prepayments with respect to the Series 2017 B Loan.

In addition, following any default under the Series 2017 B Loan, the principal balance of the Series 2017 B Loan will be paid from the proceeds received under the FHA Risk-Sharing Program.

- As a result, defaults experienced on the Series 2017 B Loan will accelerate the payment of principal of the Long Term Bonds.
- The Long Term Bonds are subject to special and optional redemption as described herein under “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption.”

The maturity date of Series 2017 B Bonds is the latest date on which the principal balance will be reduced to zero. The actual retirement of Long Term Bonds may occur earlier than the maturity date.

Modeling Assumptions

Unless otherwise indicated, the table that follows has been prepared on the basis of the characteristics of the Series 2017 B Loan and the following assumptions (the “**Modeling Assumptions**”), among others:

1. The Series 2017 B Loan has the characteristics described in “PLAN OF FINANCE – The Series 2017 B Loan.”
2. The portion of the Series 2017 B Loan constituting the Long Term Amount may begin to prepay on and after February 1, 2029.
3. The origination date of the Series 2017 B Loan is the date of issuance of the Series 2017 B Bonds.
4. Repayments and Prepayments with respect to the Series 2017 B Loan are always received on the first (1st) day of the month, whether or not a Business Day, commencing on June 1, 2017.
5. Payments on the Long Term Bonds occur on the first (1st) day of the month, whether or not a Business Day, commencing on July 1, 2017.
6. The date of issuance of the Series 2017 B Bonds is May 10, 2017.

When reading the table and the related text, prospective purchasers of the Long Term Bonds should bear in mind that the Modeling Assumptions, like any other stated assumptions, are unlikely to be entirely consistent with actual experience. For example, many payment dates will occur on the first Business Day after the first (1st) of the month.

Weighted Average Life

The table below indicates the Weighted Average Life of the Long Term Bonds, based on the assumption that the Series 2017 B Loan prepays upon the respective indicated individual scenarios.

It is unlikely that the Series 2017 B Loan will prepay on any of the specific scenarios identified in the table, and the timing of changes in the rate of prepayments actually experienced on the Series 2017 B Loan is unlikely to follow any of the scenarios identified in the table below.

The Weighted Average Life of the Long Term Bonds set forth in the table below has been calculated by Jefferies LLC by:

- (a) multiplying the net reduction, if any, of the principal balance from one Interest Payment Date to the next Interest Payment Date by the number of years from the date of issuance thereof to the related Interest Payment Date,
- (b) summing the results, and
- (c) dividing the sum by the aggregate amount of the assumed net reductions in principal balance referred to in clause (a).

The Weighted Average Life is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on the Series 2017 B Loan and the

Modeling Assumptions. No representation is made by the Administration or Jefferies LLC or their respective counsel concerning the actual Weighted Average Life of the Long Term Bonds and how it will compare to the Weighted Average Life for the scenarios set forth in the table below.

<u>Scenario</u>	<u>Corresponding Bond Date</u>	<u>Resulting Weighted Average Life of the Long Term Bonds</u>
1. Bonds Redeemed upon 10 year Optional Call Date	3/1/2029	11.26
2. Loan Prepays upon anticipated loan lockout expiration	3/1/2029	11.26
3. Bonds Redeemed 2 years after 10 year Optional Call Date	3/1/2031	12.99
4. Loan Prepays upon anticipated Section 42 Compliance expiration	8/1/2033	14.59
5. Loan Prepays 2 years after anticipated Section 42 Compliance expiration	8/1/2035	16.20
6. Loan Prepays upon year 30	7/1/2047	24.20
7. Loan fully amortizes through Final Maturity	3/1/2059	27.22

CERTAIN BONDHOLDERS' RISKS

Limited Security

The Series 2017 B Bonds are special obligations of the Administration payable solely from the Trust Estate. See "SECURITY AND SOURCES OF PAYMENT – Pledge of Trust Estate." There is no assurance that the Series 2017 B Loan will perform in accordance with the assumptions made herein or that Revenues will be sufficient to pay debt service on the Series 2017 B Bonds when due. See "THE SERIES 2017 B DEVELOPMENT." Although additional bonds have been and may be issued by the Administration under the Bond Resolution, the Series 2017 B Bonds would continue to be a stand-alone, non-parity series under the Bond Resolution as described in "SECURITY AND SOURCES OF PAYMENT – Pledge of Trust Estate."

Rate of Principal Payments on the Series 2017 B Loan

The rate at which principal payments will be used to pay or redeem the Series 2017 B Bonds will depend largely on the rate of principal payments, including Prepayments on the Series 2017 B Loan. There is no historical data regarding prepayment rates of the Series 2017 B Loan, and no assurances can be given about prepayment behavior. Generally, following any lock-out period, the Series 2017 B Borrower may prepay the outstanding Series 2017 B Loan at any time, and the source of financings for such prepayment could be from a third party lender or from the Administration. Additionally, the Series 2017 B Borrower may prepay its Series 2017 B Loan at any time with the approval of FHA in the event of a default. In addition to voluntary prepayments, the Series 2017 B Loan can be prepaid as a result of Risk-Sharing Insurance claim payments, loss mitigation arrangements or liquidations of a defaulted Series 2017 B Loan. No assurances can be given as to the timing or frequency of any Risk-Sharing Insurance claim payments, loss mitigation arrangements or foreclosure proceedings with respect to a defaulted Series 2017 B Loan and the resulting effect on the timing or rate of principal payments on the Series 2017 B Bonds.

Rate of Principal Payments can reduce the Yield

The rate of principal payments on the Series 2017 B Loan could reduce the yield realized on the Series 2017 B Bonds. The yield on the Series 2017 B Bond probably will be lower than expected if the Series 2017 B Bond is purchased at (a) a premium and principal payments or Prepayments are paid faster than expected, or (b) a discount and principal payments are paid slower than expected.

An Investment in the Series 2017 B Bonds is subject to Significant Reinvestment and Extension Risk

The rate of principal payments on the Series 2017 B Bonds is uncertain. It may not be possible to reinvest the payments on the Series 2017 B Bonds at the same rate of return provided by the Series 2017 B Bonds. Lower prevailing interest rates may result in an unexpected return of principal. In that interest rate climate, higher yielding reinvestment opportunities may be limited. Conversely, higher prevailing interest rates may result in slower returns of principal and a holder may not be able to take advantage of higher yielding investment opportunities. The final payment on the Series 2017 B Bonds may occur much earlier than the maturity date.

Default will increase the Rate of Prepayments

If the Series 2017 B Borrower defaults on its Series 2017 B Loan and the Series 2017 B Loan is subsequently foreclosed upon or Risk-Sharing Insurance claim payments are received, or is otherwise liquidated, the effect would be comparable to a Prepayment of the Series 2017 B Loan. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.”

HUD has authority to override Lock-out and Prepayment Limitations

Risk-Sharing Insurance and certain provisions of the Series 2017 B Loan may affect lock-outs. HUD may override any lock-out payment consent rights or statutory prepayment prohibition with respect to the Series 2017 B Loan in the event of a default of the Series 2017 B Loan.

Loan Insurance Redemption Considerations

Final endorsement of the Series 2017 B Note by HUD for Risk-Sharing Insurance is subject to the completion of construction of the Series 2017 B Development and the satisfaction of certain conditions of HUD. If the Series 2017 B Development is not completed or the conditions precedent to final endorsement of the Series 2017 B Note by HUD for Risk-Sharing Insurance are not met, the Series 2017 B Note will not be endorsed by HUD as a permanent loan for Risk-Sharing Insurance. If such HUD endorsement does not within six months of completion of construction of the Series 2017 B Development, there would be a default under the Financing Agreement. Upon an event of default under the Financing Agreement, the Series 2017 B Loan will be subject to acceleration, and the Resolutions provide that the Administration will file a claim with HUD under the Risk-Sharing Insurance and will also have the right to exercise any other remedy under the Financing Agreement. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.”

The Series 2017 B Bonds May not be a Suitable Investment

The Series 2017 B Bonds are not a suitable investment for all investors. In addition, there is no assurance that a secondary market will develop for the purchase and sale of the Series 2017 B Bonds, that any secondary market will continue, or that the price at which the Series 2017 B Bonds can be sold will allow for a desired yield on that investment. The market value of the Series 2017 B Bonds is likely to fluctuate, with such fluctuations being significant, which could result in significant losses to the holder.

The secondary markets for mortgage-related securities have experienced periods of illiquidity and can be expected to do so in the future. Illiquidity can have a severe adverse effect on the price of the Series 2017 B Bonds because they are sensitive to prepayment and interest rate risk.

Redemption of Series 2017 B Bonds Due to Construction Risks

The Series 2017 B Borrower could default on the Series 2017 B Loan due to an inability to complete construction of the Series 2017 B Development on schedule and on budget. Delays or cost overages could result in an inability to complete the construction of the Series 2017 B Development, which could lead to a default under the Series 2017 B Loan. A default under the Series 2017 B Loan could result in a redemption of the Series 2017 B Bonds as described in “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.” Completion of construction of the Series 2017 B Development under budget could result in a redemption of Series 2017 B Bonds as described in “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Special Redemption from Unexpended Proceeds.”

Operating the Series 2017 B Development

Due to the inherent uncertainty of future events and conditions, no assurance can be given that revenues generated by the Series 2017 B Development will be sufficient to pay the operating expenses of the Series 2017 B Development and amounts due under the Series 2017 B Loan and the Series 2017 B Bonds. The ability of the Series 2017 B Borrower to generate sufficient revenues will be affected by a variety of factors including, but not limited to, the maintenance of a sufficient level of occupancy, the ability to achieve rent to cover debt service and operating expenses, the level of operating expenses, management, adverse changes in applicable laws and regulations, general economic conditions and other factors in the surrounding market area for the Series 2017 B Development. Adverse changes may occur from time to time with respect to any of the preceding factors or other factors or events which may have a negative impact on the occupancy level and rental income of the Series 2017 B Development. A default by the Series 2017 B Borrower under its Series 2017 B Loan may result in redemption of all or a portion of the Series 2017 B Bonds. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption.”

Conditions to Payment and Termination of Risk-Sharing Insurance

The failure to maintain adequate casualty insurance on the Series 2017 B Development insured under the FHA Risk-Sharing Program may result in the loss of Risk-Sharing Insurance benefits in the event of damage to, or destruction of, the Series 2017 B Development. Risk-Sharing Insurance benefits may also be impaired as a result of the failure to pay required mortgage insurance premiums to HUD and failure of the mortgagee to provide HUD on a timely basis with required notice. As described in **APPENDIX E – “FHA RISK-SHARING PROGRAM,”** the Administration is responsible for servicing the Series 2017 B Loan and the maintenance of the Risk-Sharing Insurance in connection with the Series 2017 B Loan. See “THE COMMUNITY DEVELOPMENT ADMINISTRATION.”

In addition, insurance under the FHA Risk-Sharing Program with respect to the Series 2017 B Loan may be terminated upon the occurrence of certain events, including the following: (i) the Series 2017 B Loan is paid in full; (ii) the Administration acquires the Series 2017 B Development and notifies HUD that it will not file an insurance claim; (iii) a party other than the Administration acquires the Series 2017 B Development at a foreclosure sale; (iv) the Administration notifies HUD of a voluntary termination; (v) the Administration or its successors commit fraud or make a material misrepresentation to HUD with respect to certain information; (vi) the receipt by HUD of an application for final claims settlement by the Administration; or (vii) the Administration acquires the Series 2017 B Development and fails to make an initial claim.

Affordable Multifamily Housing Loan

The Series 2017 B Loan is secured by the Series 2017 B Development that is encumbered by restrictive covenants or regulatory agreements that impose restrictions relating to tenant income, use, occupancy and/or rent restrictions. A breach of these restrictions may constitute an event of default under the mortgage or may result in the termination of any payments being received from the governmental entity that imposed the restrictions. See “– Income, Rent and Use Restrictions” under “THE SERIES 2017 B DEVELOPMENT.” The Series 2017 B Development is expected to benefit from long-term federal rental assistance or other federal, state or local subsidies that may be terminated or abated if the requirements of the subsidies are not met. If a subsidy is reduced or eliminated and cannot be replaced by obtaining a new subsidy, increasing rents to current tenants or the leasing of properties to market tenants, the Series 2017 B Loan may default. See “THE SERIES 2017 B DEVELOPMENT – Section 8 Veterans Affairs Supportive Housing Program” above.

LIHTC Risks

The Series 2017 B Borrower expects to use a portion of the capital contribution from the Limited Partner for payment of the principal due on the Series 2017 B Loan at the time of final endorsement of the Series 2017 B Loan by HUD for Risk-Sharing Insurance, which amounts will be used to pay principal due at maturity or earlier redemption of the Short Term Bonds. However, even if such capital contribution is not obtained, the Series 2017 B Borrower is obligated to make such payments due on the Series 2017 B Loan at such time. If the Series 2017 B Borrower does not make such required payments, there would be a default under the Series 2017 B Loan and the Administration could seek payment from HUD which would result in a redemption of the Series 2017 B Bonds. See “TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption” and “– Low Income Housing Tax Credits” under “THE SERIES 2017 B DEVELOPMENT.”

Default under Credit Enhancement

The Series Resolution allows the Administration to deliver Credit Enhancement to provide for the timely payment of the Series 2017 B Loan. The Series Resolution also provides that, upon delivery of Credit Enhancement with respect to the Series 2017 B Bonds, the Debt Service Reserve Requirement shall be such lesser amount as shall be permitted by the Rating Agency, as evidenced by a confirmation from each Rating Agency that the reduction or elimination of the Debt Service Reserve Requirement will not, in and of itself, impair, or cause the Series 2017 B Bonds to fail to retain, the then existing rating assigned to the Series 2017 B Bonds by each Rating Agency. Default by the Credit Enhancer may result in insufficient revenues being available for timely payment of the Series 2017 B Bonds. **Other than Risk Sharing Insurance, there will be no Credit Enhancement entered into at the time of issuance of the Series 2017 B Bonds.**

Tax Exempt Status

The opinion to be delivered by Bond Counsel concurrently with delivery of the Series 2017 B Bonds as described in “TAX MATTERS” will assume compliance by the Administration and the Series 2017 B Borrower with certain requirements of the Code that must be met subsequent to the issuance of such Bonds. The Administration and the Series 2017 B Borrower will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2017 B Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2017 B Bonds. Furthermore, the opinion of Bond Counsel is rendered as of the date of issuance of the Series 2017 B Bonds and speaks only to laws in effect as of such date. Amendments to federal and state tax laws are proposed from time to time and could be enacted

in the future. There can be no assurance that any such future amendments will not adversely affect the value of Series 2017 B Bonds, the exclusion of interest on the Series 2017 B Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Series 2017 B Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

RATING

Moody's Investors Service ("**Moody's**") has assigned its bond rating of Aaa to the Series 2017 B Bonds. Explanations of the significance of such rating may be obtained from Moody's at 7 World Trade Center, New York, New York 10007. The Administration has not applied for any other rating in respect of any of the Series 2017 B Bonds. Moody's may have been provided with information regarding the Administration and its financial condition and operations which is not included in this Official Statement. There is no assurance that such rating, once assigned, will continue for any period of time or that such rating will not be revised, reduced or withdrawn. The Administration has not agreed to maintain such rating, to notify the owners of the Series 2017 B Bonds of any proposed or threatened change or withdrawal of such rating (other than actual material rating changes within the scope of the Administration's continuing disclosure undertaking described below) or to oppose any proposed or threatened change or withdrawal of such rating. Any reduction or withdrawal of such rating would have an adverse effect upon the market price of the Series 2017 B Bonds.

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

Under the Act, the Series 2017 B Bonds are securities in which all public officers and public units of the State and its political subdivisions and all State banks, trust companies, savings and loan associations, investment companies, and others carrying on a banking business, all insurance companies, insurance associations, and others carrying on an insurance business, all State personal representatives, guardians, trustees, and other fiduciaries and all other persons, may legally and properly invest funds, including capital in their control or belonging to them. The Series 2017 B Bonds are securities which properly and legally may be deposited with and received by any State or municipal officer or any unit or political subdivision of the State for any purpose for which the deposit of bonds or other obligations of the State is authorized by law.

LITIGATION

The Administration

At the time of the delivery of and payment for the Series 2017 B Bonds, the Administration expects to deliver an opinion of an Assistant Attorney General to the effect that there is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale and delivery of the Series 2017 B Bonds or in any way contesting or affecting the validity of any of the Series 2017 B Bonds, the Resolutions or other proceedings of the Secretary taken with respect to the authorization, issuance, sale and delivery of the Series 2017 B Bonds, or the pledge or application of any moneys under the Resolutions, or the existence or powers of the Administration.

The Series 2017 B Borrower

At the time of the delivery of and payment for the Series 2017 B Bonds, counsel to the Series 2017 B Borrower is expected to deliver an opinion to the effect that no litigation before any court is pending or, to its knowledge, threatened against the Series 2017 B Borrower in any way affecting the existence of the Series 2017 B Borrower or the titles of its officers to their respective offices, or seeking to restrain or to

enjoin the execution of the Series 2017 B Loan by the Series 2017 B Borrower, or which would materially adversely affect the financial condition of the Series 2017 B Borrower.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described herein, interest on the Series 2017 B Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Series 2017 B Bond for any period during which the Series 2017 B Bond is held by a person who is a “substantial user” of the facilities financed with the proceeds of the Series 2017 B Bonds or a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series 2017 B Bonds is not a specific preference item and is not included in adjusted current earnings for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Administration and the Series 2017 B Borrower in connection with the Series 2017 B Bonds and Bond Counsel has assumed compliance by the Administration and the Series 2017 B Borrower with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017 B Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, the Series 2017 B Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, is exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2017 B Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2017 B Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2017 B Bonds in order that interest on the Series 2017 B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2017 B Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Series 2017 B Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Administration has covenanted in the Resolutions that it shall do and perform all acts necessary or desirable to assure the exclusion of interest on the Series 2017 B Bonds from gross income under Section 103 of the Code. The Administration will deliver its Tax Certificate concurrently with the

issuance of the Series 2017 B Bonds which will contain provisions relating to compliance with the requirements of the Code. The Administration also has required or will require the Series 2017 B Borrower to make certain covenants in the Series 2017 B Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Administration or the owners of the Series 2017 B Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series 2017 B Bonds for Federal income tax purposes. Furthermore, for any Series 2017 B Loan financed with the Series 2017 B Bonds that is insured by FHA, such Federal tax compliance covenants will be subordinate to the rights of FHA under the Series 2017 B Loan documents and the enforcement of such covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Administration or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on such Series 2017 B Bonds for Federal income tax purposes.

Low-Income Set-Aside Requirements under the Code

The Series 2017 B Bonds are subject to the low-income set-aside and other requirements for qualified residential rental projects under the Code which are described briefly in this paragraph. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide “qualified residential rental projects.” The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Series 2017 B Bonds be continuously occupied during the “qualified project period” by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Series 2017 B Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). In addition, all of the units in any project must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the project is outstanding, or (iii) the date upon which any assistance provided with respect to the project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A project generally will meet the continuing low-income set aside requirement so long as a tenant’s income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant’s income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable project must be rented to a tenant whose income does not exceed the applicable income limitation; provided however, that if tax credits under Section 42 of the Code are allowed with respect to the applicable project, the next available unit of comparable or smaller size in the same building as the tenant whose income has increased over 140% of the applicable income limitation must be rented to a tenant whose income does not exceed the applicable income limitation. The Administration will elect the applicable low-income set-aside requirement for any and all projects within the Series 2017 B Development expected to be financed with the proceeds of the Series 2017 B Bonds prior to the issuance date of the Series 2017 B Bonds. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

Other Set-Aside Requirements or Absence Thereof

In addition to the above described set-aside requirements, the Series 2017 B Development also may be subject to income, occupancy and other like restrictions under the Program or other State financing programs.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2017 B Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of the Series 2017 B Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2017 B Bonds.

Prospective owners of the Series 2017 B Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon such owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2017 B Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2017 B Bonds. Interest on the Series 2017 B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires the Series 2017 B Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2017 B Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "**Premium Bond**"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the Series 2017 B Bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the Series 2017 B Bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the Series 2017 B Bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the Series 2017 B Bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2017 B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Series 2017 B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2017 B Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2017 B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2017 B Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2017 B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2017 B Bonds or the market value thereof would be impacted thereby. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2017 B Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Purchasers of the Series 2017 B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

CERTAIN LEGAL MATTERS

The authorization, issuance and delivery of the Series 2017 B Bonds are subject to receipt of the opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel, which will be in substantially the form set forth in **APPENDIX C**. Certain legal matters pertaining to the Administration will be passed upon by an Assistant Attorney General of the State as Counsel to the Department. Certain legal matters will be passed upon for the Underwriter by its counsel, Eichner Norris & Neumann PLLC, Washington, D.C. Certain legal matters will be passed upon for the Series 2017 B Borrower by Reno & Cavanaugh, PLLC, Washington, D.C.

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 B Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering the legal opinion, the opinion giver does not become an insurer or guarantor of an expression of professional judgment of the transaction opined upon, or of the future

performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISORS

Caine Mitter & Associates Incorporated and People First Financial Advisors (collectively, the “**Financial Advisors**”) have served as Financial Advisors to the Administration in connection with the sale of the Series 2017 B Bonds.

UNDERWRITING

The Series 2017 B Bonds are being purchased from the Administration by Jefferies LLC (the “**Underwriter**”). The Underwriter has agreed, subject to certain conditions, to purchase all of the Series 2017 B Bonds at a price equal to \$12,000,000 (which amount is equal to 100% of the aggregate principal amount of the Series 2017 B Bonds). In consideration of its purchase of the Series 2017 B Bonds, the Underwriter is to be paid a fee (including expenses) of \$137,516.59 on the date of the issuance of the Series 2017 B Bonds. The initial public offering price may be changed from time to time by the Underwriter.

The Underwriter has provided the following information for inclusion in this Official Statement: The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Administration, for which they have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Administration. The Underwriter and its affiliates may also communicate independent investment recommendations, market feedback or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE ADMINISTRATION DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

AVAILABILITY OF CONTINUING INFORMATION

Administration Continuing Disclosure

For purposes of Securities Exchange Commission Rule 15c2-12 (the “Rule”), the Administration is not an “obligated person” with respect to the Series 2017 B Bonds and will not undertake to provide continuing disclosure of the nature required under the Rule. Notwithstanding the foregoing, consistent with the disclosures provided for Bonds issued under the Bond Resolution and certain other bonds of the Administration, the Administration provides the following information regarding its disclosure of information in accordance with undertakings related to its financing programs.

During the previous five years, there have been instances where the Administration has not complied in all respects with undertakings related to certain of the Bonds issued under the Bond Resolution and to certain other bonds issued by the Administration. Also, on occasion local governments who participate in the Administration’s infrastructure lending programs have not timely provided their financial information to the Administration to enable it to timely file such information with respect to its infrastructure lending programs; in such cases the Administration timely filed a notice of such failure and subsequently, upon receipt of such information from the local government, filed such information.

In all other instances, the Administration timely filed the required annual financial information on EMMA; however, annual financial information was not properly associated with the CUSIPs for certain bonds issued by the Administration in certain fiscal years. As of the date hereof, the Administration is of the opinion that it has filed all required annual financial information and has properly associated all CUSIPs with such bonds issued by the Administration.

The long-term rating of the Administration’s Local Government Infrastructure Bonds (Mayor and City Council of Cumberland Issue) 2011 Series A issued on August 31, 2011 was upgraded from Aa2 to Aa1 by Moody’s on September 9, 2013. Notice of such upgrade was not timely filed but the Administration subsequently filed such notice. In addition, the short-term ratings of the Administration’s Residential Revenue Bonds, 2007 Series J and 2007 Series M, were downgraded on June 15, 2012, as a result of the downgrading of the rating of the related liquidity provider. Notice of such ratings downgrades was not timely filed, but on July 26, 2012, such bonds were remarketed in connection with the replacement of such liquidity provider pursuant to separate remarketing memoranda, each dated July 19, 2012 and each reflecting such replacement and the restoration of such ratings.

The long-term rating of the Administration's Capital Fund Securitization Revenue Bonds Series 2003 was downgraded from Aa3 to A2 by Moody's on January 17, 2013 as a result of the downgrade of the rating of the related bond insurer. In addition, the underlying long-term rating of the Administration's Capital Fund Securitization Revenue Bonds Series 2003 was upgraded from A to A+ by S&P Global Ratings on February 25, 2015. The long-term rating of the Administration's Infrastructure Financing Bonds (MBIA Insured) 1997 Series A, 1998 Series B, 1998 Series C, 1999 Series A, Tax-Exempt Series 2001 A and Taxable Series 2001 B was upgraded from Baa2 to Baa1 by Moody's on May 21, 2013, and upgraded from Baa1 to A3 by Moody's on May 21, 2014, in each case as a result of the upgrade of the rating of the related bond insurer. In each of the foregoing instances, notice of such ratings action was not timely filed but the Administration subsequently filed such notice.

The Administration has implemented procedures intended to ensure that similar instances will not occur in the future.

Borrower Continuing Disclosure Undertaking

In connection with the issuance of the Series 2017 B Bonds, the Series 2017 B Borrower shall enter into a Continuing Disclosure Undertaking for the benefit of Bondholders, a form of which is attached as **APPENDIX F** hereto. Pursuant to such Undertaking, the Series 2017 B Borrower shall agree to provide to the Trustee, acting as dissemination agent (the “**Dissemination Agent**”), the Audited Financial Statements for the Series 2017 B Borrower when available (expected within 180 days of the end of the fiscal year for the Series 2017 B Borrower) and Borrower Annual Financial Information related to the applicable Series 2017 B Loan and the Series 2017 B Development commencing with the first fiscal year ending for the Series 2017 B Borrower following the date of issuance of the Series 2017 B Bonds and notice of certain events within five (5) Business Days of the occurrence of such events. The Dissemination Agent has no obligation to examine or review such financial statements or information to verify the accuracy or completeness of such financial statements or information.

Other Information Available to Bondholders

In the Series Resolution, the Administration will agree to provide the following information about the Series 2017 B Loan and the Series 2017 B Development on a monthly basis by filing a report on EMMA:

- (a) the current loan payment number (x480),
- (b) the loan status (construction phase, current, on watch list, number of days or months late, bankruptcy),
- (c) the remaining loan balance,
- (d) the current balance of the Series 2017 B Account of the Debt Service Reserve Fund,
- (e) the current principal and interest paid (and remaining due, if any), and
- (f) the current quarterly occupancy data (with one month lag).

In addition, in the Series Resolution, the Administration will agree to provide Administration Annual Information on an annual basis by filing a report on EMMA. See “INTRODUCTION – Continuing Disclosure” herein for a description of such information.

MISCELLANEOUS

Summaries and Descriptions in Official Statement

The summaries and explanation of, or references to, the Act, the program documents, the Resolutions and the Series 2017 B Bonds included in this Official Statement do not purport to be comprehensive or definitive; such summaries, references and descriptions are qualified in their entirety by reference to each such document, copies of which are on file at the office of the Administration. The descriptions of MHF and mortgage insurance and credit enhancement programs do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the applicable statutes and regulations.

Selection and Compensation of Professionals

The Financial Advisors are selected by the Maryland State Treasurer's Office periodically through a competitive process in accordance with State procurement law. Compensation of the Financial Advisors is not contingent on the sale and delivery of the Series 2017 B Bonds. Bond Counsel was selected by the Office of the Attorney General of the State through a process of review of responses to a request for proposals. Compensation of Bond Counsel is not contingent on the sale and delivery of the Series 2017 B Bonds. Compensation of the Underwriters and their counsel is contingent on the sale and delivery of the Series 2017 B Bonds.

This Official Statement is not to be construed as a contract or agreement between the Administration and the owners of any of the Series 2017 B Bonds.

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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/Matthew J. Heckles
Matthew J. Heckles, Director
Community Development Administration

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APPENDIX A **LOAN CHARACTERISTICS[†]**

Loan Name	Number of Units	Principal Balance	Origination Date	First Principal Payment Date	Amortization Term (Months)	Amortization Term (Years)	Final Maturity	Interest Rate	Expected Placement in Service Date	Expected DSCR	Expected LTV	Principal & Interest Payment	Loan Lockout Expiration	Expected Section 42 Compliance Expiration Date	Section 8 Expiration Date	Number of Section 8 units	Extended Use Expiration Date	Mortgage Insurance Premium
HELP Perry Point Veterans Village	75	\$6,265,000	5/10/17	3/1/19	480	40 years	2/1/59	4.23%	6/30/18	1.20	78%	27,087.10	2/1/29	6/30/2033	1/15/33 ¹	75	6/30/2058	0.25%

¹ Subject to an option to renew for five years.

[†] Expected for the Series 2017 B Loan following conversion.

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APPENDIX B

BOND RESOLUTION AND FORM OF SERIES RESOLUTION

The Bond Resolution and the form of the Series Resolution are attached hereto.

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**RESOLUTION
PROVIDING FOR THE ISSUANCE OF
HOUSING REVENUE BONDS**

OF THE

**COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT**

Originally Adopted as of November 1, 1996

Amended and Restated as of July 1, 2006

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**RESOLUTION PROVIDING FOR THE ISSUANCE OF
HOUSING REVENUE BONDS
OF THE
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**BE IT RESOLVED AND DETERMINED BY THE DIRECTOR OF
THE COMMUNITY DEVELOPMENT ADMINISTRATION AND
APPROVED BY THE SECRETARY OF HOUSING AND
COMMUNITY DEVELOPMENT:**

ARTICLE I

DETERMINATIONS AND DEFINITIONS

Section 1.01. Determination; Authority and Purpose. This Bond Resolution is adopted under the authority of and in accordance with the provisions of the Act for the purposes of: (i) increasing the supply of adequate, safe and sanitary housing for families of limited incomes, (ii) promoting sound community development in the State, and (iii) establishing covenants, agreements and procedures to assure that Revenues received from financing Loans made to developers or sponsors of community development projects, public purpose projects or any other undertaking for which the Administration may issue its bonds will be sufficient for the repayment of money borrowed for this purpose. The Administration may, from time to time, issue Tax-Exempt Bonds or Taxable Bonds under this Bond Resolution.

The Administration, with the approval of the Secretary, has deemed it advisable to amend and restate this Bond Resolution in its entirety in order to permit the Administration to enter into Qualified Hedge Agreements. This amendment and restatement of the Bond Resolution is authorized pursuant to Section 9.02(c) of the Bond Resolution.

Bonds may be issued under this Bond Resolution to provide funds for one or more of the following purposes:

- (1) for the making, purchasing or otherwise financing of Qualified Loans;
- (2) for the refinancing of Qualified Loans (including, without limitation, Qualified Loans in default);
- (3) for the refunding of any or all Outstanding Bonds or any other bonds, notes or other obligations, whether or not the Administration is the issuer thereof, including any or all interest and redemption premiums thereon;

(4) for the payment of any "Development Cost" as such term is defined in the Act and any other cost, including, without limitation, costs of issuance, discount, insurance or credit enhancement premiums or fees, fees and expenses of counsel, financial advisors and other professional advisors and consultants, all as permitted by the Act;

(5) for the funding of reserves; or

(6) achieving any other of the Administration's purposes, as described in the Act, as now or hereafter in effect.

Section 1.02. Contract with Trustee and Bondholders. As provided in the Act and in consideration of (i) the acceptance by the Trustee of the trusts herein created and (ii) the purchase and acceptance of Bonds of any Series issued hereunder by any who shall from time to time be holders thereof:

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

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

Section 1.03. Granting Clauses. The Administration pledges to the Trustee for the payment of Parity Obligations and Subordinate Contract Obligations, including premium, if any, on Bonds, at the times and in the manner provided in this Bond Resolution and applicable Series Resolutions, and grants to the Trustee for the benefit of the owners from time to time of the Bonds and the Parties a security interest in,

(a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of Outstanding Bonds),

(b) the Administration's right, title and interest in and to all Loans made or purchased or otherwise financed from such proceeds,

(c) all Revenues, Prepayments, Recovery Payments and Acquired Development Receipts;

(d) all money, Permitted Investments and other assets and income held in and receivable by funds and accounts established by or pursuant to this Bond Resolution and applicable Series Resolutions, except for any money, Permitted Investments, assets or income held in any fund or account created by a Series Resolution or a Supplemental Resolution which provides that such fund or account shall not be subject to the lien of this Bond Resolution; and

(e) all right, title and interest in and to and remedies with respect to any and all other property of every description and nature (including, without limitation, Loans financed from moneys which are not proceeds of Bonds) from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred, as and for additional security hereunder, by the Administration or by anyone on its behalf or with its written consent, to

the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

all subject to the following limitations: (i) the power of the Administration to direct withdrawals of amounts from said funds and accounts upon the conditions set forth in this Bond Resolution and the applicable Series Resolution, (ii) other specific limitations set forth in this Bond Resolution, and (iii) with respect to one or more Series of Bonds, Parity Obligations or Subordinate Contract Obligations, the power of the Administration to grant a lien on the same property and rights (or any portion thereof) on a parity with or subordinate to the lien granted to the Trustee for the benefit of the owners of the Bonds and the Parties (provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider shall be available to the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider only after it has made payment under the Credit Enhancement, Credit Facility or Qualified Hedge as appropriate) and to exclude all moneys deposited into any fund or account with respect thereto from the pledge set forth in this Section securing payment of the Bonds, Parity Obligations or Subordinate Contract Obligations or to limit such pledge, all as provided in a Series Resolution executed in connection with the issuance of such Series of Bonds.

The pledge made and security interests granted herein and the covenants and agreements herein set forth, to be performed by and on behalf of the Administration, shall be (i) with respect to Parity Obligations, for the equal benefit, protection and security of the Parties to and holders of all Parity Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Parity Obligation over any other except as expressly provided or permitted herein or in a Series Resolution and (ii) with respect to Subordinate Contract Obligations, for the equal benefit, protection and security of the Parties to and holders of any Subordinate Contract Obligations, all of which, without regard to the time or times of their effective date, shall be of equal rank without preference, priority or distinction of any Subordinate Contract Obligation over any other thereof, except as expressly provided in or permitted hereby or in a Series Resolution. Subordinate Contract Obligations need not be of equal rank with other Subordinate Contract Obligations and shall be entitled to the preferences and priorities provided in the Series Resolution authorizing the issuance of Subordinate Contract Obligations.

Section 1.04. No Personal Liability; Limited Liability of the Administration. Neither the Secretary of Housing and Community Development nor any other person executing the Parity Obligations or Subordinate Contract Obligations shall be liable or accountable personally by reason of the issuance thereof. The Parity Obligations or Subordinate Contract Obligations 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 herein and in the Act.

Section 1.05. Definitions. In this Bond Resolution, unless a different meaning clearly appears from the context, the following terms have the following respective meanings:

"Accountant's Report" means an opinion signed by any nationally recognized certified public accountant or firm of certified public accountants (who may be the accountant or firm that

regularly audits the books and accounts of the Administration) from time to time selected by the Administration.

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

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

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

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

"Acquired Development Fund" means the fund so designated, which is established and created by Section 5.01.

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

"Act" means Sections 4-101 to 4-255, inclusive, of the Housing and Community Development Article of the Annotated Code of Maryland, as amended from time to time, including, without limitation, future amendments thereto.

"Administration" means the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland.

"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.

"Authorized Officer" means the Secretary, the Deputy Secretary of Housing and Community Development, the Director, the Deputy Executive Director for Bond Finance, any

Director of any program or division of the Administration or any other person duly authorized by the Secretary to perform such act or discharge such duty.

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

"Bondholder", "holder" or "owner" means (i) the person in whose name any Bond issued in registered form is registered as the owner thereof on the books of the Administration maintained at the designated office of the Trustee for that purpose, or (ii) the holder of any Bond issued in coupon form.

"Bond Resolution" means this resolution, adopted by the Administration as of November 1, 1996, and approved by the Secretary, as amended and restated as of July 1, 2006, as it may from time to time be further amended, modified or supplemented as herein provided.

"Bonds" means any Bonds authorized under this Bond Resolution and issued pursuant to a Series Resolution, together with any Subordinate Bonds issued pursuant to Section 2.05 hereof. Bonds may be issued in any form as determined by the Administration, including bonds, notes, bond anticipation notes, certificates, certificates of participation or any other form of evidence of indebtedness or right to receive payment.

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

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

"Business Day" or "business day" means a day on which banks located in the City of Baltimore, Maryland, and The New York Stock Exchange are open for business.

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

"Capitalized Interest Accounts" means the accounts so designated which may be established pursuant to Section 5.02.

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

Flow Statement" means the certification and calculation made by or for the Administration pursuant to Section 6.13(c).

"Cash Flow Certificate" means the certification and calculation (if required) made by or for the Administration pursuant to Section 6.13(d).

"Code" means the applicable sections of the 1954 Code or the 1986 Code, and any applicable regulations promulgated thereunder.

"Collateral Reserve Fund" means the fund so designated which is established by Section 5.01.

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

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

"Cost of Issuance Accounts" means the accounts so designated which may be established pursuant to Section 5.02.

"Counsel's Opinion" means an opinion signed by any attorney or firm of attorneys (who may be employed by or of counsel to the Administration or the Department, an Assistant Attorney General of the State, Bond Counsel or an attorney or firm of attorneys retained by it in other connections) licensed to practice in the state in which such counsel or firm maintains an office, selected or employed by the Administration or the Department.

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

"Credit Enhancer" means the issuer or provider of any Credit Enhancement, which term includes, without limitation: (a) the Maryland Housing Fund, an agency of the Department in the Division of Credit Assurance; (b) any agency or instrumentality of the United States of America guaranteeing, insuring or providing credit enhancement for (including without limitation HUD,

the Federal Housing Administration of HUD, and its successors and assigns, Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation); (c) any bank, financial institution, government chartered corporation or other person; or (d) any agency, instrumentality or department of the State.

"Credit Facility" means (i) an unconditional and irrevocable letter of credit (or confirmation of a letter of credit) in form and drawn on a bank or banks acceptable to the Administration, (ii) cash, (iii) a certified or bank check, (iv) Permitted Investments, or (v) any other credit facility similar to the above in purpose and effect, including, but not limited to, a guaranty, standby loan or purchase commitment, insurance policy, surety bond or financial security bond or any combination thereof, which, in any case secures all or a portion of one or more Series of Bonds, a Parity Obligation, or a Subordinate Contract Obligation.

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

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

"Debt Service Reserve Fund" means the fund so designated which is established by Section 5.01.

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

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

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

"Development" means any project, facility, undertaking or purpose which the Administration is authorized to undertake or finance pursuant to the Act as now or hereafter in effect, including, without limitation, any undertaking or project, or portion thereof, which is defined as a "community development project", a "public purpose project", an "energy conservation project", a "home improvement project", an "infrastructure project" or a "special

housing facility" by the Act, and shall include, without limitation, single family, multi-family and group housing.

"Director" means the Director of the Administration.

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

"Event of Default" means any occurrence or event described as an Event of Default in Section 8.01.

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

"Financial Institution" means any bank, trust company, national banking association or savings and loan association authorized to conduct a banking business in any state in which it is located.

"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.

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

"HUD" means the United States Department of Housing and Urban Development and any successor to the powers thereof.

"Interest" means (i) with respect to Parity Bonds, Parity Interest and (ii) with respect to Subordinate Bonds, interest on such Subordinate Bonds.

"Interest Payment Date" means each date on which interest on any Parity Obligation is required to be paid under the applicable Series Resolution.

"Issue Date" means the date as of which any Series of Bonds is issued and from which interest thereon accrues, as specified by the applicable Series Resolution and in accordance with Section 2.02.

"Loan" means: (1) a loan, made or purchased or otherwise financed by the Administration and evidenced by a promissory note, (2) a portion of, or participation in, a loan

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

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

"1954 Code" means the Internal Revenue Code of 1954, as amended prior to the enactment of the 1986 Code, and applicable regulations.

"1986 Code" means the Internal Revenue Code of 1986, as amended, and applicable regulations.

"Notice Address" means, unless otherwise designated pursuant to Section 12.07 hereof:

(a) As to the Administration:

Community Development Administration
Department of Housing and Community Development
100 Community Place
Crownsville, Maryland 21032
Attention: Director
Telephone Number: (410) 514-7500
Telecopier Number: (410) 987-4097

With a copy to:

Office of the Attorney General
Department of Housing and Community Development
100 Community Place
Crownsville, Maryland 21032
Attention: Counsel
Telephone Number: (410) 514-7800
Telecopier Number: (410) 514-7099

(b) As to the Trustee:

Manufacturers and Traders Trust Company
Corporate Trust Department
25 South Charles Street, 16th Floor (MD2-CS58)
Baltimore, Maryland 21201

Telephone Number: (410) 545-2066
Telecopier Number: (410) 244-4236

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

"Outstanding" or "Bonds Outstanding" means all Bonds which have been delivered under this Bond Resolution, except:

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

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

(c) Bonds in lieu of which other Bonds have been transferred, exchanged, executed, authenticated and delivered under Sections 3.04 through 3.09 hereof, unless proof satisfactory to the Trustee is presented that such bond is held by a bona fide holder in due course.

"Parity Bonds" means Bonds which have a first priority pledge of, lien on, and security interest in, the trust estate established by the granting clauses of Section 1.03 hereof.

"Parity Hedge Obligation" has the meaning provided in Section 3.15 hereof.

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

"Parity Obligations" means Parity Bonds and Parity Hedge Obligations.

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

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

"Parity Reimbursement Obligation" means a Reimbursement Obligation secured by a pledge of, and a lien on, the trust estate established by the granting clauses of Section 1.03 hereof on a parity with the lien securing the Parity Bonds, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirement for the related Bonds, without acceleration (unless either a Cash Flow Statement is delivered at the time of execution of the Credit Facility incorporating a different principal amortization schedule with respect to such Parity Reimbursement Obligation or the effectiveness of such different amortization schedule is conditioned on the delivery of such Cash Flow Statement), as determined by the Administration in the applicable Series Resolution or Supplemental Resolution. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such issuer, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which accelerated payments shall be Subordinated Contract Obligations.

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

"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 such Series, and any successors designated in accordance with this 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, and U.S. Department of Housing & Urban Development;
- (3) Bonds, notes or other evidences of indebtedness having a rating at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any similar entity;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally

recognized rating agency and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase at least equal to the Rating Agency's existing rating on the Bonds (other than Subordinate Bonds) or the comparable rating of any other nationally recognized rating agency and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund having a rating at least equal to the Rating Agency's highest possible rating category or the comparable rating of any other nationally recognized rating agency;

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

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

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

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

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

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

Any Permitted Investments described in subparagraph (4), (5) and (8) purchased by the Trustee must, as of the date of such purchase, be rated by any Rating Agency then rating the Bonds in a long-term rating category at least equal to the long-term rating of the Bonds (other than Subordinate Bonds) and a short term rating in the highest short-term rating category (unless the Permitted Investment has a remaining term of less than one year, in which case it need only have a short term rating in the highest short term rating category); provided, however, that the Trustee may purchase Permitted Investments that do not meet the requirements set forth in this paragraph, so long as the purchase of such Permitted Investments does not, as of the date of such purchase, in and of itself, result in a reduction or withdrawal of the then existing rating assigned to the Bonds (other than Subordinate Bonds) by any Rating Agency then rating the Bonds. If the rating of any Permitted Investment purchased by the Trustee changes adversely subsequent to the date of purchase, the Trustee is not required to sell such Permitted Investment.

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

"Prepayment" means any money received from a payment of principal on a Loan pursuant to Section 6.06 in excess of the scheduled payments of principal then due or from the sale, assignment or other disposition of a Loan pursuant to Section 6.07.

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

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

Income and Appreciation Bond and the initial principal amount thereof shall be deemed to be interest, and (ii) as such term references the principal amount of any other Bond, the principal amount at maturity of such Bond.

"Principal Installment" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Bond Resolution of Sinking Fund Installments payable before such future date plus (ii) the unsatisfied balance, determined as provided in Section 5.03(d), of any Sinking Fund Installments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Installments in a principal amount equal to said unsatisfied balance.

"Program" means the Administration's program of making or purchasing or otherwise financing Qualified Loans pursuant to the provisions of this Bond Resolution.

"Qualified Hedge" means, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by the Administration with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into; (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to a principal amount, or a notional principal amount relating to all or a portion of the principal amount, of Bonds or Loans as set forth in the authorizing Series Resolution or Supplemental Resolution); asset, index, price or market-linked transaction or agreement; other interest rate exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto; or any similar arrangement; (iii) which is executed by the Administration for the purpose of debt management, including managing interest rate fluctuations on Bonds and/or Loans, but not for purposes of speculation, after the Administration has analyzed applicable risks and benefits of the Qualified Hedge; and (iv) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Hedge.

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

"Qualified Loan" means a Loan satisfying the conditions set forth in Section 5.10.

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

"Recovery Payment" means any money representing principal of a Loan and any premium or penalty with respect thereto received or recovered by the Administration, in excess of any expenses necessarily incurred by the Administration in collection thereof, from (i) the sale or other disposition of an Acquired Development, (ii) Prepayments, (iii) condemnation of a Development or part thereof, to the extent not needed to improve or repair the Development, (iv) other proceedings taken in the event of default by the Borrower, (v) the sale or other disposition of a Loan and Mortgage in default for the purpose of realizing on the mortgagee's interest

therein, (vi) to the extent not needed to improve or repair the Development, hazard insurance, or (vii) the payment of principal of a Loan by a Credit Enhancer as a result of any of the events described in the preceding clauses (ii) through (vi) with respect to a Loan subject to Credit Enhancement.

"Redemption Fund" means the fund so designated which is established by Section 5.01.

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

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

"Registrar" means the bank or trust company named as Registrar in the Series Resolution with respect to each Series of Bonds, or if no bank or trustee is so named, the Trustee.

"Reimbursement Obligation" means a contractual obligation to reimburse a Credit Facility Provider for any draws on a Credit Facility, which Reimbursement Obligation may be either a Parity Reimbursement Obligation or a Subordinate Contract Obligation.

"Revenue Fund" means the fund so designated which is established by Section 5.01.

"Revenues" means all payments, proceeds, rents, charges and other cash income derived by or for the account of the Administration from or related to the Program, including, without limitation, the payments of principal of and interest on Loans (whether paid by or on behalf of the Borrower), including the payments of principal of and interest on Loans subject to Credit Enhancement, and investment income from all funds and accounts described in Section 5.01 subject to the lien of this Bond Resolution, and Hedge Receipts and Termination Receipts but not including Recovery Payments, Escrow Payments, Service Charges or Acquired Development Receipts, and not including any fees received by the Administration for its own account pursuant to annual contribution contracts between the Administration and HUD, if any, with respect to Developments financed by Loans, or financing, commitment or similar fees or charges of the Administration at or prior to the time of making, purchasing or otherwise financing a Loan. Any arbitrage rebate payable to the United States are not Revenues and are not subject to the lien of the Bond Resolution.

"Secretary" means the Secretary of Housing and Community Development of the State.

"Serial Bonds" means Bonds so designated in a Series Resolution.

"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 Article III.

"Series Resolution" means a resolution and determination of the Administration, with the approval of the Secretary, authorizing the issuance of a Series of Bonds pursuant to Article II.

"Service Charges" means any charge authorized to be deducted by a Servicer from payments on a Loan and any reimbursement of the cost of servicing by the Administration, before deposit of the payments with the Trustee.

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

"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.

"State" means the State of Maryland.

"Subordinate Bonds" means bonds authorized under this Bond Resolution and issued pursuant to Section 2.05 hereof.

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

"Supplemental Resolution" means a resolution of the Administration adopted pursuant to Article IX of this Bond Resolution. A Series Resolution adopted in accordance with the terms of this Bond Resolution is also a Supplemental Resolution.

"Taxable Bonds" means any Bonds or Series of Bonds, the income from which will be or is intended to be includable in the Bondholder's gross income under the Code as determined at the time of issue by the Administration.

"Tax-Exempt Bonds" means any Bonds or Series of Bonds, the income from which will be or is intended to be generally excludable from the Bondholder's gross income under the Code as determined at the time of issue by the Administration and pursuant to an opinion of Bond Counsel (subject to customary limitations).

"Term Bonds" means Bonds so designated in a Series Resolution or Bonds which, by their terms, are subject to payment prior to maturity by Sinking Fund Installments.

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

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

"Trustee" means the trustee appointed by or pursuant to Section 11.01, its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to this Bond Resolution.

Section 1.05. Interpretation and Construction. The following principles govern the interpretation of other words and phrases used in this Bond Resolution:

(a) Articles, sections, paragraphs and clauses mentioned by number only are those so numbered which are contained in this Bond Resolution;

(b) Captions, titles or headings preceding any article or section herein, and any table of contents or index attached hereto, are solely for convenience of reference and are not part of this Bond Resolution and shall not affect its meaning, construction or effect;

(c) Terms such as "herein," "hereunder," "hereby," "hereto" and "hereof" refer to this Bond Resolution and not to any particular section hereof unless so indicated, and "heretofore" and "hereafter" mean before and after the date of adoption of this Bond Resolution, respectively;

(d) Words importing the masculine gender include the feminine and neuter genders, or *vice versa*;

(e) Words importing the maturity of a Bond do not include or connote the becoming due of such Bond upon redemption thereof prior to maturity;

(f) Words importing persons include firms, associations, corporations, partnerships, limited liability companies and any other legal entities;

(g) Words importing the redemption or redeeming or calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond;

(h) Words importing the singular number include the plural number, and vice versa; and

(i) References to particular sections of the Code or the Annotated Code of Maryland (including without limitation, the Act) shall include any amendments thereto or any successor or substitute statutory provisions which may be subsequently enacted, to the extent such amendments or successor or substitute statutory provisions are applicable. Absent any express statutory prohibition, all future amendments to the Act shall be incorporated herein as the same become effective.

(j) The provisions of this Bond Resolution shall be liberally construed in order to fully effectuate the terms and provisions hereof, consistent with the provisions of the Act.

(k) It is the Administration's intent that the following types of Developments may be financed under this Bond Resolution: single family housing, multi-family housing, group housing, shared living facilities, and any other purpose, facility or undertaking for which the Administration may issue its bonds pursuant to the Act. The foregoing list is for purpose of illustration only and not limitation.

ARTICLE II

ISSUANCE OF BONDS

Section 2.01. Authorization. To provide sufficient funds for the Program, and for the other purposes stated in Section 1.01, Bonds of the Administration, designated as "Housing Revenue Bonds", are authorized to be issued from time to time without limitation as to amount, except as provided in this Bond Resolution or by law, and shall be issued subject to the terms, conditions and limitations established in this Bond Resolution and in one or more Series Resolutions. Each Series shall bear the year of issue, a letter or number (or both), and any other designation sufficient to distinguish it from any other Series, and may bear such additional designation or legend as the Administration determines. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds or both.

Section 2.02. Series Resolutions. Each Series Resolution shall include a determination by the Director that the issuance of such Series of Bonds is necessary to achieve one or more purposes of the Administration, and may specify and determine as to that Series:

- (a) the authorized principal amount and Authorized Denominations of the Bonds;
- (b) the dated date (which may or may not be the Issue Date) and the Issue Date or Issue Dates of the Bonds;
- (c) the date or dates of maturity of the Bonds, and, in the case of any Capital Appreciation Bonds and Deferred Income and Appreciation Bonds, the Accreted Amounts therefor to and including maturity of such Bonds;
- (d) the rate or rates or the manner of determining the rate or rates of interest on the Bonds, their Interest Payment Dates, and in the case of any Deferred Income and Appreciation Bonds, the date on which such securities begin to pay current interest;
- (e) the Bonds which are Term Bonds (if any) and those which are Serial Bonds (if any);

(f) the redemption price or prices and redemption date or dates and other terms of redemption of the Bonds (if any), including, without limitation, the period or periods for the giving or publication of redemption notice for the Series of Bonds authorized by such Series Resolution (which may include redemption of such Series of Bonds with no prior notice to Bondholders);

(g) the amount and date of each Sinking Fund Installment, if any, required to be paid;

(h) the form, title, designation and manner of numbering and lettering of the Bonds to be issued pursuant to such Series Resolution;

(i) if any of the Bonds are to be coupon Bonds, provisions for notice to Bondholders, for exchange and transfer and for payment, including a Paying Agent or Agents, if any;

(j) the Registrar;

(k) the purchasers and terms of sale, or the manner in which the Bonds are to be sold and provisions for the sale thereof;

(l) the purposes for which the Bond proceeds may be used;

(m) the manner and extent of funding of the Debt Service Reserve Fund or any modification of the Debt Service Reserve Requirement;

(n) the manner and extent of funding, and provisions designating the use of, the Collateral Reserve Fund, if any, or any modification of the Collateral Reserve Requirement;

(o) whether and the extent to which the Administration is issuing any of the Bonds with the intent and expectation that such Bonds be Tax-Exempt Bonds or Taxable Bonds, and the terms and conditions of any covenants and restrictions necessary to comply with such intent;

(p) if all or a portion of any Loan to be financed with the proceeds of such Series of Bonds or other moneys available to the Administration is to be secured by Credit Enhancement, such Series Resolution may:

(1) pledge such Loan, any Revenues to be derived from such Loan, reserves created with respect to such Loan and any other moneys to be received with respect to such Loan to or for the benefit of the Credit Enhancer, which pledge may be on a parity with or subordinate to the pledge to Bondholders made pursuant to Section 1.03,

(2) provide that any moneys in any fund or account created with respect to such Loans (including, without limitation, proceeds of Bonds) may be excluded from the pledge made to Bondholders pursuant to Section 1.03, may be pledged to or for the benefit of the Credit Enhancer, which pledge may be on a parity with or subordinate to the pledge to Bondholders made pursuant to Section 1.03, or otherwise limit such pledge with respect to such moneys,

provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer shall be available to the Credit Enhancer only after it has made payment under the Credit Enhancement;

(q) if the Series of Bonds (or any portion thereof) is to be secured by a Credit Facility, such provisions as the Administration or the Credit Facility Provider may require in connection with such Credit Facility, including (without limitation) provisions similar to those described in subsection (p) above;

(r) any permitted variances from the provisions of this Bond Resolution (including, without limitation, any modifications to provisions relating to notice of redemption of Bonds);

(s) provisions with respect to any Qualified Hedges; and

(t) any other provisions deemed advisable by the Administration, and not in conflict with or in substitution for the provisions of this Bond Resolution.

Section 2.03. Conditions Precedent to the Issuance of Bonds. After authorization by a Series Resolution and compliance with all requirements set forth therein, Bonds of a Series may be executed on behalf of the Administration and delivered to the initial purchasers or underwriters thereof, upon compliance with the following conditions:

(a) The Administration shall furnish to the Trustee:

(1) copies of this Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(2) a Counsel's Opinion that:

(i) this Bond Resolution and the applicable Series Resolution have been duly adopted by the Administration and approved by the Secretary and are valid and binding upon the Administration and enforceable in accordance with their terms (subject to reasonable exceptions with respect to enforceability under bankruptcy laws, the police power of the State or other similar laws, and the availability of specific performance and other equitable remedies under State law); and

(ii) this Bond Resolution creates the valid pledge which it purports to create;

(3) a certificate of an Authorized Officer, stating:

(i) the amounts of the proceeds of such Series of Bonds (and any other funds) to be credited to the funds and accounts referred to in Section 5.01 at the time of delivery of the Bonds;

(ii) the outstanding principal balance of each Loan (if any) expected to be made, purchased or financed by the Administration from the proceeds of Bonds and any other available funds (including Loans then held by the Administration and then

expected to be purchased or financed), the type and amount of insurance or Credit Enhancement (if any) for each Loan and the uninsured amount or amount which is not subject to Credit Enhancement, if any, of each Loan; and

(iii) that the amount to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount on deposit therein to the Debt Service Reserve Requirement immediately after the issuance of such Series of Bonds;

(4) a Cash Flow Statement for such Series of Bonds, complying with the requirements of Section 6.13; and

(5) One of the following:

(i) upon the issuance of the initial Series of Bonds under this Bond Resolution, issuance of the rating on such Series of Bonds from one or more Rating Agencies,

(ii) upon the issuance of a subsequent Series of Bonds under this Bond Resolution which are Parity Bonds, a confirmation of the rating on the Series of Bonds from each Rating Agency, which rating shall not be lower than the rating of each such Rating Agency on the Parity Bonds in effect immediately prior to the issuance of such Series of Bonds, or

(iii) upon the issuance of a subsequent Series of Bonds under this Bond Resolution which are Subordinate Bonds, confirmation from each Rating Agency that the issuance of such Series of Subordinate Bonds will not, in and of itself, result in a downgrade of the rating on any outstanding Series of Bonds which are not Subordinate Bonds in effect immediately prior to the issuance of such Series of Subordinate Bonds, unless a more restrictive requirement is established under any Series Resolution.

(b) The Trustee shall determine and certify that it has received the documents listed in subsection (a).

Section 2.04. Refunding Bonds. (a) If a Series Resolution provides for the issuance of Refunding Bonds of one or more Series, the certificate of an Authorized Officer required in Section 2.03(a) shall include irrevocable instructions to the Trustee, satisfactory to the Trustee:

(1) identifying the Bonds to be refunded and the interest and premium to be paid, if any, and identifying separately those Bonds to be paid at their respective maturity dates and those, if any, to be redeemed at specified redemption prices and on specified dates at which such Bonds may be redeemed from funds held in the special redemption account or from other funds; and

(2) directing the Trustee to duly give notice of redemption of Bonds as required by Section 4.04 or the terms of the applicable Series Resolution.

(b) At or before the time of delivery of Refunding Bonds, the Administration shall deposit with the Trustee an amount of money, Federal Obligations or Pre-Refunded Municipal Obligations sufficient to comply with the provisions of Section 7.01 with reference to all of the Bonds to be refunded, which shall be held by the Trustee in a special account separate from all other funds and accounts created by or pursuant to this Bond Resolution, irrevocably in trust for, and assigned to, the respective holders of Bonds and coupons, if any, being refunded, and used to pay, when due, the principal, premium, if any, and interest on said Bonds, in accordance with their terms and the terms of the notice of redemption, if any, referred to in subsection (a)(2). In addition to the proceeds of Refunding Bonds, the Administration may direct the deposit in said special account of amounts held in any fund or account created by or pursuant to this Bond Resolution or any other funds available to the Administration, which, by the terms of this Bond Resolution and any applicable Series Resolutions, are or may be pledged to the retirement of said Bonds;

(c) The Administration expressly reserves the right, to the extent now or hereafter permitted by law, of providing for the release and discharge of the rights and obligations created by this Bond Resolution with respect to part or all of the Bonds of any Series and the principal or the interest payments thereon, from the proceeds of Refunding Bonds, other bonds, notes or other obligations issued by the Administration or others, or other monies available to the Administration.

(d) Any Bonds issued by the Administration for the purpose of refunding any bonds, notes or other obligations, whether issued by the Administration or any other person, under any authorizing or issuing document, resolution, certificate or indenture other than this Bond Resolution shall not constitute Refunding Bonds and are not subject to the requirements of this Section.

(e) The Administration may, in connection with the issuance of Refunding Bonds or the refunding of any of the outstanding Bonds, provide for the transfer, allocation or re-allocation of any moneys or Permitted Investments held in any fund or account with respect to the Series of Bonds being refunded, provided such transfers, allocations or re-allocations are consistent with the most recent Cash Flow Statement filed pursuant to Section 6.13.

Section 2.05. Authorization of Subordinate Contract Obligations; Conditions Precedent to Delivery. (a) The Administration may from time to time enter into Subordinate Contract Obligations to be secured by this Bond Resolution on a subordinated basis, subject to the conditions hereinafter provided in this Section.

(b) Payment of Subordinate Contract Obligations, including 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 Section 1.03 hereof to the extent specified in the Series Resolution, subordinate, however, to the pledge securing Parity Obligations, and upon such terms and conditions set forth in the Series Resolution authorizing such Subordinate Contract Obligations. Subordinate Contract Obligations may be payable from Revenues derived under the Bond Resolution, but only after payment of all other amounts payable from Revenues with respect to Parity Obligations and with respect to

any Subordinate Contract Obligations having a higher priority to payment from such Revenues.

(c) The Administration may establish one or more Subordinate Contract Obligation accounts or subaccounts within any fund created under this Bond Resolution for the following purposes:

(i) deposit, investment and custody of: (A) all or any portion of the proceeds of any Subordinate Contract Obligations, (B) all or any portion of any Revenues from any Loan financed with the proceeds of Subordinate Contract Obligations, (c) any other moneys received with respect to a such Loan, and (D) any Revenues pledged to payment of such Subordinate Contract Obligations (subject to any prior claims as provided in the applicable Series Resolution); and

(ii) payment of such Subordinate Contract Obligations.

The Series Resolution authorizing Subordinate Contract Obligations may provide that such Subordinate Contract Obligations shall be secured solely by such proceeds or Revenues and not by any other moneys, funds or accounts held under this Bond Resolution, and that such proceeds or Revenues shall not constitute security for or a source of payment of any other Bonds or other Subordinate Contract Obligations outstanding or thereafter issued under or entered into in accordance with this Bond Resolution. The Series Resolution authorizing Subordinate Contract Obligations may establish different priorities of payment and security among different Subordinate Contract Obligations.

(d) Subordinate Bonds may be issued for any of the purposes for which Bonds may be issued under this Bond Resolution.

(e) The issuance of Subordinate Bonds shall be authorized by a Series Resolution in accordance with Section 2.02.

(f) Each Series of Subordinate Bonds shall be issued and executed and delivered to and authenticated by the Trustee in accordance with Sections 2.03 and 2.04, to the extent applicable.

(g) Subordinate Bonds may be authenticated, delivered and paid for in installments of less than the total authorized principal amount of a Series of Subordinate Bonds from time to time as the Administration may direct.

Section 2.06. Additional Obligations. (a) Except as provided in this Article II or as provided in a Supplemental Resolution with respect to Parity Obligations, the Administration covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or superior charge or lien on the Revenues or will be payable on a prior or parity basis from any of the funds or accounts established and created by or pursuant to this Bond Resolution. Additional Series of Bonds issued pursuant to and in compliance with this Article II (other than Subordinate Bonds) shall be on a parity and shall be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of this Bond Resolution.

(b) 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 foregoing paragraph.

ARTICLE III

GENERAL BOND PROVISIONS

Section 3.01. Medium of Payment; Form and Date. (a) The Bonds shall be payable, with respect to interest, principal and premium, if any, in any lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) The Bonds of each Series shall be issued in the form of fully registered Bonds without coupons, as more fully specified by the Series Resolution; provided that the Series Resolution may provide for the issuance of coupon Bonds and for appropriate notice, exchange, transfer and payment provisions (i) if the coupon Bonds are Taxable Bonds, or (ii) if the coupon Bonds are Tax-Exempt Bonds, and Bond Counsel provides to the Administration and the Trustee an opinion to the effect that coupon Bonds may be issued as Tax-Exempt Bonds under applicable provisions of the Code and other Federal, State and local law.

(c) The Bonds of each Series shall be in the Authorized Denominations specified in the Series Resolution.

(d) Bonds of each Series shall be (i) dated as of the date or dates, (ii) shall bear interest from the date or dates and (iii) shall be payable as to principal, premium and interest, all as designated in the applicable Series Resolution.

Section 3.02. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Bond Resolution as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the Administration prior to the delivery thereof.

There shall be printed on the face of each Bond language to the effect that the Bonds are special obligations of the Administration, payable solely from the revenues and property of the Administration pledged therefor under this Bond Resolution; the Administration has no taxing power. The Bonds do not constitute a debt of the State, of any political subdivision thereof, of the Administration or of the Department, or a pledge of the faith, credit or taxing power of the State, any such political subdivision, the Administration or the Department.

Section 3.03. Execution and Authentication. (a) The Bonds shall be executed on behalf of the Administration with the manual or facsimile signature of an Authorized Officer and shall have impressed or imprinted thereon the official seal of the Secretary and be attested with the manual or facsimile signature of such Authorized Officer as shall be directed by the Series Resolution authorizing the issuance thereof, or in such other manner as may be required by law. All authorized facsimile signatures shall have the same force and effect as if manually signed. If

any officer or employee of the Administration whose manual or facsimile signature appears on any Bonds ceases to hold such office or employment before delivery of the Bonds, the signature is nevertheless valid and sufficient for all purposes as if such officer or employee had remained in the office or employment until delivery. Any Bond of a Series may be signed on behalf of the Administration by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Administration, although at the Issue Date or the date of issuance and delivery of the Bonds of such Series such persons may not have been authorized or have held such office or employment.

(b) The Bonds of each Series shall bear thereon a Trustee's certificate of authentication, substantially in the form set forth in the appropriate Series Resolution. Only such Bonds as shall bear thereon such Trustee's certificate of authentication shall be entitled to any right or benefit under this Bond Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Administration shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Bond Resolution and that the owner thereof is entitled to benefits of this Bond Resolution.

Section 3.04. Exchange of Bonds. Registered Bonds, upon surrender thereof at the designated office of the Registrar, with a written instrument of transfer satisfactory to the Registrar, duly executed by the owner thereof or such Bondholder's attorney duly authorized in writing, may, at the option of the owner thereof, be exchanged for an equal aggregate principal amount of registered Bonds of other Authorized Denominations of the same Series and maturity.

Section 3.05. Negotiability, Transfer and Registry. The Bonds shall be negotiable instruments under State law, pursuant to the Act, notwithstanding any other provisions of the Annotated Code of Maryland, as amended, or any recitals in the Bonds, subject to the provisions for registration and transfer contained in this Bond Resolution and the Series Resolutions and in the Bonds. So long as the Bonds of any Series shall remain Outstanding, the Administration shall maintain and keep, at the designated office of the Registrar, books for the registration and transfer of Bonds of such Series; and, upon presentation thereof for such purpose at said office, the Administration shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Registrar may prescribe, any Bond entitled to registration or transfer. So long as Bonds of any Series remain Outstanding, the Administration shall make all necessary provisions to permit the exchange and registration of Bonds of such Series at the designated office of the Registrar.

Section 3.06. Transfer of Registered Bonds. (a) Each registered Bond shall be transferable only upon the books of the Administration, at the designated office of the Registrar, by the owner thereof in whose name such Bond is registered on such books, either in person or by such owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the owner or the owner's duly authorized attorney. Upon the transfer of any such registered Bond, the Administration shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond.

(b) The Administration, the Trustee, the Registrar and any Paying Agent may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the Administration as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, premium, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such owner or upon such owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; neither the Administration, the Trustee, the Registrar nor any Paying Agent shall be affected by any notice to the contrary.

Section 3.07. Regulations for Exchange and Transfer. In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Administration shall execute and deliver Bonds in accordance with the provisions of this Bond Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, the Administration, the Trustee or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and any reasonable fees or expenses of the Trustee or the Registrar. 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 as herein provided calling such Bonds or portions thereof for redemption.

Section 3.08. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Administration shall execute and deliver a new Bond of like Series, maturity and principal amount (less any principal amount which has been paid or is then due and payable) as the Bond so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Administration evidence satisfactory to it as to such destruction, theft or loss and complying with such other reasonable regulations as the Administration may prescribe and paying such expenses as the Administration may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to the Administration. The Administration shall advise the Trustee and any Paying Agents of the issuance of substitute Bonds.

Section 3.09. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series may be printed or reproduced in a manner satisfactory to the Administration. Until the definitive Bonds of any Series are prepared, the Administration may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to right of exchange, one or more temporary Bonds (which shall be registrable as to principal and interest), substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in any Authorized Denomination, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Administration, at its own expense, shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds without charge to the owner thereof, deliver in exchange therefor, at the designated office of the Trustee, definitive registered Bonds of

Authorized Denominations, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Bond Resolution and the Series Resolution applicable thereto. All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Extension of Payment of Bonds. The Administration shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest, or by any other arrangement; in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under this Bond Resolution, to the benefit of this Bond Resolution or to any payment out of any assets of the Administration or the funds (except funds held in trust for the payment of particular Bonds) held by any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Administration to issue Refunding Bonds as provided in Article II, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond or of the time of payment of any claim for interest.

Section 3.11. Money Held for Particular Bonds; Disposition of Unclaimed Moneys.

(a) The amounts held by any Paying Agent or the Trustee for the payment of the interest, principal or redemption price due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the holders of the Bonds entitled thereto, and for the purposes of this Bond Resolution, such interest, principal or redemption price, after the due date thereof, shall no longer be considered to be unpaid.

(b) All moneys deposited with the Trustee for the payment of Parity Obligations and Subordinate Contract Obligations are presumed abandoned unless, within five years after they become payable or distributable, the Party, holder or person entitled to such payment or distribution has increased or decreased the principal, accepted payment of principal or income, corresponded in writing concerning the property, or otherwise indicated an interest as evidenced by a memorandum on file with the Trustee. In such event, the Trustee shall comply with the provisions of Title 17 of the Commercial Law Article of the Annotated Code of Maryland, as amended, or any successor statute thereto, as to the disposition of such moneys and the Administration and the Trustee shall be relieved of all liability, to the extent of the value of such moneys, for any claim which exists or may arise with respect to such moneys.

Section 3.12. Cancellation of Bonds. All Bonds purchased in lieu of redemption, redeemed or paid at maturity shall, if surrendered to the Administration or any Paying Agent, be cancelled by it and delivered to the Trustee, or if surrendered to the Trustee, be cancelled by it. No such Bonds shall be deemed Outstanding under this Bond Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled and, upon order of the Administration, shall be destroyed and a certificate thereof delivered to the Administration.

Section 3.13. Registrar. (a) On or prior to the date of issuance of each Series of Bonds, the Trustee, acting as Registrar under this Bond Resolution, shall obtain from the underwriters for such Series a list of Bondholders. The Trustee shall have no responsibility with regard to the accuracy of such list. The Trustee will keep on file a list of names and addresses of all Bondholders, a record of the principal amount of Bonds owned by such Bondholders and the interest accrued thereon, the identity number or numbers on the Bond or Bonds owned by such Bondholders and a record of all payments made by the Trustee to or for the account of such Bondholders. In addition, as to individuals owning Bonds, the Trustee shall record the Social Security number of such Bondholders and, as to corporate, partnership, trust or estate owners of Bonds, the federal tax identification number of such Bondholders. The information required to be kept by the Trustee hereunder shall be maintained for four years after the expiration of the term of the Bonds.

(b) Any co-Registrar designated under Section 11.02 hereof, acting as Registrar under this Bond Resolution, shall supply the Trustee, acting as Registrar, with all information in its possession which is required to be kept by the Trustee hereunder within five days of receipt thereof by such co-Registrar.

Section 3.14. Book Entry Registration. The Administration and the Trustee may enter into such agreements as may be necessary to provide for registration of the Bonds in book-entry form, with or without the issuance of bonds, certificates or other writings evidencing the ownership thereof. Notwithstanding the foregoing, the Trustee shall not promulgate any change in the form of the Bonds as permitted under Section 2.04 or initiate any book-entry registration program with respect to the Bonds unless it shall have received an opinion of Bond Counsel to the effect that such change in form of the Bonds or initiation of a book-entry system of registration will not adversely affect the exclusion of interest on Tax-Exempt Bonds from gross income for federal income tax purposes.

In the event that the Trustee, with the consent of the Administration, initiates a book entry registration system to be maintained by The Depository Trust Company ("DTC"), the Authorized Officer and the Trustee shall execute and deliver to DTC any representation letters or other agreements then required by DTC in order to qualify the Bonds for registration in DTC book-entry form. Notwithstanding any other provision of this Bond Resolution, during any period in which Bonds are maintained pursuant to a book entry registration system maintained by DTC, principal, premium, if any, and interest payments on the Bonds may be payable to Cede & Co., as nominee of DTC, or to DTC's registered assigns, as the registered owner of the Bonds, (i) in immediately available funds (to the extent that the Trustee has immediately available funds) on each day on which the principal of or premium or interest on the Bonds is due as set forth in this Bond Resolution and in the Bonds, and (ii) in immediately available funds (to the extent that the Trustee has immediately available funds) on each day on which the redemption price of Bonds is to be paid as set forth in this Bond Resolution and in the Bonds. Such payments may be paid to the offices of DTC to be set forth in, or to be established in accordance with, the representation letters. The Authorized Officer and the Trustee are hereby authorized to agree to any different manner for the payment of interest, premium, if any, or principal which is determined in accordance with the representation letters. Transfer or crediting of the appropriate principal, premium, if any, and interest payments to DTC's participants will be the responsibility of DTC, and transfer and crediting of principal, premium, if any, and interest payments to the

beneficial owners of the Bonds or their nominees will be the responsibility of DTC's participants. Transfers of beneficial ownership of the Bonds will be effected on the records of DTC (and its participants) pursuant to rules and procedures established by DTC. Any mandatory tender of Bonds shall be effected in accordance with the procedure to be set forth in the representation letters, notwithstanding any provision in this Bond Resolution to the contrary.

The Administration may replace any depository for the Bonds pursuant to a book-entry registration system established in accordance with this Section if (i) an Authorized Officer determines that such depository is incapable of discharging its duties with respect to the Bonds, or that the interest of the beneficial owners of the Bonds might be adversely affected by the continuation of such book-entry system, or (ii) such depository determines not to continue to act as a securities depository for the Bonds or is no longer permitted to act as a securities depository with respect to municipal securities such as the Bonds. Notice of such determination shall be given to such depository and to the Trustee not less than 30 days prior to any such determination. In the event that a substitute depository is selected or replacement Bonds are to be issued in certificated form in accordance with the provisions of this Section, provided the person then acting as depository for the Bonds shall advise the Trustee and the Administration of the identity and addresses of each of its participants and, if available, the beneficial owners of the Bonds, the Trustee shall notify depository participants and (to the extent that it has been provided with the identity and addresses of the beneficial owners of the Bonds) the beneficial owners of the Bonds by mailing appropriate notice to such depository or directly to such depository participants or beneficial owners, as appropriate in light of the nature of the book-entry registration system then in effect.

The Administration may issue replacement Bonds to a substitute securities depository, to participants of a securities depository to be replaced or to beneficial owners of the Bonds properly identified by such participants, provided that:

(a) In the event that the Administration determines to issue replacement Bonds to a replacement securities depository, the securities depository to be replaced shall have returned the Bonds registered in the name of such depository or its nominee, together with appropriate records of such depository or copies thereof showing the interests of its participants in the Bonds as of a reasonably current date, on or before the date replacement Bonds are to be issued. Replacement Bonds issued to a replacement securities depository shall have the same terms, form and content as the Bonds initially registered in the name of the securities depository to be replaced or its nominee except for the name of the record owner thereof.

(b) In the event that replacement certificated Bonds are to be issued to participants or to beneficial owners of the Bonds, such securities depository to be replaced shall have provided to the Trustee a listing showing the participants' interest in the Bonds as of a reasonably current date. The Administration shall promptly thereafter provide replacement Bonds registered in the name of such participants as their interests appear in the list provided by such depository to the Trustee. To the extent that participants request the Trustee to authenticate replacement Bonds in the name of a beneficial owner, the Administration, upon timely notification and with adequate identification of such beneficial owners, shall issue replacement Bonds in the names of such beneficial owners.

Replacement Bonds issued to participants or to beneficial owners shall be in such denominations, shall be payable as to principal and interest on the same dates as the Bonds by check or draft mailed to each registered owner at the address of such owner as it appears on the bond register maintained by the Trustee as registrar and shall be in fully registered form.

(c) The Administration may establish necessary record dates for the replacement certificated Bonds.

Any securities depository selected in accordance with this Section and each of its participants and the beneficial owners of the Bonds, by their acceptance of the Bonds agree that the Administration and the Trustee shall have no liability for the failure of any such securities depository which may be selected as herein provided to perform its obligations to the participants and the beneficial owners of the Bonds, nor shall the Administration or the Trustee be liable for the failure of any participant or other nominee of the beneficial owners to perform any obligation the participant may incur to a beneficial owner of the Bonds and that the Trustee shall have no fiduciary duties to such depository, participants or beneficial owners.

Section 3.15. Qualified Hedges. The Administration may, to the extent from time to time permitted by law, enter into Qualified Hedges, provided (i) the Administration has first received a written determination by each Rating Agency that such Qualified Hedge would not cause the Bonds to fail to retain the then-outstanding rating assigned thereto by such Rating Agency and (ii) the Administration's financial advisor has provided the Administration with a certificate to the effect that entering into the Qualified Hedge is not expected to have a materially adverse effect on the interests of Bondholders. The Administration's obligation to pay any amount under any Qualified Hedge may be secured by a pledge of, and a lien on, Revenues on a parity with the lien securing the Parity Obligations (a "Parity Hedge Obligation"), or may constitute a Subordinate Contract Obligation, as determined by the Administration in the Series Resolution authorizing the related issue of Bonds or in a Supplemental Resolution. Said Series Resolution or Supplemental Resolution must characterize each component of such Parity Obligation as either Parity Principal or Parity Interest. Parity Hedge Obligations shall not include any payments of any termination fees (including Termination Payments) or other fees, expenses, indemnification or other similar obligations to a Party to a Qualified Hedge, which payments shall be Subordinate Contract Obligations.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Procedure and Prices. The Bonds of any Series which are redeemable prior to maturity shall be subject to redemption by or on behalf of the Administration prior to maturity, upon receipt by the Trustee of instructions of an Authorized Officer referred to in Section 4.02, receipt by the Trustee of a Cash Flow Certificate, if required pursuant to Section 6.13(b), and upon the giving of notice, all to such extent, through application of such moneys, at such time or times, in such order and on such other terms and conditions as shall be provided by this Bond Resolution and the applicable Series Resolution and in all cases, at a price equal to the principal amount of each Bond or portion thereof to be redeemed, plus such redemption premium

(if any), as shall be set forth in said Bonds and applicable upon such redemption, together with interest accrued to the redemption date.

Section 4.02. Selection of Bonds to be Purchased or Redeemed. Any Bonds to be purchased or redeemed by the Trustee, except pursuant to a Sinking Fund Installment, shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of instructions from an Authorized Officer determining the following:

- (a) the Series of Bonds to be purchased or redeemed in whole or in part;
- (b) the maturities within such Series from which Bonds are to be purchased or redeemed;
- (c) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed;
- (d) the amount, if any, to be transferred from other moneys of the Administration to pay applicable redemption premiums or purchase prices; and
- (e) if any of the Bonds to be purchased or redeemed, as designated in clauses (a) and (b) above, are Term Bonds, the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined are to be reduced, provided that the aggregate of such reductions in Sinking Fund Installments shall equal the aggregate principal amount of Term Bonds to be purchased or redeemed.

If required pursuant to Section 6.13(b)(i) or (viii), the Administration shall provide to the Trustee a Cash Flow Certificate taking into account the proposed redemption of Bonds.

The Administration shall give written notice to the Trustee of its election to redeem Bonds and of the proposed redemption date at least five Business Days prior to the date notice of such redemption is required to be given in accordance with the applicable Series Resolution, or at such later date as shall be acceptable to the Trustee. If the required notice of redemption shall have been given, the Administration covenants that it will, prior to the redemption date (or, in the case of any proposed redemption date contingent upon the receipt of moneys by the Administration, any later date to which the redemption may be postponed), pay to the Trustee an amount of cash which, in addition to any other moneys available therefor held by the Trustee, will be sufficient to redeem at the redemption price thereof, plus interest accrued to the redemption date, all of the Bonds which are to be redeemed.

Section 4.03. Selection of Bonds to be Redeemed by Lot. Unless otherwise specifically provided in the Series Resolution, in the event of a partial redemption of Bonds of like Series and maturity, the Trustee shall select Bonds for redemption by lot or in such random manner of selection as the Trustee shall determine. In the case of a Bond having a denomination greater than the minimum Authorized Denomination, such Bond shall be treated as multiple Bonds of the minimum Authorized Denomination in the number obtained by dividing the denomination of such Bond by the minimum Authorized Denomination, and one or more portions of such Bond may be selected for redemption. If the entire principal amount of the Bonds of like Series and maturity to be redeemed in part are held as a single registered Bond, the

Trustee may notify the holder of such Bond of the portion thereof to be redeemed without selecting such portion by lot or in another random manner. For the purposes of this Section, Bonds or portions of Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

Section 4.04. Notice of Redemption. (a) When the Trustee shall be required or authorized, or shall receive notice from the Administration of its election pursuant to Section 4.02, to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of this Bond Resolution and the applicable Series Resolutions, select the Bonds to be redeemed and shall give notice, in the name of the Administration, of the redemption of Bonds.

(b) The notice of redemption shall contain the following information: (i) the issue of Bonds being called for redemption and its date of issue, (ii) the redemption date, (iii) the redemption price of the Bonds being called for redemption, (iv) the numbers, maturity dates, interest rates, CUSIP numbers and any other distinguishing marks of the Bonds being called for redemption, (v) the portions of any Bond to be redeemed (if any Bond is to be redeemed in part), (vi) a statement that the Bonds will not bear interest after the redemption date, (vii) the publication date of the redemption notice, (viii) the place or places where the redemption price is payable, (ix) the name and address of the Trustee and any other paying or redemption agent, and (x) any other information with respect to the Bonds being called for redemption, as determined by the Trustee or the Administration; provided, that any error in or the omission of any such information shall not affect the validity of any such notice.

Such notice may be given before the Administration has the moneys on deposit in any fund or account to pay the redemption price of the Bonds being called for redemption and may also state that redemption of the Bonds is contingent upon the timely receipt of such moneys by the Administration. If redemption of the Bonds is contingent upon the receipt of moneys to be used to pay the redemption price of the Bonds to be redeemed and such moneys are not timely received to effect redemption on the anticipated redemption date, such redemption may be cancelled or postponed until one or more dates when the moneys are actually received, and, in the event of such a postponement, no further notice of redemption need be given.

(c) Such notice shall be given to the owner of any Bond, all or a portion of which is to be redeemed, at such owner's last address, if any, appearing upon the registry books; provided, that the giving of notice with respect to any Bond shall not be a condition precedent to, and failure to give such notice, or any defect therein, with respect to any Bond shall not affect the validity of any proceeding for the redemption of any other Bond of such Series or any other Series.

(d) Such notice shall be given not less than fifteen days before such redemption date; provided, however, the Administration may provide in each Series Resolution a different period or periods for the giving or publication of redemption notice for the Series of Bonds authorized by such Series Resolution, and may provide for redemption of such Series of Bonds with no prior notice to Bondholders.

Section 4.05. Payment and Cancellation of Redeemed Bonds. (a) Notice having been given in the manner provided, in Section 4.04, the Bonds or portions thereof called for

redemption and specified in said notice shall become due and payable on the redemption date specified in said notice at the redemption prices thereof applicable on such date, plus unpaid interest on said Bonds or portions thereof accrued to such date, and, except as otherwise provided in a Series Resolution, upon presentation and surrender thereof at the place or places specified in said notice together with a written instrument of transfer duly executed by the owner thereof or by such owner's attorney duly authorized in writing, said Bonds or portions thereof shall be paid at the applicable redemption prices, plus unpaid interest on said Bonds or portions thereof accrued to such date. If there shall be so called for redemption less than all of a Bond, the Administration shall execute and cause to be delivered, upon the surrender of such Bond to the Trustee, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, at the option of the owner thereof, Bonds of like Series, designation, interest rate and maturity.

If, on such redemption date, money for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee so as to be available therefor on such date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest (or, in the case of Capital Appreciation Bonds or Deferred Income and Appreciation Bonds, the Accreted Amount) on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable, and said Bonds or portions of Bonds shall no longer be considered Outstanding hereunder. All money held by or on behalf of the Trustee for the redemption of particular Bonds shall be held in trust for the account of the holders of the Bonds so to be redeemed. All Bonds redeemed or purchased in lieu of redemption in accordance with the provisions of this Bond Resolution shall be cancelled by the Trustee.

(b) Notwithstanding the provisions of subsection (a) above, the Administration may enter into an agreement with an owner of any Bond having a denomination greater than the minimum Authorized Denomination providing that such owner is authorized to effect a reduction in the face amount of such Bond by making a notation on the face thereof in lieu of surrendering such Bond to the Trustee for cancellation and the issuance of a new bond or bonds in the amount of the unredeemed portion thereof in accordance with subsection (a) above. If the Administration and an owner enter into such an agreement, the records of the Trustee shall be conclusive in determining the outstanding principal amount of the Bonds affected by the agreement, notwithstanding the failure of the owner to make any notation on such Bonds of the redemption of a portion thereof, and shall be binding upon the owner, any heirs, successors or assigns, or any transferee or purchaser of such Bonds. If the Administration enters into such an agreement with an owner of the Bonds, then a notation as to the effect thereof may be inserted into the form of the bonds delivered to such owner.

Section 4.06. Purchase of Bonds. (a) The Administration may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds (in which event any Bonds so purchased shall be cancelled as provided in Sections 3.12 and 4.05) or for any other purpose pursuant to written instructions given by the Administration to the Trustee, provided that, if the purchase price of any Bonds exceeds the then applicable Redemption Price and accrued interest to the date of purchase, such written instructions shall be accompanied by a Cash Flow Certificate which takes into account any redemption or cancellation of Bonds so

purchased. Such purchases shall be made in such manner as directed by the Administration. The Administration or the Trustee shall pay the purchase price of such Bonds together with accrued interest thereon from such funds as may be available therefor pursuant to this Bond Resolution, any applicable Series Resolution, or as otherwise may be made available by the Administration.

(b) The Administration may provide in any Series Resolution for the purchase of any Bonds of such Series in such order and amount as the Administration may determine, including, without limitation, any Bonds to be redeemed. The purchase price of any Bonds so purchased shall be paid from such sources as shall be designated in the applicable Series Resolution and from any other moneys made available by the Administration.

(c) The Administration may from time to time in its discretion invite tenders for sale of Bonds to the Administration or a person designated by the Administration, either by public offer or private invitation, at such prices or bidding procedure as may be determined by the Administration. Such tender invitations may be made in lieu of redemption of Bonds or for any other purpose.

ARTICLE V

FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS AND REVENUES

Section 5.01. Establishment of Funds and Accounts. (a) The following funds and accounts are established:

- (1) Bond Proceeds Fund;
- (2) Revenue Fund;
- (3) Redemption Fund;
- (4) Debt Service Reserve Fund;
- (5) Collateral Reserve Fund; and
- (6) Acquired Development Fund.

(b) All such funds and accounts shall be held and maintained by the Trustee and shall be identified by the Administration and the Trustee according to the designations herein provided in such manner as to distinguish such funds and accounts from the funds and accounts established by the Administration for any other of its obligations. The Administration may establish accounts and sub-accounts within each fund and account to the extent consistent with this Bond Resolution and such other funds or accounts as may be authorized pursuant to a Supplemental Resolution. The Trustee need not establish or create any fund or account until such time as moneys or Permitted Investments are to be credited to or deposited into such fund or account. All monies or securities held by the Trustee pursuant to this Bond Resolution or a Supplemental Resolution shall be held in trust and applied only

in accordance with the provisions of this Bond Resolution, the applicable Supplemental Resolution, the Act and other applicable law.

(c) The Administration may at any time direct the transfer of moneys or Permitted Investments between or among any fund or account created pursuant to this Bond Resolution, provided such transfers are otherwise in accordance with the provisions of this Bond Resolution. The Administration may, but is under no obligation to, at any time deposit or cause to be deposited into any fund or account hereunder moneys from any source, including, without limitation, funds of the Administration.

Section 5.02. Bond Proceeds Fund. (a) There shall be deposited from time to time in the Bond Proceeds Fund any proceeds of the sale of Bonds representing principal, premium or other amounts required to be deposited therein pursuant to this Bond Resolution and any Supplemental Resolution or Series Resolution and any other amounts determined by the Administration to be deposited therein from time to time. Upon the issuance, sale and delivery of any Series of Bonds pursuant to this Bond Resolution, the Administration shall establish on the books of the Administration a separate account within the Bond Proceeds Fund for each Series of Bonds. Each payment from the Bond Proceeds Fund shall be charged to the appropriate account of the Bond Proceeds Fund on the books of the Administration.

(b) Amounts in the Bond Proceeds Fund shall be expended only: (i) to finance one or more of the purposes authorized by this Bond Resolution; (ii) to pay Cost of Issuance; (iii) to pay principal of and interest on the Bonds when due, in accordance with subsection (d) of this Section, to the extent amounts in the Revenue Fund are insufficient for such purpose; (iv) to purchase or redeem Bonds in accordance with subsection (e) of this Section; (v) to pay, purchase or redeem bonds, notes or other obligations of the Administration or any other entity in accordance with subsection (f) of this Section, (vi) for any other use or purpose permitted by the applicable Series Resolution and the Act, and (vii) if so provided in a Supplemental Resolution, to reimburse a Credit Facility Provider or Credit Enhancer for amounts paid or obtained under a Credit Facility or Credit Enhancement for any of the purposes described in clauses (iii), (iv), (v) or (vi) of this paragraph (b).

(c) The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Bond Proceeds Fund at any time for the purpose of making payments pursuant to clause (i) or (ii) of paragraph (b) of this Section, but only upon receipt of:

(1) a written requisition setting forth each amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Administration) and the purpose of each such payment; and

(2) a certificate of an Authorized Officer identifying such requisition and stating that (A) the amount to be withdrawn from the Bond Proceeds Fund pursuant to such requisition is a proper charge thereon, (B) if such requisition is in connection with the financing of a Loan, including construction advances thereon, such Loan complies with the provisions of this Bond Resolution, and (c) the amount of all payments theretofore or thereupon made by the Administration does not exceed the amount necessary to finance the purpose of such payment.

(d) At least one day prior to each Interest Payment Date or any other date when principal or premium is payable on any of the Bonds, an Authorized Officer shall deliver to the Trustee instructions setting forth the amounts necessary and available to pay the principal of and interest on the Bonds from the amount on deposit in the Bond Proceeds Fund, after giving effect to the actual and expected application of amounts therein to the financing of the purposes for which Bonds were issued as of the date of such certificate, the amount on deposit for such use in the Revenue Fund and any other amount available for such use pursuant to a Supplemental Resolution. On each Interest Payment Date or date when principal or premium is payable on any of the Bonds the Trustee shall transfer the amounts so stated to the Revenue Fund.

(e) At any time the Administration may direct the Trustee in writing to transfer amounts in the Bond Proceeds Fund not required for the financing of the Administration's purposes to the Redemption Fund or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the applicable provisions of Article IV.

(f) If so provided in a Series Resolution, the Administration may direct the Trustee in writing to transfer amounts in the Bond Proceeds Fund to fund the payment, purchase or redemption of bonds, notes or other obligations, which may include interest thereon, theretofore issued by the Administration or any other entity upon receipt by the Trustee of a written requisition setting forth (i) the issue of bonds, notes or other obligations with respect to which the transfer is to be made, and (ii) the amount of the transfer.

Section 5.03. Revenue Fund. (a) The Administration shall cause all Revenues to be deposited promptly with the Trustee in the Revenue Fund. There shall also be deposited in the Revenue Fund any other amounts required to be deposited therein pursuant to this Bond Resolution or any Supplemental Resolution or any other funds from any source directed to be deposited therein by the Administration.

(b) The Trustee shall pay out of the Revenue Fund:

(i) on or before each Interest Payment Date or other date or dates on which the following obligations are payable, the amounts required for the payment of Parity Interest, Principal Installments or Sinking Fund Installments, if any, related to Parity Bonds, and principal payments on other Parity Obligations, and

(ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of premium, if any, and accrued interest on outstanding Parity Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided for,

and in each such case, such amounts shall be applied by the Trustee to such payments; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider, Credit Enhancer or

Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

(c) Any amount accumulated in the Revenue Fund up to the unpaid balance of each Sinking Fund Installment may, and, if so directed in writing by the Administration, shall, be applied by the Trustee prior to the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to such Sinking Fund Installment: (i) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, in accordance with the provisions of Section 4.06, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to make the purchases referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such purchases may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

(d) Except as otherwise provided in an applicable Supplemental Resolution, upon the purchase or redemption of any Bond pursuant to subsection (c) of this Section, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of the next Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. Any such instructions shall be given in such manner as, in the best judgment of the Administration, shall provide for the payment of the Sinking Fund Installments thereafter to become due from the remaining Revenues to be derived in connection with the Loans and any other Revenues expected to be available for such payments after considering the amounts payable pursuant to the Loans at such time. The portion of any Sinking Fund Installment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in Section 5.04(c) (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculating Sinking Fund Installments due on a future date.

(e) As soon as practicable after the fifth day preceding the date the Trustee is required to give notice of redemption of Bonds pursuant to any Sinking Fund Installment, the Trustee shall proceed to select and call for redemption pursuant to Article IV, on such due date, Bonds of the maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Installment. The Trustee shall so call such Bonds for redemption whether or not it then has monies in the Revenue Fund sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Revenue Fund the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by the Trustee to such redemption; provided that if, pursuant to a Supplemental Resolution, amounts obtained under a Credit

Facility, Credit Enhancement or Qualified Hedge are to be used to make the payments referred to in this paragraph, then amounts in the Revenue Fund which would have otherwise been used to make such payments may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, as applicable, for the amounts so obtained, all in accordance with such Supplemental Resolution.

(f) On each Interest Payment Date, following the payments made in accordance with subsection (b) above, and subject to the requirements and priorities set forth in any applicable Series Resolution authorizing a Series of Bonds, the Trustee shall transfer from the Revenue Fund:

(i) first, an amount equal to the amount necessary to be transferred to the Debt Service Reserve Fund for each Series of Parity Bonds in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available),

(ii) second, to the Bond Proceeds Fund, such amount as the Administration determines is required to finance the purposes or uses described in Section 5.02(b), as evidenced by a certificate of an Authorized Officer,

(iii) third, if so directed by the Administration, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses,

(iv) fourth, if so directed by the Administration, to any Credit Facility Providers, Credit Enhancers or Qualified Hedge Providers an amount equal to any fees due and owing to such Credit Facility Providers, Credit Enhancers or Qualified Hedge Providers,

(v) fifth, to the Administration, an amount equal to any Operating Expenses, to the extent unpaid,

(vi) sixth, to the entities providing Permitted Investments with respect to the funds and accounts or any arrangements or agreements with respect thereto, amounts equal to the fees due and payable on or before the next succeeding Interest Payment Date to such entities, as designated in a certificate of an Authorized Officer, provided that the transfers made pursuant to the foregoing clauses (ii) through (v) shall be consistent with the most recent Cash Flow Statement or Cash Flow Certificate,

(vii) seventh, interest on Subordinate Contract Obligations, Principal Installments or Sinking Fund Installments, if any, related to Subordinate Bonds, and principal payments or other amounts (including Termination Payments) due under, other Subordinate Contract Obligations, and

(viii) eighth, an amount equal to the amount necessary to be transferred to Debt Service Reserve Fund for each Series of Subordinate Bonds in order that the amount on deposit therein be equal to the Debt Service Reserve Requirement (or such lesser amount as may be available).

If the amounts to be transferred pursuant to the foregoing clauses (ii) through (v) are greater than permitted by the most recent Cash Flow Statement or Cash Flow Certificate, such greater amounts may be transferred upon the receipt by the Trustee of a new Cash Flow Statement or Cash Flow Certificate taking such increased transfers into account. At any time after the transfers described in (i) through (viii) above have been made, except as otherwise provided in a Series Resolution, the Administration may upon the written request of an Authorized Officer and upon filing with the Trustee of a Cash Flow Statement or a Cash Flow Certificate pursuant to Section 6.13, withdraw free and clear of the lien of this Bond Resolution any amount remaining in the Revenue Fund.

(g) Notwithstanding any other provision of this Section, the Trustee may at any time make transfers from the Revenue Fund, upon the written direction of an Authorized Officer, to the Redemption Fund for the purposes of such fund. No such transfer shall be made, however, unless there is on deposit in the Revenue Fund after such transfer an amount equal to the Debt Service accrued on all Outstanding Bonds, and any amounts accrued on Parity Obligations and Subordinate Contract Obligations, as of the date of such transfer.

(h) Notwithstanding any other provision of this Section, no payments shall be required to be made into the Revenue Fund so long as the amount on deposit therein shall be sufficient to pay all outstanding Bonds (including the Sinking Fund Installments for the retirement thereof) Parity Obligations, and Subordinate Contract Obligations in accordance with their terms, and any Revenues thereafter received by the Administration may be applied to any lawful purpose of the Administration free and clear of the pledge and lien of this Bond Resolution.

(i) The Administration reserves the right to transfer any legally available funds, including, without limitation, proceeds of Refunding Bonds, to the Trustee for credit to the Revenue Fund to pay all or a portion of scheduled principal or interest payments on any Loan, to cure or avert a default on any Loan, or to make any payment of principal, premium, interest or Sinking Fund Installment with respect to any or all of the Bonds. The Administration shall be entitled to recover from the Borrower any amounts so advanced, together with interest thereon at the rate payable on the Loan, or to enforce its right to such recovery under the Loan.

Section 5.04. Redemption Fund. (a) The Trustee shall credit to the Redemption Fund all Recovery Payments, transfers in connection therewith under Section 5.05, transfers pursuant to § 5.03(g), amounts transferred from the Bond Proceeds Fund and any other amounts provided by the or on behalf of Administration (including, without limitation, proceeds of refunding bonds or other obligations); each of which shall be used and applied, as directed by an Authorized Officer, to any of the following purposes: (i) to provide additional funds to the Bond Proceeds Fund for an increase in the amount of a Loan authorized by the Administration or for new Loans to be made, purchased or financed by the Administration, (ii) for the purchase or redemption of Outstanding Bonds as directed by an Authorized Officer, or (iii) for transfer to the Revenue Fund of amounts included in a Recovery Payment representing interest on a Loan; provided that on the first day of each month while any Recovery Payment or amount transferred from the Bond Proceeds Fund is held in the Redemption Fund, the Trustee shall, if directed by an Authorized Officer, transfer from the Redemption Fund to the Revenue Fund the scheduled monthly payment of principal of the Loan with respect to which the Recovery Payment was received or to

which the Loan was to be made. Upon the direction of an Authorized Officer, the Trustee shall transfer any excess funds then held in the Redemption Fund to the Revenue Fund.

(b) The Administration may authorize the increase of any Loan or the making or purchasing of a new Loan, as contemplated in paragraph (a) of this Section, 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 this Article, except as provided in paragraph (a) of this Section, to the Bond Proceeds Fund for disbursement pursuant to Section 5.02(c). Upon receipt of a direction from an Authorized Officer, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized into the Bond Proceeds Fund as designated by the Authorized Officer.

(c) Upon receipt of the instructions from an Authorized Officer referred to in Section 4.02, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) of this Section to the purchase of Bonds so designated at the most advantageous price obtainable with due diligence in accordance with Section 4.06. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article IV. Bonds shall not be purchased pursuant to this paragraph from money to be applied to the redemption of Bonds on a redemption date during the period beginning on the fifth day preceding the date notice of redemption is to be given by the Trustee as provided in the applicable Series Resolution and ending on such redemption date.

(d) If required pursuant to Section 6.13(b), the Administration shall provide to the Trustee a Cash Flow Certificate taking into account the proposed transfers or uses of moneys held in the Redemption Fund for the purposes described in subsection (a) above.

(e) Notwithstanding anything to the contrary contained in this Section, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility are to be used to purchase or redeem Bonds, then amounts in the Redemption Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

Section 5.05. Debt Service Reserve Fund. (a) There shall be deposited into the Debt Service Reserve Fund all moneys or Cash Equivalents required to be deposited therein pursuant to this Bond Resolution and any Supplemental Resolution and any other amounts received and determined to be deposited therein by the Administration. In connection with the issuance of Refunding Bonds, the Administration may direct that any moneys, Cash Equivalents or Permitted Investments deposited or held in the Debt Service Reserve Fund with respect to the Bonds to be refunded shall be credited against the Debt Service Reserve Requirement with respect to the Refunding Bonds.

(b) If moneys in the Revenue Fund are insufficient to provide for the payment when due of any Principal Installment, interest on the Bonds or any Sinking Fund Installment, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Revenue Fund the amount of the deficiency then remaining. The Trustee shall notify the Administration in writing prior to any such withdrawal from the Debt Service Reserve Fund.

(c) In the event of the anticipated purchase or redemption of Bonds as a result of a Recovery Payment in connection with a Loan, the Trustee shall, if so directed by an Authorized Officer, withdraw from the Debt Service Reserve Fund and credit to the Revenue Fund or the Redemption Fund, as directed by the Administration, an amount equal to the reduction of the Debt Service Reserve Requirement attributable to such redemption or purchase.

(d) Any balance in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Debt Service Reserve Fund and credited by the Trustee to any other fund.

(e) The amount of the Debt Service Reserve Requirement may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction and confirmation from each Rating Agency that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction. Upon such reduction in the Debt Service Reserve Requirement, any moneys in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Debt Service Reserve Fund and credited by the Trustee to any other fund.

(f) Notwithstanding anything to the contrary contained in this Section, if, pursuant to a Supplemental Resolution, amounts obtained under a Credit Facility, Credit Enhancement or Qualified Hedge are to be used to pay the Principal Installments of and interest on Bonds, then amounts in the Debt Service Reserve Fund which would otherwise have been used for such purposes may be applied to reimburse the Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider for the amounts so obtained, all in accordance with such Supplemental Resolution.

(g) Notwithstanding anything in this Bond Resolution to the contrary, if the amount of moneys or Permitted Investments held in or to the credit of the Debt Service Reserve Fund falls below the amount of the Debt Service Reserve Requirement, the Administration shall not be required to deposit additional moneys into the Debt Service Reserve Fund except in accordance with Section 5.03(f).

Section 5.06. Collateral Reserve Fund. (a) Moneys or Cash Equivalents shall be deposited into the Collateral Reserve Fund in accordance with the requirements of a Series Resolution or a Supplemental Resolution, which may establish terms, conditions and provisions relating to the funding of the Collateral Reserve Fund, disbursement of moneys or Cash Equivalents from such fund, and maintenance of moneys or Cash Equivalents required to be held in such fund with respect to either a Series of Bonds or generally. The amount of moneys or Cash Equivalents required to be held in the Collateral Reserve Fund may be reduced upon receipt by the Trustee of a Cash Flow Certificate taking into account such reduction, which Cash Flow Certificate shall also state that such reduction, in and of itself, will not cause or result in a reduction of the rating or ratings on the Bonds in effect immediately before such reduction.

(b) Any balance in the Collateral Reserve Fund in excess of the Collateral Reserve Requirement, may, at the direction of an Authorized Officer, be withdrawn from the Collateral Reserve Fund and credited by the Trustee to any other fund.

Section 5.07. Acquired Development Fund. (a) Acquired Development Receipts shall be held by the Trustee in the Acquired Development Fund and shall be used solely for the payment of Acquired Development Expenses; provided that any amount specified by an Authorized Officer as not being needed to maintain the Acquired Development Expense Requirement shall be transferred to the Revenue Fund.

(b) Payments from the Acquired Development Fund shall be made upon the direction of an Authorized Officer. Upon receipt of each such direction of an Authorized Officer, the Trustee shall pay the amount stated therein to the Administration by check or draft or shall arrange for the transfer, deposit or payment of such amounts as directed by the Authorized Officer.

(c) The Administration shall maintain on its books of account a separate account within the Acquired Development Fund for each Acquired Development, showing all disbursements of money withdrawn for it from the Acquired Development Fund, and shall provide to the Trustee, at least quarterly, a report showing in reasonable detail the expenditures for each Acquired Development.

Section 5.08. Escrow Accounts. Escrow Payments received by the Administration or a Servicer, whether separately or as part of some other payment, shall be deposited in one or more escrow accounts established and maintained by the Administration and shall be applied by the Administration or such Servicer to the purpose for which such payments were received. Any Escrow Payments received by the Trustee (except in the capacity of a Servicer), whether separately or as part of some other payment, shall immediately be paid by the Trustee to the Administration and applied by the Administration to the purpose for which they were received. Moneys held in an escrow account shall not be subject to the lien of this Bond Resolution.

Section 5.09. Reporting on Funds and Accounts. At least once a month, the Trustee shall provide to the Administration a report made by an officer or employee of the Trustee covering all receipts and amounts as of the last day of the preceding month then credited to all funds and accounts established under this Bond Resolution, as well as any securities specifically pledged or provided therefor, any investment thereof, and all disbursements made pursuant to the provisions of this Bond Resolution. The reports covering each month through its last day shall be transmitted by the Trustee to the Administration no later than the 15th day of the following month (or such later date acceptable to the Administration) and, upon written request of the holders of not less than five percent in principal amount of the Bonds, to them or their agents or representatives.

Section 5.10. Qualification of Loans. Upon original acquisition or financing, each Loan shall conform to the following terms, conditions, provisions and limitations, except to the extent, if any, that a variance therefrom is required or permitted either (i) pursuant to Credit Enhancement of such Loan, or (ii) by the Administration:

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

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

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

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

(e) **Credit Enhancement.** All or a portion of the Loan may be (but is not required to be) credit enhanced in accordance with the provisions therefor set forth in the Series Resolution authorizing a particular Series of Bonds.

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

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Payment of Bonds. The Administration shall duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on Bonds, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall pay or cause to be paid to the Trustee any part of any Sinking Fund Installments pursuant to any provision of this Bond Resolution.

Section 6.02. Compliance with Law; No Other Charge on Revenues, Funds or Accounts. The Administration shall duly observe and comply with all valid requirements of any governmental authority relative to any part of the Program, and shall not create or suffer to be created any lien or charge upon the Revenues, or upon the funds or accounts created by this Bond Resolution, except the pledge and lien created by this Bond Resolution for the payment of

the principal of, or premium, if any, and interest on the Bonds or as otherwise permitted by this Bond Resolution.

Section 6.03. Tax Covenant. If the Administration issues any Tax-Exempt Bonds, the Administration shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest on such Tax-Exempt Bonds will not be includible in gross income for federal income tax purposes in whole or in part.

The Administration shall apply or cause to be applied the proceeds of the Bonds in such manner as may be contemplated by the requirements of Section 103(b)(4)(A) of the 1954 Code, Section 142(d) or 145 of the 1986 Code, or any other applicable provision of the Code.

The Administration covenants that so long as any of the Bonds remain Outstanding, moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner which will cause any Tax Exempt Bonds to be classified as "arbitrage bonds" within the meaning of Section 103(c) of the 1954 Code or Section 148 of the 1986 Code, whichever is applicable.

Section 6.04. Program.

(a) The Administration shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of this Bond Resolution: (i) use and apply the proceeds of the Bonds, to the extent not required by this Bond Resolution for other Program purposes, to make or purchase or otherwise finance Qualified Loans or otherwise apply such proceeds in accordance with the provisions and requirements of each applicable Series Resolution; (ii) do all such acts and things as are necessary to receive and collect Revenues and such payments for taxes, insurance and similar items as are normally escrowed by prudent mortgage servicing institutions in the State, consistent with sound practices and principles; and (iii) shall diligently enforce and take all steps, actions and proceedings reasonably necessary, in the judgment of the Administration, for the enforcement of all terms, covenants and conditions of Mortgages and Loans.

(b) The Administration covenants that it will provide by agreement with the Borrower for each Development financed with the proceeds of a Loan such income and occupancy requirements as the Administration determines are necessary or desirable to assure compliance with the Act.

(c) The Administration covenants that it will at all times appoint, retain, designate or employ adequate numbers of competent personnel, agents, contractors and advisors for the purpose of carrying out the Program and administering the provisions of and any moneys, investments and assets held pursuant to this Bond Resolution.

Section 6.05. Covenants with Respect to Loans; Acquired Developments.

(a) Subject to the other provisions of this Section, the Administration shall take all reasonable steps, actions and proceedings it deems appropriate or necessary for the

enforcement of all terms, covenants and conditions of Loans made, purchased or financed by the Administration, including the prompt collection of Loan repayments and fees and charges and other Revenues.

(b) The Administration may, in its discretion, modify, amend or alter any security for, or any terms or provisions, of any Loan or Mortgage, provided that, if such modification, amendment or alteration is material, the Administration has filed with the Trustee a Cash Flow Certificate taking such sale, release, modification, amendment or alteration into account. The Administration may, in its discretion, materially modify, amend, alter, cancel or release Credit Enhancement of any Loan, provided the Administration has filed with the Trustee a Cash Flow Certificate taking such modification, amendment, alteration, cancellation or release into account and a certificate of an Authorized Officer to the effect that any such modification, amendment, alteration, cancellation or release will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

(c) Whenever the Administration deems it necessary or appropriate to protect and enforce the rights of the Administration under a Mortgage securing a Loan and to protect and enforce the rights and interests of Bondholders under this Bond Resolution, the Administration either shall (i) make claim under any Credit Enhancement relating to the Loan and, if required, assign such Loan to the Credit Enhancer, (ii) commence foreclosure proceedings against the Borrower or the Development, or (iii) take such other action or exercise such other rights of the Administration upon default with respect to the Borrower or the Development as may be determined by the Administration to be in the best interests of the Bondholders. If the Loan is the subject to any Credit Enhancement, the Administration may take such actions or commence such proceedings (or refrain therefrom) as necessary or required by the Credit Enhancer and any applicable rules, regulations or procedures applicable to any Credit Enhancement in order to collect upon or exercise its rights with respect to the Credit Enhancement. To the extent necessary for the protection and enforcement of its rights under such Mortgage, and subject to the other provisions of this Section 6.05(c), the Administration may accept a deed in lieu of foreclosure or bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and may acquire and take possession of such Development if to do so would, in the Administration's judgment, be in the best interests of the Bondholders.

(d) Upon foreclosure of a Mortgage or upon acquisition of an Acquired Development in lieu of foreclosure of a Mortgage, and so long as the Administration shall have title to or be in possession of the Acquired Development, the Administration may, as the case may be, construct, operate and administer such Acquired Development in the place and stead of the Borrower. To the extent moneys on deposit in the Bond Proceeds Fund relating to the Acquired Development or other moneys are available for such purpose, the Administration may apply such moneys to complete the construction and development thereof, if not already completed. The Administration may pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Acquired Development from money withdrawn from the Acquired Development Fund in accordance with the provisions of Section 5.07. The Trustee is authorized to pay to the Administration, upon its request, any amount on deposit in the Bond Proceeds Fund with respect to any

Acquired Development foreclosed or otherwise acquired by the Administration, upon receipt of advice from an Authorized Officer that such amount is required to pay an item that would have been included in the cost of the Acquired Development had the Administration not acquired the same.

(e) Notwithstanding the provisions of paragraph (d) of this Section, upon or after foreclosure of a Development under a Mortgage or acquisition thereof from the Borrower in lieu of foreclosure:

(1) the Administration may convey title to the Acquired Development, provided that such conveyance results in the collection of Credit Enhancement benefits, if any, relating to the Loan;

(2) the Administration may sell the Acquired Development at the best obtainable price, as determined by and in the judgment of the Administration;

(3) the Administration may sell the Acquired Development to a Borrower and make a Loan with respect thereto, as if such Borrower were the original Borrower, subject to the terms, provisions, conditions and limitations contained in Section 5.10;

(4) if the Acquired Development has not been completed, the Administration may elect to complete all or any part thereof and sell the Acquired Development as completed and any land not required for such completion as separate parcels for an aggregate price determined in accordance with paragraphs (2) or (5) this subsection (e); or

(5) notwithstanding the foregoing, if the fair market value of the Acquired Development, as determined by the Administration based on such appraisals as it deems necessary, is less than the amount computed in accordance with Section 6.06, it may nevertheless be sold at its fair market value.

Section 6.06. Prepayments. The Administration will not consent to the Prepayment of any Loan unless all of the following requirements are met:

(1) The Prepayment is permitted by the Credit Enhancer (if any) of the Loan.

(2) The Administration requires that any voluntary Prepayment shall be in an amount determined by the Administration to be sufficient to provide for payment by the Administration of the following:

(i) an amount sufficient to redeem all Bonds that the Administration, in its discretion, determines to redeem in connection with such Prepayment ("Redemption Bonds") in a principal amount at least equal to the amount of the Prepayment as of the date selected by the Administration for redemption of such Redemption Bonds (the "Redemption Date");

(ii) the interest to accrue on the Redemption Bonds to such Redemption Date and premium due on such Redemption Bonds, if any; and

(iii) the costs and expenses of the Administration in effecting such redemption.

(3) In addition to the amounts required by subsection (2) above, the Administration may require that any voluntary Prepayment shall include an amount sufficient to provide for payment of other costs and expenses incurred in connection with the issuance of the Outstanding Bonds of the Series from which proceeds were used to finance the Loans, as determined by the Administration (including, without limitation, capitalized interest, costs of issuance, reserves, bond discount and legal fees not included in the principal of the Loan).

(4) If required by Section 6.13(b), the Administration furnishes to the Trustee a Cash Flow Certificate taking such Prepayment into account.

In determining the foregoing amount, the Administration may include a reasonable estimate of income to be derived from the investment of such Prepayment until the Redemption Date. The requirements of this subsection may be varied by the Administration in accordance with the provisions and requirements of the note, deed of trust or any other document or agreement relating to a particular Loan. The provisions of this Section shall not apply in the case of the sale, disposition, release, modification, amendment, alteration of or the taking of any action or exercise by the Administration of any right or remedy with respect to a Loan pursuant to Section 6.05.

Section 6.07. Sale of Loans; Release from Lien of Bond Resolution. (a) The Administration is authorized to sell, assign or otherwise dispose of a Loan (and to release the same from the lien of this Bond Resolution), in addition to a sale, assignment or disposition pursuant to Section 6.05 hereof or any applicable Supplemental Resolution, provided the proceeds of such sale, assignment or disposition shall be treated as a Recovery Payment for purposes of this Bond Resolution and provided, further, that, with respect to any Loan not in default, the Administration files with the Trustee a Cash Flow Certificate taking into account such sale, assignment or disposition pursuant to Section 6.13.

(b) The Administration is authorized to release a Loan from the lien of this Bond Resolution, provided the Administration files with the Trustee a Cash Flow Certificate taking into account such release pursuant to Section 6.13.

(c) The Administration is authorized to release a Loan secured by a Credit Facility or Credit Enhancement, reserves created or held with respect to such Loan or the Series of Bonds (or portion of such Series) issued to make, purchase or finance such Loan and any other moneys to be received with respect to such Loan from the lien of this Bond Resolution at the direction of the Credit Facility Provider or Credit Enhancer which issued or provided any Credit Facility securing the Series of Bonds which financed the Loan or the Credit Enhancement securing the Loan, provided such Credit Facility or Credit Enhancement continues in effect. Such release may occur only after payment is made under the terms of the Credit Facility or Credit Enhancement.

Section 6.08. Maintenance of Debt Service Reserve Requirement. The Administration covenants that in the event the amounts held in the Debt Service Reserve Fund shall for any reason be less than the Debt Service Reserve Requirement, the Administration shall

cause deposits to be made to the Debt Service Reserve Fund from moneys available in the Revenue Fund in accordance with the provisions of Section 5.03(f) until the amounts in such fund shall equal or exceed the Debt Service Reserve Requirement. The failure of the Administration to maintain the Debt Service Reserve Requirement shall not, in and of itself, constitute an Event of Default under this Bond Resolution.

Section 6.09. Accounts and Reports. (a) The Administration shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to this Bond Resolution, which shall at all reasonable times be subject to the inspection of the Trustee or of the holders of an aggregate of not less than five percent in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(b) Annually, within 180 days after the close of each Fiscal Year, the Administration shall file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Report, including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such period and a statement of income, expenses and changes in fund balances for such period. Notwithstanding any other provision of this Bond Resolution, Revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Administration and the accountant to be necessary to present fairly the results of operations for the Fiscal Year and the financial position of such funds and accounts at the end of the Fiscal Year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

Section 6.10. Compliance with Conditions Precedent. Upon the issuance of any of the Bonds, all conditions, acts and things required by law or by this Bond Resolution or applicable Series Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, and such Bonds, together with all other indebtedness of the Administration, shall be within every debt and other limit prescribed by law.

Section 6.11. Further Assurance. At any and all times, the Administration shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning or confirming all and singular the rights, Revenues, funds and accounts pledged, assigned and established pursuant to this Bond Resolution, including the moneys, Loans and Permitted Investments hereby pledged or assigned, or assigned in trust, or intended so to be, or which the Administration may hereafter become bound to pledge or assign in trust.

The Administration shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other money, Loans, funds and accounts so pledged under this Bond Resolution, and the assignment in trust of the proceeds of sale of the Bonds created by this Bond Resolution, and all the rights of the Bondholders under this Bond Resolution, against all claims and demands of all persons whomsoever.

Section 6.12. Powers as to Bonds and Pledge. The Administration is duly authorized, pursuant to law, to authorize and issue the Bonds, to adopt this Bond Resolution and to pledge the Revenues and the funds and accounts established by this Bond Resolution (other than funds and accounts specifically exempted from the lien of this Bond Resolution), including the money, Permitted Investments and Loans therein purported to be pledged, in the manner and to the extent provided in this Bond Resolution, and to assign, transfer and set over unto the Trustee in trust the proceeds of the sale of the Bonds held in such funds and accounts thereof or any securities or Permitted Investments purchased with such proceeds of the sale of Bonds, including the income thereof, purported to be so assigned in trust by this Bond Resolution, in the manner and to the extent provided in this Bond Resolution. The Revenues and other moneys, Loans, funds and accounts so pledged and the proceeds of sale of the Bonds so held in trust are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with (other than a parity lien in favor of a Credit Facility Provider, Credit Enhancer or Qualified Hedge Provider, to the extent permitted by this Bond Resolution; provided, however, any funds, assets or other property pledged to or for the benefit of the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider shall be available to the Credit Enhancer, Credit Facility Provider or Qualified Hedge Provider only after it has made payment under the Credit Enhancement, Credit Facility or Qualified Hedge, as appropriate), the pledge and assignment in trust created by this Bond Resolution, and all action on the part of the Administration to that end has been duly and validly taken. The Bonds and the provisions of this Bond Resolution are and will be the valid and legally enforceable limited obligations of the Administration in accordance with their terms and the terms of this Bond Resolution.

Section 6.13. Cash Flow Statements and Certificates.

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

(b) The Administration shall file with the Trustee a current Cash Flow Certificate:

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

(ii) prior to withdrawing moneys for payment to the Administration free and clear of the pledge and lien of this Bond Resolution pursuant to Section 5.03(f), in an amount or amounts in excess of the amounts determined to be available for such purpose in the most recent Cash Flow Statement filed with the Trustee;

(iii) prior to selling any Loan not in default;

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

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

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

(vii) prior to the purchase of Bonds pursuant to Section 4.06 at prices in excess of those specified in said section; or

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

The Administration may file one or more successive Cash Flow Certificates.

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

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

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

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

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

will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Bonds and Parity Obligations described in the calculation in the current and in each succeeding Bond Year. A Cash Flow Statement shall include all Outstanding Bonds and Parity Obligations, together with one or more Series of Bonds to be issued by the Administration, all as may be required by this Bond Resolution, and may exclude any or all Subordinate Contract Obligations. To the extent specified in a Supplemental Resolution, a fund

or account established in said Supplemental Resolution shall not be taken into account when preparing a Cash Flow Statement.

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

The Cash Flow Statement shall be based upon the Administration's reasonable expectations, and shall be based upon assumptions consistent with those used in the most recent Cash Flow Statement or such other assumptions as shall not adversely affect any of the Rating Agency's ratings on the Bonds. In calculating the amount of interest due on Bonds in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding on Bonds bearing interest at a variable rate as defined in a Supplemental Resolution, the interest rate used shall be assumed to be the fixed rate, which in the judgment of the remarketing agent for such Bonds, or such other financial consultant selected by the Administration and experienced in the sale of municipal securities (having due regard to the prevailing market conditions), would be necessary to enable such Bonds to be sold at par in the secondary market on the date of such calculation or such higher or lower rate which does not adversely affect any of the Rating Agency's ratings on the Bonds. The calculations contained in a Cash Flow Statement may be prepared by the Administration or a financial advisor or a financial or accounting firm acceptable to the Administration.

Upon filing a Cash Flow Statement with the Trustee, the Administration shall thereafter perform its obligations hereunder in accordance, in all material respects, with the assumptions set forth in such Cash Flow Statement and in any subsequent Cash Flow Certificate. Except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to a date not more than 180 days prior to the date of delivery of such statement.

(d) A Cash Flow Certificate shall consist of a statement of an Authorized Officer of the Administration to the effect of one of the following:

(1) The proposed action is consistent with the assumptions set forth in the most recent Cash Flow Statement; or

(2) After giving effect to the proposed action, in the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the amounts described in

clauses (i) through (iv) of subsection (c) above will be sufficient, in the judgment of an Authorized Officer of the Administration, to pay the principal of and interest on all Outstanding Bonds and Parity Obligations described in the calculation, except that to the extent specified in a Supplemental Resolution, a fund or account established in said Supplemental Resolution shall not be taken into account in connection with such Cash Flow Certificate; or

(3) The proposed action will not in and of itself materially adversely affect the amounts described in clauses (i) through (iv) of subsection (c) above, except with respect to such funds or accounts which may be specified in such Supplemental Resolution to not be taken into account in connection with such Cash Flow Certificate.

If a Cash Flow Certificate is being filed pursuant to subsection (b)(iv) of this Section, such Cash Flow Certificate will include a statement to the effect that the actions contemplated by such Cash Flow Certificate will not adversely affect the rating on the Bonds as in effect immediately before the date of such certification.

The Administration, at its option, may file a Cash Flow Statement in lieu of a Cash Flow Certificate in any instance when it is required to file a Cash Flow Certificate.

ARTICLE VII

DISCHARGE OF LIEN

Section 7.01. Discharge of Lien. (a) If the Administration shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of Parity Obligations and Subordinate Contract Obligations the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein and in this Bond Resolution, then unless the Trustee is advised by an Authorized Officer to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of this Bond Resolution, and execute and deliver to the Administration such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release, assign and deliver unto the Administration any and all the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of this Bond Resolution, except cash held by the Trustee or any Paying Agent for the payment of the principal of, premium, if any, and interest on the Parity Obligations and Subordinate Contract Obligations.

(b) Any Parity Obligations or Subordinate Contract Obligations shall be deemed to be paid within the meaning of this Section and for all purposes of this Bond Resolution when payment of the principal of, premium, if any, and interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either: (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment or (B) either Federal Obligations or Pre-Refunded Municipal Obligations maturing as to principal and interest in such amount and at such time as will ensure, together with any moneys held for payment of the Parity

Obligations or Subordinate Contract Obligations pursuant to subsection (a) above, the availability of sufficient moneys to make such payment. At such times as a Parity Obligation or Subordinate Contract Obligation shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Bond Resolution, except for the purposes of any such payment from such moneys, Federal Obligations or Pre-Refunded Municipal Obligations.

(c) Notwithstanding the foregoing, no deposit under clause (b) of the immediately preceding paragraph shall be deemed a payment of such Parity Obligations and Subordinate Contract Obligations as aforesaid until: (i) proper notice of redemption of such Parity Obligations or Subordinate Contract Obligations shall have been previously given in accordance with Article IV, or in the event said Parity Obligations or Subordinate Contract Obligations are not by their terms subject to redemption within the next succeeding 60 days, until the Administration shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Parties or holders or owners of the Parity Obligations or Subordinate Contract Obligations, in accordance with Article IV that the deposit required by (b)(ii) above has been made with the Trustee and that said Parity Obligations and Subordinate Contract Obligations are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Parity Obligations and Subordinate Contract Obligations; or (ii) the maturity of such Parity Obligations and Subordinate Contract Obligations.

(d) Notwithstanding the foregoing, in the case of Parity Obligations or Subordinate Contract Obligations which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Parity Obligations or Subordinate Contract Obligations as aforesaid until the Administration shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

(i) stating the date when the principal (and premium, if any) of each such Parity Obligations or Subordinate Contract Obligations is to be paid, whether at maturity or on a redemption date;

(ii) to call for redemption pursuant to this Bond Resolution any Parity Obligations or Subordinate Contract Obligations to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) to notify, as soon as practicable, in the manner prescribed by Article IV the holders of such Parity Obligations or Subordinate Contract Obligations that the deposit required by (b) above has been made with the Trustee and that said Parity Obligations or Subordinate Contract Obligations are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Parity Obligations or Subordinate Contract Obligations as specified in (i) hereof.

(e) If the Administration shall pay or cause to be paid, or there otherwise shall be paid to the Parties to or the holders of all Parity Obligations and Subordinate Contract Obligations, the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Resolution, such Parity Obligations and Subordinate Contract Obligations shall cease to be entitled to any lien, benefit or security under the Bond Resolution and the applicable Series Resolution, and the applicable Series Resolution and all covenants, agreements and obligations of the Administration to Parties to or the holders of such Parity Obligations and Subordinate Contract Obligations shall thereupon cease, terminate and become void and be discharged and satisfied.

(f) All moneys so deposited with the Trustee as provided in this Section may at the direction of the Administration also be invested and reinvested in Federal Obligations or Pre-Refunded Municipal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations or Pre-Refunded Municipal Obligations in the hands of the Trustee pursuant to this Section which is not required for the payment of the Parity Obligations and Subordinate Contract Obligations and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for application as are other moneys deposited in such fund. The Trustee may sell, transfer or otherwise dispose of the Federal Obligations and Pre-Refunded Municipal Obligations deposited with the Trustee pursuant to this Section; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other Federal Obligations and Pre-Refunded Municipal Obligations, the principal of and the interest on which when due will provide monies which, together with the monies on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Parity Obligations and Subordinate Contract Obligations on and prior to the redemption date or maturity date thereof, as the case may be, in accordance with this Section.

(g) Notwithstanding any provision of any other Article of this Bond Resolution which may be contrary to the provisions of this Section, all moneys, Federal Obligations and Pre-Refunded Municipal Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Parity Obligations and Subordinate Contract Obligations (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Parity Obligations and Subordinate Contract Obligations (including interest and premium thereof, if any) with respect to which such moneys, Federal Obligations and Pre-Refunded Municipal Obligations have been so set aside in trust.

(h) Anything in Article IX to the contrary notwithstanding, if moneys, Federal Obligations or Pre-Refunded Municipal Obligations have been deposited or set aside with the Trustee pursuant to this Section for the payment of Parity Obligations or Subordinate Contract Obligations and such Parity Obligations or Subordinate Contract Obligations shall not have in fact been actually paid in full, no amendment to the provisions of this Section shall be made without the consent of the Party to or holder of each Parity Obligation and Subordinate Contract Obligation affected thereby.

ARTICLE VIII
DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following shall constitute an event of default under this Bond Resolution and is herein called an "Event of Default":

(a) Interest on any of the Bonds is not paid within 30 days after the same becomes due, or the principal or redemption price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption, or a Sinking Fund Installment is not paid when due;

(b) If there is a material default in the performance or observance of any other of the Administration's covenants, agreements or conditions contained in this Bond Resolution, a Series Resolution or the Bonds, and such default is not remedied after notice thereof pursuant to Section 8.10; or

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

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds as provided in this Resolution, only Bonds other than Subordinate Bonds shall be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds, any acceleration or other remedy shall relate only to Subordinate Bonds.

Under no circumstances shall the Administration's failure to pay (i) Parity Obligations other than Bonds, (ii) Termination Payments or (iii) Subordinate Contract Obligations (other than Subordinate Bonds) constitute an Event of Default under this Resolution.

Section 8.02. Remedies; Rights of Bondholders. Upon the occurrence of an Event of Default described in Section 8.01(a), the Trustee may pursue any available remedy under the Act, at law or in equity to enforce the payment of Parity Obligations and Subordinate Contract Obligations then Outstanding, including, without limitation, declaring Parity Obligations and Subordinate Contract Obligations to be immediately due and payable, whereupon such Parity Obligations and Subordinate Contract Obligations shall thereupon become immediately due and payable. In addition, upon the occurrence of an Event of Default, the Administration shall:

(a) if requested so to do by the holders of no less than 100% in aggregate principal amount of Bonds then Outstanding, effectuate the assignment to the Trustee of any or all of the Loans and Mortgages held by the Administration and financed under the Program, and the Administration does hereby appoint the Trustee as its attorney in fact to execute such assignment. After such assignment, the Trustee shall have full power and authority to take such action with respect to the Loans, Mortgages and any other assets pledged hereunder, as

the Trustee shall deem necessary or appropriate, subject only to the terms of such Loans and Mortgages;

(b) subject the books of record and account of the Administration and all records relating to the Program to the inspection and use of the Trustee and of its agents and attorneys; and

(c) whenever the Trustee shall demand, account as if it were the trustee of an express trust for all Revenues and other money, securities and funds and accounts pledged or held under this Bond Resolution for such period as shall be stated in such demand.

If an Event of Default shall have occurred and, if notified and requested so to do by the holders of no less than 100% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided in Section 11.03, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by this Section, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No remedy by the terms of this Bond Resolution conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

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

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

Section 8.03. Right of Bondholders to Direct Proceedings. Anything in this Bond Resolution to the contrary notwithstanding, the holders of 100% of the aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Bond Resolution, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Bond Resolution.

Section 8.04. Appointment of Receivers. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Bond Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and of any Operating Expenses necessary to maintain the security for the Bonds, be deposited in the Revenue Fund and all moneys in the Revenue Fund (other than moneys held for redemption of Bonds duly called for redemption) shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all Parity Interest then due, in the order of the respective due date and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, according to the amounts due to the persons entitled thereto, without any discrimination or privilege;

Second - To the payment to the persons entitled thereto of the unpaid Parity Principal which shall have become due (other than as to Parity Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Resolution), in the order of their due dates with interest on such Parity Obligations from the respective dates upon which they became due at the rate borne thereby and, if the amount available shall not be sufficient to pay in full the Parity Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

Third - To the payment to the persons entitled thereto of all interest then due on Subordinate Contract Obligations, in the order of the respective due date of the Bonds related to such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, according to the amounts due to the persons entitled thereto, without any discrimination or privilege;

Fourth - To the payment to the persons entitled thereto of the unpaid principal of Subordinate Contract Obligations (including Termination Payments) which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Resolution), in the order of the due dates of the related Bonds, with interest on such Subordinate Contract Obligations from the respective dates upon which they became due at the rate borne thereby and, if the amount available shall not be sufficient to pay in full the Subordinate Contract Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

Fifth - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together

with interest then due and owing thereon, payment shall be made ratably first according to the amount of interest due on such date to the person entitled thereto without any discrimination or privilege and then according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become or shall have been declared due, all such moneys shall be applied first, to the payment of Parity Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Parity Obligation over any other Parity Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, and second, to the payment of Subordinate Contract Obligations (including Termination Payments), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Contract Obligations over any other Subordinate Contract Obligations, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of subsection (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds, Parity Obligations, and Subordinate Contract Obligations have been paid under the provisions of this Section and all expenses and charges of the Trustee and any Paying Agent have been paid, any balance remaining in the Revenue Fund shall be paid to the Administration.

Section 8.06. Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under this Bond Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any holder of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit

of the holders of the Outstanding Bonds (other than owners of Subordinate Bonds, who shall be entitled to the priority established with respect to the applicable Series of Subordinate Bonds).

Section 8.07. Rights and Remedies of Bondholders. 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 this Bond Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (1) a default has occurred of which the Trustee has been notified as provided in Section 8.02, or of which by said subsection it is deemed to have notice, (2) such default shall have become an Event of Default and the owners of not less than 100% in aggregate principal amount of Bonds then Outstanding shall have made written notice to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, (3) they have offered to the Trustee indemnity as provided in Article XI, and (4) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Bond Resolution, and to any action or cause of action for the enforcement of this Bond Resolution, or for the appointment of a receiver or for any other remedy hereunder; 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 this Bond Resolution by such holder's action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the holders of all Bonds then Outstanding (other than owners of Subordinate Bonds, who shall be entitled to the priority established with respect to the applicable Series of Subordinate Bonds). However, nothing contained in this 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 hereunder to the respective holders thereof at the time, place, from the source and in the manner expressed in the Bonds.

Section 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right, remedy or power under this Bond Resolution by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, with regard to the property herein subject to this Bond Resolution, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 8.09. Waivers of Events of Default. The Trustee may at its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the holders of (1) 100% in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) more than 50% in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity or sinking fund redemption date specified therein or (b) any default in the payment when due of the interest on any such Bonds

unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by the Bonds, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Administration, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 8.10. Notice of Defaults under Section 8.01(b); Opportunity of the Administration to Cure Such Defaults. Anything herein to the contrary notwithstanding, no default under Section 8.01(b) hereof shall constitute an Event of Default until actual notice of such default shall be given to the Administration by the Trustee or by the holders of not less than 100% in aggregate principal amount of all Bonds Outstanding and the Administration shall have had 180 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided that if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Administration within the applicable period and diligently pursued until the default is corrected.

ARTICLE IX

SUPPLEMENTAL BOND RESOLUTIONS

Section 9.01. Supplemental Bond Resolutions Effective Upon Filing with Trustee. For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration supplementing this Bond Resolution may be adopted, which resolution, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms to:

- (a) close this Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Bond Resolution on, the issuance in the future of Bonds;
- (b) add to the covenants or agreements of the Administration in this Bond Resolution, other covenants or agreements to be observed by the Administration which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;
- (c) add to the limitations, restrictions or provisions in this Bond Resolution, other limitations, restrictions or provisions to be observed by the Administration which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;
- (d) surrender any right, power or privilege reserved to or conferred upon the Administration by this Bond Resolution;

(e) confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Bond Resolution, of the Revenues or any other money, Loans, funds or accounts; or

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

Section 9.02. Supplemental Bond Resolutions Effective upon Consent of the Trustee. For any one or more of the following purposes and at any time or from time to time, a resolution of the Administration, amending or supplementing this Bond Resolution, may be adopted, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Administration of an instrument in writing made by the Trustee consenting to such resolution, shall be fully effective in accordance with its terms to:

(a) cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Bond Resolution;

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

(c) amend this Bond Resolution in any respect which, in the opinion of the Trustee, is not materially adverse to the interests of the Bondholders and will not, in and of itself, adversely affect the ratings on the Bonds in effect immediately before the adoption of such amendment.

Section 9.03. Supplemental Bond Resolutions Requiring Consent of Bondholders. Exclusive of Supplemental Resolutions covered by Sections 9.01 and 9.02 and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than (i) two-thirds in aggregate principal amount of the Parity Bonds (as to Supplemental Resolutions relating to the Parity Bonds) or (ii) two-thirds in aggregate principal amount of the Subordinate Bonds (as to Supplemental Resolutions relating to the Subordinate Bonds), shall have the right, from time to time, anything contained in this Bond Resolution to the contrary notwithstanding, to consent to and approve the execution by the Administration and the Trustee of such Supplemental Resolutions hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Bond Resolution or in any Supplemental Resolutions; provided that nothing in this Section contained shall permit, or be construed as permitting, without the consent of the holders of all Outstanding Parity Bonds or Subordinate Bonds, as the case may be, (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any such Bond issued hereunder, or (b) a reduction in the principal amount of any such Bond or the rate of interest, or sinking fund redemption requirements, thereon, or (c) a privilege or priority of any such Bond or Bonds over any other such Bond or Bonds, or (d) a reduction in the aggregate principal amount of such Bonds required for consent to such Supplemental Resolution, or (e) the creation of any lien other than a lien ratably securing all of such Bonds at any time Outstanding hereunder 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.

Section 9.04. Modifications by Unanimous Consent. Notwithstanding anything contained in the foregoing provisions of this Article, the terms and provisions of this Bond Resolution, and the rights and obligations of the Administration and the holders of the Bonds, in any particular, may be modified or amended in any respect upon the adoption by the Administration and filing in accordance with the provisions of this Article of a resolution of the Director, with the approval of the Secretary, making such modification or amendment and the consent to such resolution of the holders of all of the Parity Bonds or Subordinate Bonds, as applicable, then Outstanding, such consent to be given and proved as provided in Section 9.06, except that no notice to Bondholders shall be required; provided that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the Trustee's written assent thereto.

Section 9.05. Supplemental Bond Resolutions Not Affecting Bondholders. At any time or from time to time, a Supplemental Resolution of the Administration amending or supplementing this Bond Resolution may be adopted, modifying any of the provisions of this Bond Resolution or releasing the Administration from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided that (a) no Bonds are Outstanding at the time the resolution becomes effective; (b) such Supplemental Resolution, by its terms, is applicable only to the obligations, covenants, agreements, limitations, conditions and restrictions of and upon the Administration in relation to the holders of Bonds issued after it becomes effective; or (c) such Supplemental Resolution, by its terms, is applicable only to a specific Series of Bonds and the holders, from time to time, of such Series. Any such resolution shall become effective upon adoption or at such other time as may be provided therein.

Section 9.06. Consent of Bondholders. (a) The Administration may at any time adopt and file a resolution of the Administration making a modification or amendment permitted by the provisions of Section 9.03 or 9.04, to take effect when and as provided in this Section. A copy of such resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to the applicable Bondholders for their consent thereto in form satisfactory to the Trustee, shall be provided by the Administration to the applicable Bondholders. Such resolution shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (1) the written consents of holders of the percentage of Outstanding Bonds specified in Section 9.03 or 9.04, as the case may be, and (2) a Counsel's Opinion stating that such resolution has been duly and lawfully adopted by the Administration in accordance with the provisions of this Bond Resolution, is authorized or permitted by the provisions of this Bond Resolution, and, when effective, will be valid and binding upon the Administration and enforceable in accordance with its terms, and (b) a notice shall have been given or published as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by evidence that such consent has been executed by a holder of Bonds as of the date such consent is given. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof), but, notwithstanding the provisions of Section 12.01, such consent may be revoked in writing by the filing with the Trustee, not later

than the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such a revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 12.01. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee;

(b) At any time after the holders of the required percentage of Bonds shall have filed their consents to such resolution, the Trustee shall make and file with the Administration a written statement that the holders of such required percentage of Bonds have filed and given such consents, and that proof of the holding of such Bonds has been examined and found sufficient by the Trustee. Such written statement shall be conclusive that such consents have been so filed and have been given. At any time thereafter notice shall be given to the Bondholders, stating in substance that such resolution (which may be referred to as a resolution adopted by the Administration on or as of a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentage of Bonds and will be effective as provided in this Section. The Administration shall file with the Trustee proof of the publication or giving of such notice. A record, consisting of the papers required or permitted by this Section to be made by or filed with the Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed conclusively binding upon the Administration, the Trustee and the holders of all Bonds and coupons at the expiration of 45 days after the filing with the Trustee of proof of the publication or giving of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution in a legal action or equitable proceeding for such purpose commenced within such 45-day period; provided that the Trustee and the Administration, during such 45-day period and any further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient.

Section 9.07. Authorization to the Trustee. The Trustee is authorized to accept the delivery of a certified copy of any resolution of the Administration referred to and permitted or authorized by Section 9.01, 9.02, 9.03, 9.04 or 9.05, upon satisfaction of any requirements with respect thereto, to consent to such resolution as provided in such Sections and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on a Counsel's Opinion that such resolution is authorized or permitted by the provisions of this Bond Resolution or contains no provisions which are contrary to or inconsistent with this Bond Resolution as theretofore in effect.

Section 9.08. Exclusion of Bonds. Bonds owned or held by or for the account of the Administration shall be excluded and shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Administration shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action under this Article, the Administration shall furnish the Trustee a certificate of or written instructions from an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.09. Notation on Bonds. Bonds delivered after the effective date of any action taken as in this Article provided may, and if the Trustee so determines shall, bear a notation by

endorsement or otherwise in form approved by the Administration and the Trustee as to such action, and upon demand of the holder of any Bond Outstanding at such effective date and presentation of such Bond for the purpose at the designated office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Administration or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Administration to conform to such action may be prepared and delivered, and upon demand of the holder of any Bond then Outstanding may be exchanged, without cost to such Bondholder, for Bonds of the same aggregate principal amount Series, designation, maturity and interest rate upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto. Every holder of any Outstanding Bond shall, however, by such holder's purchase and retention of a Bond, be deemed to consent to be bound by every modification and amendment of this Bond Resolution adopted in accordance with the provisions of this Article, whether or not noted or endorsed on or incorporated in such Bond.

Section 9.10. Supplemental Series Resolutions. The Administration may adopt a resolution supplementing a Series Resolution to the same extent and subject to the same procedures and limitations as apply to a Supplemental Bond Resolution adopted pursuant to this Bond Resolution.

Section 9.11. Consent of Parties. Consent from the Parties is not required for the adoption of any Supplemental Resolution.

ARTICLE X

DEPOSITORIES OF MONEYS AND INVESTMENT OF FUNDS

Section 10.01. Depositories. (a) All moneys held by the Trustee under the provisions of this Bond Resolution shall be deposited with the Trustee. All moneys deposited under the provisions of this Bond Resolution with the Trustee shall be held in trust and applied only in accordance with the provisions of this Bond Resolution, and each of the funds and accounts established by this Bond Resolution shall be a trust fund for the purposes thereof.

(b) It shall not be necessary for the Trustee to give security for the deposit of any moneys with it held in trust for the payment of the principal, premium, if any, or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased under the provisions of this Bond Resolution as an investment of such moneys.

(c) The Trustee is not required to have actual possession or custody of any obligations, contracts or other documentation evidencing an investment of moneys required to be held by the Trustee under this Bond Resolution.

Section 10.02. Investment of Funds and Accounts Held by the Trustee. (a) Except as otherwise provided in this Bond Resolution, the Administration may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the funds and accounts held by the Trustee in Permitted Investments, the maturity or redemption date (at the option of the Administration or the Trustee) of which shall coincide as nearly as practicable with the times at which moneys in said fund or account will be required for the purposes provided in this Bond Resolution.

(b) Obligations purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of this Bond Resolution shall be deemed at all times to be a part of such fund or account, and except as otherwise expressly provided in this 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.

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

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

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

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

(d) 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 fifteenth day of each calendar month, of the details of all cash and investments held for the credit of, and transactions in, each fund or account in its custody under the provisions of this Bond Resolution as of the end of the preceding month.

Section 10.03. Liability of Trustee for Investments. The Trustee shall not be liable or responsible for the making of any investment when acting at the direction of the Administration, or for any loss resulting from any such investment so made.

ARTICLE XI

THE TRUSTEE

Section 11.01. Trustee; Appointment and Acceptance. The Administration hereby appoints and designates Manufacturers and Traders Trust Company as the Trustee, Registrar and Paying Agent hereunder. Upon executing and delivering to the Administration its written acceptance of the duties and obligations imposed upon it by this Bond Resolution, the Trustee shall be and is hereby vested with all the property, rights, powers and duties granted, pledged and assigned to it by this Bond Resolution, in trust for the Bondholders.

Section 11.02. Registrar. The Administration may appoint a Registrar or a co-Registrar for each Series of Bonds by Series Resolution adopted prior to their delivery and may, at any time or from time to time appoint one or more other Registrars or co-Registrars for one or more Series of Bonds. Each Registrar or co-Registrar and any successor thereof shall be a bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least \$25,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Bond Resolution. Each Registrar or co-Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Bond Resolution by executing and delivering to the Administration and the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Registrar or co-Registrar and shall act as Registrar in the event no Registrar is designated by the Administration. Any co-Registrar designated pursuant to this Section shall exercise the duties of Registrar under such terms and conditions as may be set forth in its appointment by the Administration.

Section 11.03. Responsibilities of Trustee. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Administration, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Bond Resolution or of any Series Resolution or any Bonds or in respect of the security afforded by this Bond Resolution, and shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except to the extent such proceeds are paid to the Trustee in its capacity as Trustee. 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 this 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 hereunder, except for its own negligence or default.

Section 11.04. Funds Held in Trust. All money held by the Trustee, as such, at any time pursuant to the terms of this Bond Resolution shall be and is hereby assigned, transferred and set over unto the Trustee in trust for the purposes and under the terms and conditions of this Bond Resolution.

Section 11.05. Evidence on Which Trustee May Act. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be of counsel to the Administration, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Trustee shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of or advice from an Authorized Officer stating the same, and such certificate or advice shall be full warrant for any action taken or suffered in good faith under the provisions of this Bond Resolution upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable. Except

as otherwise expressly provided herein, any certificate, request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Administration to the Trustee shall be sufficiently executed if executed by an Authorized Officer.

Section 11.06. Preservation and Inspection of Documents. All reports, certificates, statements and other documents received by the Trustee under the provisions of this Bond Resolution shall be retained in its possession and shall be available at all reasonable times for inspection by the Administration or any Bondholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time six years after such date as the pledge created by this Bond Resolution shall be discharged as provided in Article VII.

Section 11.07. Compensation and Expenses. Unless otherwise provided by contract with the Trustee, the Administration shall pay to the Trustee, from time to time, reasonable compensation for all services rendered by it hereunder and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder.

Section 11.08. Certain Permitted Acts. The Trustee may become the owner of or may deal in Parity Obligations and Subordinate Contract Obligations or may act as a Servicer as fully and with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Bond Resolution, whether or not any such committee shall represent the holders of a majority in aggregate principal amount of the Bonds Outstanding.

Section 11.09. Resignation of Trustee. The Trustee, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by this Bond Resolution by giving not less than 60 days' written notice to the Administration and giving or publishing notice thereof, specifying the date when such resignation is proposed take effect, within 20 days after the giving of such written notice. Such resignation shall not, however, take effect unless previously a successor shall have been appointed by the Administration or Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor and its acceptance of such appointment.

Section 11.10. Removal. The Trustee, or any successor thereof, may be removed at any time by the Administration (so long as the Administration is not in default hereunder) in its sole discretion (including, without limitation, competitive or negotiated bidding for services) by notice given by the Administration to the Trustee, or by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Administration.

Section 11.11. Appointment of Successor Trustee. In case at any time the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed or if any public office shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Administration, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Trustee and to the Administration. Pending such appointment, the Administration shall forthwith appoint a successor Trustee to fill such vacancy until a successor Trustee shall be appointed by Bondholders as herein authorized. Notwithstanding any other provision of this Bond Resolution, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed. The Administration shall, within 20 days after such appointment, mail to all Bondholders 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 of this Section within 45 days after the Trustee shall have given to the Administration written notice as provided in Section 11.09 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. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any successor Trustee appointed under the provisions of this Section 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.

Section 11.12. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Administration, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if named herein as such Trustee, but the Trustee ceasing to act shall, nevertheless, on the written request of the Administration or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Bond Resolution and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Administration be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such moneys, estates, properties, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Administration.

Section 11.13. Merger or Consolidation. The Administration reserves the right to approve, in its sole discretion, any successor Trustee if any Trustee is merged or converted or consolidated or if any Trustee sells or transfers all, substantially all or any portion of its corporate trust business. Any proposed transfer of the trusts created under this Bond Resolution

to a successor not approved by the Administration shall constitute sufficient ground for removal of the Trustee.

Section 11.14. Selection of Trustee Services by the Administration. The Administration, in its sole discretion, reserves the right, in the future and from time to time, to undertake to obtain competitive proposals from financial and trust institutions for the performance of the services of Trustee, Registrar and Paying Agent under this Bond Resolution. The Trustee, Paying Agent and Registrar each agree that in the event its proposal is not accepted by the Administration in such circumstances, it shall resign as Trustee, Registrar or Paying Agent upon request of the Administration. Alternatively, at the option of the Administration, the failure of the Trustee, Registrar or Paying Agent to be the party whose proposal is accepted for trustee, registrar or paying agent services in the future shall constitute sufficient reason for removal of the Trustee, Registrar or Paying Agent under this Bond Resolution by the Administration.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Bond Resolution to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Bond Resolution, and shall be conclusive in favor of the Trustee and any Paying Agent with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before such officer the execution thereof, or by an affidavit of any witness to such execution; and

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the registration books of the Administration maintained by the Trustee pursuant to this Bond Resolution.

Section 12.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Bond Resolution or the Bonds is intended or shall be construed to give to any person other than the Administration, the Trustee and the holders of the Bonds or coupons, any legal or equitable right, remedy or claim under or in respect to this Bond Resolution or any covenants, conditions and provisions herein contained; this Bond Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Administration, the Trustee and the holders of the Bonds and coupons as herein provided.

Section 12.03. Severability. If any provision of this Bond Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 12.04. Payments Due on Saturdays, Sundays and Holidays. Unless otherwise provided in a Series Resolution or a Supplemental Resolution, in any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bond shall be on a Saturday, Sunday or a legal holiday or day on which banking institutions are authorized by law to close in the city of payment, then payment of interest or principal may be made on the succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption.

Section 12.05. Applicable Provisions of Law. This Bond Resolution shall be governed by and construed in accordance with the laws of the State.

Section 12.06. No Recourse on Bonds. No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or on this

Bond Resolution against any officer or employee of the Department or Administration or any person executing the Bonds by virtue of being such officer, employee or person executing the Bonds.

Section 12.07. Notices; Publication of Notice.

(a) All notices, advice, certifications or other communications hereunder between the Administration and the Trustee shall be sufficiently given and shall be deemed given when delivered by hand or overnight courier, or mailed by certified or registered mail, postage prepaid, return receipt requested, or transmitted by electronic means (including, without limitation, facsimile transmission) addressed to the appropriate Notice Address. The Administration or the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, advice, certifications or other communications shall be sent. Notices to persons other than the Administration or the Trustee (such as, for example, notices to owners of Bonds) shall be governed by the other applicable provisions of this Bond Resolution.

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

Section 12.08. Restrictions on Rights of Parties. The Parties shall have no rights to request or direct the Trustee to act, to institute actions, or to control proceedings under this Bond Resolution.

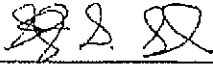
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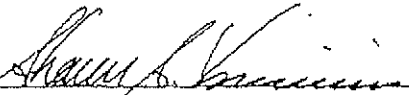
Adopted by the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland, and approved by the Secretary of Housing and Community Development, as of November 1, 1996, and amended and restated as of July 1, 2006.

COMMUNITY DEVELOPMENT ADMINISTRATION

By: 
Victor L. Hoskins
Secretary of the Department of Housing and Community Development



By: 
Stephen D. Silver
Chief Financial Officer, for the Community Development Administration

Attest:
By: 
Shawn S. Karimian
Deputy Secretary of the Department of Housing and Community Development

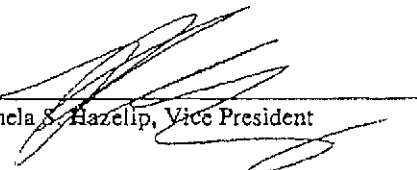
Manufacturers and Traders Trust Company, Trustee, accepts the trusts hereby created and agrees to perform the duties herein required of it upon the terms and conditions hereof. Initially accepted as of November 1, 1996. Accepted as amended and restated as of July 1, 2006

[SEAL]

MANUFACTURERS AND TRADERS TRUST
COMPANY, Trustee

Attest:

By: 
Assistant Secretary
AUTHORIZED OFFICER

By: 
Pamela S. Hazelip, Vice President

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SERIES RESOLUTION
PROVIDING FOR THE ISSUANCE AND SALE OF
\$12,000,000 PRINCIPAL AMOUNT OF
HOUSING REVENUE BONDS
(FHA RISK-SHARING INSURED PASS-THROUGH)
SERIES 2017 B

COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Adopted as of May 1, 2017

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EXHIBIT A	FORM OF SERIES 2017 B BOND	

WHEREAS, the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland (the “State”), anticipates making, purchasing or otherwise financing Loans for the construction, acquisition or rehabilitation of Developments for the purposes of increasing the supply of adequate, safe and sanitary housing for families or persons of limited incomes and promoting sound community development in the State, all under the provisions of Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”); and

WHEREAS, as of November 1, 1996, the Administration adopted a Resolution Providing for the Issuance of Housing Revenue Bonds, which was amended and restated as of July 1, 2006 (the “Bond Resolution”); and

WHEREAS, in order to obtain funds with which to make, purchase or otherwise finance Loans, including the purchase of mortgage-backed securities, it is deemed necessary and advisable to issue a Series of Housing Revenue Bonds of the Administration as hereinafter provided;

NOW, THEREFORE, BE IT RESOLVED AND DETERMINED BY THE DIRECTOR OF THE ADMINISTRATION AND APPROVED BY THE SECRETARY OF HOUSING AND COMMUNITY DEVELOPMENT, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as provided in subsection (b) hereof or as defined elsewhere herein, all defined terms contained in the Bond Resolution when used in this Resolution shall have the same meanings as set forth in the Bond Resolution.

(b) As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“*Authorized Denominations*” means \$1.00 or any integral multiple thereof.

“*Bond Resolution*” shall have the same meaning as set forth in the recitals of this Resolution.

“*Borrower*” means HELP Perry Point LP, a Maryland limited partnership, together with its permitted successors and assigns.

“*Code*” means the Internal Revenue Code of 1986, as amended, and applicable regulations.

“*Debt Service Reserve Requirement*” with respect to the Series 2017 B Bonds, means, as of any date of calculation, an amount equal to one-half of the maximum principal and interest payment due in any calendar year with respect to the Series 2017 B Bonds maturing on March 1, 2059, plus one additional month of the maximum amount of interest due in any calendar year on the Series 2017 B Loan, based on the receipt of scheduled loan repayments on the Series 2017 B Loan. Such amount shall be maintained in the Debt Service Reserve Fund as required by Section

3.05 hereof. The Debt Service Reserve Requirement may be satisfied in whole or in part by the available amount of Credit Enhancement with respect to such Series 2017 B Bonds upon receipt of a confirmation from the Rating Agency that funding the Debt Service Reserve Requirement in whole or in part with such Credit Enhancement will not, in and of itself, impair, or cause the Series 2017 B Bonds to fail to retain, the then existing rating assigned to the Series 2017 B Bonds by the Rating Agency.

“Declaration” means the Declaration of Restrictive Covenants and Regulatory Agreement containing in substance, among other things, the covenants and agreements described in subsections (a) through (c) of Section 4.02 hereof, in form approved in writing by Bond Counsel, entered into by and between the Borrower and the Administrator with respect to the Series 2017 B Loan.

“Delivery Date” has the meaning as set forth in Section 2.01(b) hereof.

“FHA” means the Federal Housing Administration, or any successor thereto.

“40-60 Test” means 40% or more of the residential units in a Development are to be occupied by individuals whose income is 60% or less of area median gross income (as that term is defined in Section 142(d)(2)(B) of the Code).

“Individuals of Applicable Income” means individuals having an income not exceeding the area median gross income as determined by the Secretary of the United States Department of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 (or if such program is terminated, under such program as in effect immediately before such termination), except that the percentage of area median gross income (as that term is defined in Section 142(d)(2)(B) of the Code) which qualifies under the 20-50 Test shall be 50% and the percentage which qualifies under the 40-60 Test shall be 60%, subject, in either case, to adjustments for family size.

“Interest Payment Date” means each of the interest payment dates for the Series 2017 B Bonds set forth in Section 2.02 of this Resolution.

“MHF” means the Maryland Housing Fund, a unit of the Division of Credit Assurance of the Department of Housing and Community Development.

“MSRB” means Municipal Securities Rulemaking Board, the current required method of filing of which is electronically via its Electronic Municipal Market Access (EMMA) system available on the internet at <http://emma.msrb.org>.

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

shall mature on a date that is earlier than or on the date when funds are needed to pay or redeem the Series 2017 B Bonds.

“Qualified Project Period” means a period beginning on the later of the Issue Date or the first day on which 10 percent of the residential units in the Series 2017 B Development are occupied and ending on the latest of (a) the date which is 15 years after the date on which 50 percent of the residential units in the Series 2017 B Development are occupied, (b) the first day on which no tax-exempt private activity bond issued with respect to the Series 2017 B Development is outstanding, or (c) the date on which any assistance provided with respect to the Series 2017 B Development under Section 8 terminates.

“Resolution” means this Series Resolution of the Administration authorizing the issuance and sale of the Series 2017 B Bonds.

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

“Series 2017 B Bonds” means the \$12,000,000 principal amount of Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through) Series 2017 B of the Administration authorized by this Resolution.

“Series 2017 B Development” means HELP Perry Point Veterans Village, a 75-unit housing development located in Perryville, Cecil County, Maryland, and owned and operated by the Borrower.

“Series 2017 B Financing Agreement” means the Financing Agreement by and between the Administration and the Borrower relating to the Series 2017 B Loan, dated as of May 1, 2017.

“Series 2017 B Loan” means, the loan made to the Borrower to finance the Series 2017 B Development.

“Trust Estate” has the meaning set forth in Section 2.01(e) hereof.

“20-50 Test” means 20% or more of the residential units in a Development are to be occupied by individuals whose income is 50% or less of area median gross income (as that term is defined in Section 142(d)(2)(B) of the Code).

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Resolution, refer to this Resolution.

Section 1.02. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and the Bond Resolution.

Section 1.03. Determinations.

(a) The Director hereby determines that the issuance of the Series 2017 B Bonds under this Resolution is necessary to achieve the following purposes of the Administration under the Act: to increase the housing supply for families of limited incomes, to alleviate the shortage of adequate, safe and sanitary housing of families of limited incomes particularly and to promote sound

community development. The Secretary hereby approves the foregoing determination of the Director.

(b) The Administration is issuing the Series 2017 B Bonds with the intent and expectation that the Series 2017 B Bonds will be Tax-Exempt Bonds.

Section 1.04. Purpose for which Series 2017 B Bond Proceeds may be used. The proceeds of the Series 2017 B Bonds may be used for the purpose of making, purchasing or otherwise financing the Series 2017 B Loan, including the purchase of mortgage-backed securities constituting Credit Enhancement securing the Series 2017 B Loan all for the construction, acquisition, renovation or rehabilitation and equipping of the Series 2017 B Development pursuant to the Administration's housing programs, and all pursuant to the provisions of the Act.

ARTICLE II

AUTHORIZATION, DETAILS, TERMS AND ISSUANCE OF SERIES 2017 B BONDS

Section 2.01. Authorization and Details of Bonds.

(a) **Authorization, Principal Amount, Designations and Series.** In order to provide sufficient funds necessary for the making, purchasing or otherwise financing of the Series 2017 B Loan, all pursuant to the Act and in accordance with and subject to the terms, conditions and limitations established in the Bond Resolution and this Resolution, the Series 2017 B Bonds are hereby authorized to be issued. The Series 2017 B Bonds in the aggregate principal amount of \$12,000,000 will be entitled "Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through)," and such Series of Bonds shall bear the additional designation "Series 2017 B" and each as so designated shall be entitled "Housing Revenue Bond (FHA Risk-Sharing Insured Pass-Through), Series 2017 B." The Series 2017 B Bonds may be issued only in fully registered form without coupons.

(b) **Series Dated Date.** The Series 2017 B Bonds shall be dated the date of their delivery (the "Delivery Date"), with interest to accrue from such date.

(c) **Form of Series 2017 B Bonds.** The fully registered Series 2017 B Bonds are to be substantially in the form set forth in Exhibit A attached hereto, with appropriate variations, omissions and insertions as permitted or required by the Bond Resolution or this Resolution.

If the Series 2017 B Bonds are printed on a single-sheet certificate, the Trustee is authorized to make those changes necessary to permit the form of Series 2017 B Bond to be printed on the front and back of a single-sheet certificate, including the addition of the following paragraph:

"REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE."

(d) **Denominations, Numbers and Letters.** The Series 2017 B Bonds shall be issued in the denominations of \$1.00 or any integral multiple thereof. The Series 2017 B Bonds shall be

designated with the letter “R” and numbered consecutively from one (1) upward in order of issuance.

(e) **Subordinate Contract Obligations.** The Series 2017 B Bonds being issued pursuant to this Series Resolution are hereby designated as Subordinate Contract Obligations pursuant to Section 2.05 of the Bond Resolution and shall be secured solely by the proceeds thereof or funds on deposit in the Series 2017 B Account of the Revenue Fund, the Series 2017 B Account of the Debt Service Reserve Fund and the Series 2017 B Account of the Redemption Fund, in each case, established hereunder (collectively, the “Trust Estate”) and not by any other moneys, funds or accounts held under the Bond Resolution. The proceeds or Revenues received in connection with the Series 2017 B Bonds shall not constitute security for or a source of payment of any other Bonds or other Subordinate Contract Obligations outstanding or hereafter issued under or entered into in accordance with the Bond Resolution.

Section 2.02. Dates, Maturities and Interest Rates of Series 2017 B Bonds.

(a) The Series 2017 B Bonds shall be issued in the aggregate principal amount of \$12,000,000, shall mature on the dates, and shall bear interest at the rates per annum set forth below:

Series 2017 B Term Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
July 1, 2019	\$5,735,000	1.40%
March 1, 2059	\$6,265,000	3.75%

The Series 2017 B Bonds shall bear interest payable on the first day of each calendar month, commencing on July 1, 2017, until payment of the principal thereof, from the Interest Payment Date next preceding the date of registration and authentication of each such Series 2017 B Bond, unless such Series 2017 B Bond is registered and authenticated as of an Interest Payment Date, in which case it shall bear interest from said Interest Payment Date, or unless such Series 2017 B Bond shall be in default, in which event such Series 2017 B Bond shall bear interest from the date on which interest was last paid on such Series 2017 B Bond or from the Delivery Date if no interest has been paid on such Series 2017 B Bond.

(b) The Series 2017 B Bonds maturing on July 1, 2019 and March 1, 2059 are designated as Term Bonds, all in accordance with Section 2.02(e) of the Bond Resolution.

Section 2.03. Trustee and Registrar. Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, is hereby appointed the Trustee and Registrar, subject to Article XI of the Bond Resolution. The principal and redemption premium, if any, of each fully registered Series 2017 B Bond are payable at the designated office of the Trustee on or after the date of maturity or redemption, and the interest on each fully registered

Series 2017 B Bond will be paid by check or draft mailed by, or, upon the request of a registered holder of a Series 2017 B Bond having a principal amount of \$1,000,000 or more, by wire transfer from the Trustee to the owner thereof in whose name such Series 2017 B Bond is registered on the books of the Administration maintained by the Trustee for that purpose. All such payments by wire transfer shall include or be accompanied by the CUSIP number identification with the appropriate dollar amount of payment pertaining to each CUSIP number (if more than one CUSIP number).

Section 2.04. Special Redemption of Series 2017 B Bonds. The Series 2017 B Bonds maturing March 1, 2059 are subject to special redemption prior to maturity, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount thereof or portions thereof to be so redeemed, without premium, plus accrued interest thereon to the date of such redemption, from amounts transferred to the Series 2017 B Account of the Redemption Fund from the Series 2017 B Account of the Bond Proceeds Fund pursuant to Section 3.04(e) hereof.

Section 2.05. Mandatory Redemption of Series 2017 B Bonds. Except as provided in the following sentence, the Series 2017 B Bonds are subject to mandatory redemption in whole or in part, on each Interest Payment Date, at a redemption price equal to 100% of the aggregate principal amount of such Series 2017 B Bonds to be redeemed, without premium, in an amount equal to all Series 2017 B Loan repayments and Recovery Payments related to the principal of the Series 2017 B Loan, including amounts paid pursuant to any applicable Credit Enhancement, received by or on behalf of the Administration on or before the 20th day of the calendar month immediately preceding such Interest Payment Date, as such amount is transferred from the Series 2017 B Account of the Revenue Fund to the Series 2017 B Account of the Redemption Fund pursuant to Section 4.01(b) hereof. While any Series 2017 B Bonds maturing on July 1, 2019 remain Outstanding, if less than all of the Series 2017 B Bonds are to be redeemed in accordance with this Section 2.05, the Series 2017 B Bonds shall be redeemed on a pro rata by maturity basis, or on any other basis determined by the Administration after giving effect to expected cash flows in the Trust Estate; provided, that Prepayments resulting from the Borrower's exercise of its option to prepay the portion of its Series 2017 B Loan financed with the proceeds of the Series 2017 B Bonds maturing on July 1, 2019, together with amounts transferred from the Construction Loan Reserve Account to the Series 2017 A Account of the Revenue Fund necessary to redeem the outstanding principal amount of the Series 2017 A Bonds maturing on July 1, 2019, plus accrued interest to the redemption date, shall be used to redeem such Series 2017 B Bonds maturing on July 1, 2019, subject to the prepayment conditions set forth in the promissory note evidencing the Series 2017 B Loan.

Section 2.06. Optional Redemption.

(a) The Series 2017 B Bonds maturing on July 1, 2019 are not subject to redemption at the option of the Administration prior to maturity.

(b) The Series 2017 B Bonds maturing on March 1, 2059 are subject to redemption at the option of the Administration, from any source other than Prepayments and repayments related to the Series 2017 B Loan, in whole or in part at any time on or after March 1, 2029, at a redemption price equal to 100% of the principal amount thereof plus the accrued interest thereon, if any, to the date of redemption.

Section 2.07. Selection of Bonds for Redemption. If less than all of the Series 2017 B Bonds of the same maturity are to be redeemed on any date pursuant to this Article II, each of the Series 2017 B Bonds of such maturity then Outstanding shall be redeemed in part, pro rata, in proportion to the Outstanding aggregate principal amount of each such Series 2017 B Bond to the Outstanding aggregate principal amount of all Outstanding Series 2017 B Bonds of such maturity, notwithstanding any provisions of the Bond Resolution to the contrary. To the extent this pro rata redemption occurs while the Series 2017 B Bonds are held in the book-entry-only system, such mandatory redemption is to be made as a “Pro-Rata Pass-Through Distribution of Principal” by the Securities Depository.

Section 2.08. Redemption Notice. In the event any of the Series 2017 B Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Series 2017 B Bonds or a portion thereof to be redeemed will be given by the Trustee not fewer than thirty days prior to the date fixed for redemption to the registered owner of each Series 2017 B Bond, all or a portion of which is to be redeemed, at the address shown on the registration books; provided, however, that the giving of such notice with respect to any Series 2017 B Bond shall not be a condition precedent to, and failure to give such notice, or any defect therein, with respect to any Series 2017 B Bond shall not affect the validity of any proceeding for, the redemption of any other Series 2017 B Bond. Notwithstanding the foregoing and Section 4.04 of the Bond Resolution, no notice of mandatory redemption pursuant to Section 2.05 hereof shall be required.

Section 2.09. Purchase in Lieu of Redemption. The Administration shall not exercise its authority pursuant to Section 4.06 of the Bond Resolution to purchase Series 2017 B Bonds in lieu of mandatory redemption pursuant to Section 2.05 hereof.

Section 2.10. Sale of Series 2017 B Bonds.

(a) The Series 2017 B Bonds authorized to be issued shall be sold to Jefferies LLC (the “Underwriter”), at the aggregate price of \$12,000,000, on the terms and conditions set forth in the Purchase Contract dated April 28, 2017 (the “Purchase Contract”), by and between the Underwriter and the Administration.

(b) The Authorized Officers of the Administration are, and each of them is, hereby authorized to do or perform all such acts and to execute the Purchase Contract and all such certificates, documents and other instruments as they or any of them deem necessary or advisable to carry the same into effect.

(c) The Administration hereby authorizes, approves and ratifies the preparation, publication, distribution and use of the Preliminary Official Statement dated April 18, 2017 and the Official Statement dated April 28, 2017 (the “Official Statement”), relating to the Series 2017 B Bonds.

Section 2.11. Delivery of Series 2017 B Bonds. The Series 2017 B Bonds shall be delivered to the Underwriter upon compliance with the provisions of the Bond Resolution, at such time and place as provided in, and subject to, the provisions of the Purchase Contract.

Section 2.12. Further Authority. The Authorized Officers of the Administration are, and each of them is, hereby authorized to do or perform all such acts and to execute all such certificates,

documents and other instruments as they or any of them deem necessary or advisable to provide for the issuance, sale and delivery of the Series 2017 B Bonds.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF SERIES 2017 B BOND PROCEEDS

Section 3.01. Establishment of Accounts. The following accounts are hereby created and established as special trust funds within the Funds and Accounts created and established pursuant to the Bond Resolution:

- (a) the Series 2017 B Account of the Bond Proceeds Fund;
- (b) the Series 2017 B Account of the Revenue Fund;
- (c) the Series 2017 B Account of the Debt Service Reserve Fund;
- (d) the Series 2017 B Account of the Redemption Fund; and
- (e) the Construction Loan Reserve Account.

Section 3.02. Proceeds of the Series 2017 B Bonds. The proceeds of the sale and delivery of the Series 2017 B Bonds shall be applied as follows on the Issue Date:

- (a) to the Series 2017 B Account of the Revenue Fund \$31,068.96;
- (b) to the Construction Loan Reserve Account, \$710,135.73; and
- (c) to the Series 2017 B Account of the Bond Proceeds Fund, the remainder of the proceeds of the sale and delivery of the Series 2017 B Bonds, \$11,258,795.31.

Section 3.03. Application of Other Moneys. On the Issue Date, there shall also be deposited from moneys received from the Administration transferred from the Debt Service Reserve Fund, \$192,613.92 into the Series 2017 B Account of the Debt Service Reserve Fund.

Section 3.04. Series 2017 B Account of the Bond Proceeds Fund

(a) There shall be paid into the Series 2017 B Account of the Bond Proceeds Fund the amount specified in Section 3.02 hereof. There may also be paid into the Series 2017 B Account of the Bond Proceeds Fund, at the option of the Administration, any moneys received by the Administration from any other source, unless required to be otherwise applied as provided by the Bond Resolution.

(b) The proceeds of the Series 2017 B Bonds and any other moneys deposited in the Series 2017 B Account of the Bond Proceeds Fund shall be used to make the Series 2017 B Loan to finance the acquisition, construction, rehabilitation, and equipping of the Series 2017 B Development, including the costs enumerated in subsection (d) of this Section 3.04.

(c) The Administration hereby certifies that the requirements of Section 5.10 of the Bond Resolution have been satisfied with respect to the Series 2017 B Loan.

(d) The Series 2017 B Loan shall be considered to be fully disbursed upon deposit of the proceeds of the Series 2017 B Bonds pursuant to Section 3.02 hereof. Amounts on deposit in the Series 2017 B Account of the Bond Proceeds Fund shall be disbursed from time to time by the Trustee on and after the date that the Borrower's promissory note to the Administration (collectively, the "Note") has been initially endorsed for insurance by HUD under Section 542(c) of the Housing and Community Development Act of 1992, as amended, for the purpose of paying the costs of the Series 2017 B Development approved by the Administration pursuant to the terms, conditions and provisions of the Financing Agreement.

(e) Any moneys credited to the Series 2017 B Account of the Bond Proceeds Fund that are not used to pay the costs of the Series 2017 B Development in accordance with subsection (b) of this Section 3.04, shall be transferred by the Trustee, at the direction of the Administration within six months of completion of construction of such Series 2017 B Development, to the Series 2017 B Account of the Revenue Fund, and thereafter, shall be transferred by the Trustee to the Series 2017 B Account of the Redemption Fund to redeem Series 2017 B Bonds maturing on March 1, 2059 pursuant to Section 2.04 hereof.

(f) Upon final disbursement of all amounts on deposit in the Series 2017 B Account of the Bond Proceeds Fund, the Trustee shall close the Series 2017 B Account of the Bond Proceeds Fund.

Section 3.05. Series 2017 B Debt Service Reserve Fund. In compliance with the Bond Resolution, the Administration has determined that the amount set forth in Section 3.03 hereof to be deposited in the Series 2017 B Account of the Debt Service Reserve Fund is sufficient to maintain a balance therein equal to the Debt Service Reserve Requirement.

Section 3.06. Construction Loan Reserve Account. Moneys in the Construction Loan Reserve Account shall be used to pay the following costs (except as provided in this Section 3.06): (i) interest on the Series 2017 B Bonds, by transfer to the Series 2017 B Account of the Revenue Fund on each Interest Payment Date, (ii) the fee of the Administration equal to 0.25% of the aggregate principal amount of the Series 2017 B Bonds, (iii) the Trustee's fee, (iv) the rebate analyst's fee and (v) the MHF administrative fee. In connection with the redemption of all or a portion of the Series 2017 A Bonds maturing on July 1, 2019 from the Borrower's prepayment of its Series 2017 A Loan, at the direction of the Administration, the Trustee shall transfer amounts on deposit in the Construction Loan Reserve Account to the Series 2017 A Account of the Revenue Fund necessary to effect a corresponding redemption of the Series 2017 B Bonds maturing on July 1, 2019 pursuant to Section 2.05 hereof. After the Series 2017 B Bonds maturing on July 1, 2019 are redeemed prior to maturity pursuant to Section 2.05 hereof, an amount in the Construction Loan Reserve Account equal to (a) the interest that would have been payable on the Series 2017 B Bonds maturing on July 1, 2019 being redeemed for the period from the redemption date to July 1, 2019 and (b) the portion of the amount therein that will not be needed to pay costs described in clauses (ii), (iii), (iv) and (v) above in this Section 3.06 as a result of such redemption, shall be returned to the Borrower. The Trustee shall close the Construction Loan Reserve Account at the written direction of the Administration.

ARTICLE IV

ADDITIONAL COVENANTS

Section 4.01. Loan Payments.

(a) The Trustee shall promptly deposit in the Series 2017 B Account of the Revenue Fund all Prepayments and Series 2017 B Loan repayments allocable to the Series 2017 B Loan received on and after the Issue Date.

(b) On the Business Day prior to each Interest Payment Date, the Trustee shall transfer, (i) amounts received as interest on the Series 2017 B Loan on or before the 20th day of the calendar month immediately preceding such Interest Payment Date in the Series 2017 B Account of the Revenue Fund to be applied to the payment of interest on the Series 2017 B Bonds (except to the extent that amounts are transferred from the Construction Loan Reserve Account to the Series 2017 B Account of the Revenue Fund pursuant to clause (i) of Section 3.06 hereof or otherwise paid out of the Revenue Fund pursuant to the Bond Resolution), and (ii) amounts received as principal of such Prepayments and Series 2017 B Loan repayments on or before the 20th day of the calendar month immediately preceding such Interest Payment Date in the Series 2017 B Account of the Revenue Fund to the Series 2017 B Account of the Revenue Fund to be applied to the payment of the principal of the Series 2017 B Bonds upon the redemption thereof pursuant to Section 2.04 hereof or Section 2.05 hereof, as applicable, and to pay the principal of the Series 2017 B Bonds upon the maturity thereof.

(c) After the transfers required by subsection (b) of this Section 4.01, on the Business Day prior to each Interest Payment Date, the Trustee shall transfer the amount specified in a written direction of the Administration received as interest on the Series 2017 B Loan on or before the 20th day of the calendar month immediately preceding such Interest Payment Date in the Series 2017 B Account of the Revenue Fund toward the making of payments required by Section 5.03 of the Bond Resolution, except to the extent that such payments are made from amounts in the Construction Loan Reserve Account pursuant to Section 3.04(d) hereof.

(d) After the transfers required by subsections (b) and (c) of this Section 4.01, on the Business Day prior to each Interest Payment Date after March 1, 2019, at the written direction of the Administration, the Trustee shall pay remaining amounts received as interest on the Series 2017 B Loan on or before the 20th day of the calendar month immediately preceding such Interest Payment Date in the Series 2017 B Account of the Revenue Fund to the Administration; provided, however, that (i) the amount remaining in the Series 2017 B Account of the Revenue Fund remaining after payment of such amounts shall be not less than one month's interest on the Series 2017 B Bonds Outstanding on the date of such payment, (ii) such amounts shall be subject to reduction at the option of the Administration, and (iii) such amounts shall for all purposes of this Series Resolution be considered as Operating Expenses related to the Series 2017 B Bonds payable in accordance with Section 5.03(f) of the Bond Resolution. The written direction of the Administration described above shall state the amount to be transferred to the Administration, pursuant to this Section 4.01(d).

Section 4.02. Defeasance. The Series 2017 B Bonds maturing on July 1, 2019 shall not be subject to defeasance. The Series 2017 B Bonds maturing on March 1, 2059 may be defeased on and after March 1, 2029 to the earliest practicable redemption date (after giving effect to the notice requirements of Section 2.08 hereof).

Section 4.03. Loan Information Reporting. The Administration shall provide to the MSRB the following information with respect to the Series 2017 B Loan on a monthly basis:

- (a) the current loan payment number (x/480);
- (b) the loan status (construction phase, current, on watch list, number of days or months late, bankruptcy);
- (c) the remaining loan balance;
- (d) the current balance of the Series 2017 B Account of the Debt Service Reserve Fund;
- (e) the current principal and interest paid (and remaining due, if any); and
- (f) the current quarterly occupancy data (with one month lag).

In addition, the Administration shall provide to the MSRB debt service coverage ratio for the Series 2017 B Development not later than 180 days from the end of the Administration's fiscal year.

Section 4.04. Trustee Reports. The Trustee shall, on or before the 5th day of each month, file with the Administration a statement setting forth with respect to the preceding calendar month:

- (a) the amount withdrawn or transferred and the amount deposited within or on account of each account or subaccount created by Section 3.01 of this Series Resolution, including the amount of interest income earned on amounts in each such account or subaccount and deposited therein;
- (b) the amount on deposit at the end of such month to the credit of each such account or subaccount;
- (c) a brief description of all obligations held as an investment of moneys in each such account or subaccount;
- (d) the amount applied to the redemption of the Series 2017 B Bonds and a description of the Series 2017 B Bonds or portions thereof so redeemed; and
- (e) the balance in the Series 2017 B Account of the Debt Service Reserve Fund and the excess over the Debt Service Reserve Requirement on deposit therein;
- (f) any other information which the Administration may reasonably request.

The Trustee shall confirm the Debt Service Reserve Requirement with the Administration to enable to Trustee to calculate the excess over the Debt Service Reserve Requirement required to be reported pursuant to clause (e) above.

Section 4.05. Amendment of the Series 2017 B Loan. In addition to the covenants set forth in Section 6.05 of the Bond Resolution, the Administration hereby covenants not to modify, amend or alter any security for or any terms or provisions of the Series 2017 B Loan in any manner that is materially adverse to the interest of the bondholders, as determined in good faith by the Administration.

Section 4.06. Amendment of Series Resolution. This Series Resolution shall not be modified or amended except in accordance with Section 9.10 of the Bond Resolution.

Section 4.07. No Sale or Assignment of the Series 2017 B Loan. Notwithstanding the provisions of Section 6.07 of the Bond Resolution, the Administration shall not sell, assign, endorse or otherwise dispose of the Series 2017 B Loan, except as provided pursuant to Credit Enhancement.

Section 4.08. Credit Enhancement.

(a) To the extent permitted by law, including applicable HUD regulations, while the Series 2017 B Bonds are Outstanding, the Administration agrees to name the Trustee as payee with respect to any claims for the proceeds of Credit Enhancement relating to the Series 2017 B Loan or to otherwise provide that such proceeds are delivered to the Trustee for deposit under the Resolution.

(b) Notwithstanding the provisions of Article VI of the Bond Resolution, in the event of a default on the Series 2017 B Loan, the Administration shall file a claim under the Credit Enhancement pursuant to the terms of the Credit Enhancement relating to the Series 2017 B Loan, the proceeds of which shall be used to redeem the Series 2017 B Bonds pursuant to Section 2.05 hereof.

ARTICLE V

SPECIAL PROVISIONS

Section 5.01. Election Pursuant to Section 142(d)(1) of the Code. Pursuant to Section 142(d)(1) of the Code, the Administration hereby elects to have the following test apply to the Series 2017 B Development listed below:

Development	Loan Amount	Test Elected
HELP Perry Point Veterans Village	\$12,000,000	40-60 Test

Section 5.02. Additional Requirements for Qualification of Loans Financed with Proceeds of Series 2017 B Bonds.

(a) In addition to the requirements of Section 5.10 of the Bond Resolution, the Borrower under the Series 2017 B Loan financed with the proceeds of the Series 2017 B Bonds shall enter into a Declaration in which the Borrower covenants that it will comply with the requirements of either the 20-50 Test or the 40-60 Test elected pursuant to Section 4.01 above and applicable to its Loan. This covenant is subject to the provisions of subsection (c) of this Section 5.02, and, in addition, may be amended if Bond Counsel issues its opinion to the Administration and the Trustee to the effect that as a result of an amendment to this covenant, interest on the Series 2017 B Bonds will remain excludable from gross income for federal income tax purposes.

(b) In addition to the requirements of Section 5.10 of the Bond Resolution, the Borrower under the Series 2017 B Loan financed with proceeds of the Series 2017 B Bonds shall enter into a Declaration in which the Borrower covenants that all of the dwelling units in the Series 2017 B Development must be rented or available for rental on a continuous basis during the Qualified Project Period. In order to satisfy this requirement, a development which contains fewer than five units must not have a unit occupied by the owner of such Development. This covenant is subject to subsection (c) of this Section 5.02 and in addition may be amended if Bond Counsel issues its opinion to the Administration and the Trustee to the effect that notwithstanding or as a result of an amendment to this covenant, interest on the Series 2017 B Bonds will remain excludable from gross income for federal income tax purposes.

(c) The Declaration containing the covenants required under subsections (a) and (b) of this Section 5.02 may provide that such covenants shall cease to apply to a Development in the event of involuntary noncompliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a law of the United States or an action of an agency of the United States after the date of issue of the Series 2017 B Bonds which prevents the Administration from enforcing these covenants, or condemnation or similar event, but only if, within a reasonable period as determined by Bond Counsel, either the Series 2017 B Bonds used to finance such Development are retired or amounts received by the Administration as a consequence of such event are used to finance a Development which meets the requirements of this Section 5.02 and Section 142(d) of the Code. These covenants may be waived or amended if a Bond Counsel issues its opinion to the Administration and the Trustee to the effect that notwithstanding or as a result of an amendment to or waiver of this covenant, interest on the Series 2017 B Bonds will remain excludable from gross income for federal income tax purposes.

(d) The Administration covenants to enforce the provisions of the Declaration required by this Section 5.02, against the Borrower.

(e) In addition to the requirements of Section 5.10 of the Bond Resolution, prior to closing any Series 2017 B Loan to be financed with the proceeds of the Series 2017 B Bonds, the Administration shall enter into such agreements and covenants with the Borrower under such Series 2017 B Loan as are necessary, in the opinion of Bond Counsel, to ensure the exclusion from gross income of interest on the Series 2017 B Bonds for federal income tax purposes pursuant to Section 142(d) of the Code.

(f) The Administration agrees to enter into and record among the land records in the county in which the Series 2017 B Development is located, a Declaration with respect to the Series 2017 B Loan.

Section 5.03. Arbitrage Compliance.

(a) **Arbitrage Compliance Covenant.** The Administration covenants for the benefit of the holders from time to time of the Series 2017 B Bonds to take, or refrain from taking, such actions as are necessary to comply with the requirements of the Code, including, without limitation, the requirements with respect to arbitrage contained in Section 148 of the Code, to the extent the provisions thereof apply to the Series 2017 B Bonds, unless, in the opinion of Bond Counsel, such action will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2017 B Bonds. This covenant shall not require the Administration to take, or refrain from taking, action not within its control, such as, for example, and not by way of limitation, the treatment of interest on the Series 2017 B Bonds, or any Bonds, as a preference item or as “book income” or as subject to the environmental tax imposed on corporations pursuant to Section 59A of the Code.

(b) **Calculation of Rebate Amounts Generally.** The Administration shall be primarily responsible for the calculation of all amounts, if any, required to be rebated to the United States in accordance with the provisions of Section 148(f) of the Code. Such calculations shall be made in accordance with written instructions or advice from the Administration to be delivered to the Trustee on the Issue Date of the Series 2017 B Bonds setting forth the requirements for calculation of the rebate to the United States in accordance with Section 148(f) of the Code (the “Rebate Instructions”). The Rebate Instructions may be amended to comply with the requirements of Section 148(f) of the Code, including without limitation any amendments thereto or binding interpretations thereof issued by the Internal Revenue Service that affect the method of rebate calculation, with the written approval of Bond Counsel. The Trustee shall invest all moneys and Permitted Investments in its possession in accordance with the written instructions or advice received from the Administration.

(c) **Account Statements and Record Retention.** No later than the 15th day of each month, the Trustee shall provide the Administration with account statements for the immediately preceding month setting forth account balances at the beginning and end of the immediately preceding month, and transaction summaries for the immediately preceding month, for each fund or account under the Bond Resolution, and any other account information that the Administration may reasonably request in order to perform the rebate and any investment calculations required by this Section. The Administration and the Trustee shall retain adequate records relating to (i) payment of interest on the Series 2017 B Bonds and (ii) the purchase of and payments on obligations subject to arbitrage rebate, so that an adequate determination of yield on the Series 2017 B Bonds and such obligations may be made. Such records shall be retained by the Administration and the Trustee until six years after the retirement of the later of (i) the last obligation of the Series 2017 B Bonds or (ii) the last tax-exempt obligations that will refund any of the Series 2017 B Bonds, if any.

(d) **Annual Calculation of Rebate.** Within 60 days after each January 1 following the date of issuance of the Series 2017 B Bonds, other than a Federal Computation Date (as defined

in subsection (e) below), the Administration shall calculate the amount, if any, payable as rebate to the United States in accordance with Section 148(f) of the Code, the requirements of which are set forth in the Rebate Instructions (herein referred to as the “Annual Computation Amount”) and shall deliver to the Trustee a written statement setting forth the Annual Computation Amount.

(e) **Calculation of Rebate on Federal Computation Dates.** Within 10 days after May 1, 2021, and each May 1 every fifth year thereafter until the date of the retirement of the last of the Series 2017 B Bonds, and the date of the retirement of the last of the Series 2017 B Bonds (each such date a “Federal Computation Date”), the Trustee shall deliver to the Administration the account statements for the month immediately preceding such Federal Computation Date, together with a request for confirmation that the Administration is proceeding with calculation of the amount, if any, payable as arbitrage rebate to the United States in accordance with §148(f) of the Code (herein referred to as the “Rebate Amount”) and expects that calculation of the Rebate Amount will be completed no later than the 45th day after the respective Federal Computation Date. If the Administration fails to provide such confirmation within five days after receipt of such request, the Trustee shall again request such confirmation from the Administration and, if the Trustee does not receive written confirmation from the Administration that it is proceeding with calculation of the rebate amount, the Trustee shall proceed at the Administration’s expense, to calculate or cause to be calculated the Rebate Amount.

Within 45 days after each Federal Computation Date, the Administration shall deliver to the Trustee a statement of the Rebate Amount, together with any instructions relating to payment of such Rebate Amount from any funds held by the Trustee under the Bond Resolution. The Administration shall pay, or cause to be paid, the Rebate Amount to the United States no later than 60 days following each Federal Computation Date. If the Administration fails to pay the Rebate Amount by such date, the Administration shall be responsible for payment of any interest or penalties as a result of such late payment.

(f) **Calculation of Rebate by the Trustee.** If the Trustee is required to calculate the Rebate Amount, such calculations shall be made in accordance with the Rebate Instructions. The Trustee may, at the Administration’s expense, hire a firm of certified public accountants, financial analysts or bond counsel, or a financial institution, or any subsidiary or related entity or organization of any of the foregoing, experienced in making arbitrage and rebate calculations required pursuant to Section 148 of the Code (the “Rebate Expert”) to calculate the Rebate Amount. If the Trustee has calculated or caused to be calculated the Rebate Amount, the Trustee shall pay, or cause to be paid, the Rebate Amount to the United States no later than 60 days following each Federal Computation Date from any funds available under the Bond Resolution. If the Trustee fails to pay the Rebate Amount by such date, the Trustee shall be responsible for payment from its own funds of any interest or penalties as a result of such late payment. The Trustee and the Administration acknowledge and agree that payment of the Rebate Amount is the responsibility of the Administration.

(g) **Modification of Rebate Calculation and Payment Provisions.** The provisions of this Section may be modified from time to time pursuant to a Supplemental Certificate provided to the Trustee by the Administration, accompanied by an opinion of Bond Counsel to the effect that such modification will not adversely affect the exclusion of interest on the Series 2017 B Bonds from gross income for federal income tax purposes. Notwithstanding the foregoing

sentence, nothing herein contained shall be construed to permit the modification of the duties and obligations of the Trustee under this Section without the prior written consent of the Trustee.

(h) **Failure to Comply Not an Event of Default.** Notwithstanding any other provision of this Series Resolution or the Bond Resolution, any failure of or on the part of the Administration to comply with the provisions or requirements of this Section shall not be deemed an Event of Default under the Bond Resolution and shall not give rise to any of the remedies contained in Article VIII of the Bond Resolution.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

Section 6.02. Applicable Provisions of Law. This Resolution shall be governed by and construed in accordance with the laws of the State.

Section 6.03. Offices of Manufacturers and Traders Trust Company. While Manufacturers and Traders Trust Company is the Trustee and Registrar under the Bond Resolution, its address for purposes of registration, transfer, exchange or payment of Bonds shall be the principal office of Manufacturers and Traders Trust Company at which its corporate trust business shall be administered at any time, which office is Manufacturers and Traders Trust Company c/o Wilmington Trust, Corporate Trust Operations, Attn: Work Flow Management, 1100 N. Market Street, Wilmington, DE 19890.

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Adopted and determined by the Director of the Community Development Administration,
and approved by the Secretary of Housing and Community Development, as of May 1, 2017.

COMMUNITY DEVELOPMENT
ADMINISTRATION

[SEAL]

By: _____
Matthew J. Heckles, Director

Attest:

By: _____
Authorized Officer

APPROVED BY:

By: _____
Kenneth C. Holt,
Secretary of Housing and Community
Development

EXHIBIT A

FORM OF SERIES 2017 B BOND

R-__

\$_____

THIS MULTIFAMILY BOND IS NOT A DEBT OF AND DOES NOT PLEDGE THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OF MARYLAND, THE COMMUNITY DEVELOPMENT ADMINISTRATION, OR A POLITICAL SUBDIVISION, BUT IS PAYABLE ONLY FROM THE REVENUES AND PROPERTY PROVIDED FOR IN THE ACT.

UNITED STATES OF AMERICA

COMMUNITY DEVELOPMENT ADMINISTRATION

MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

HOUSING REVENUE BOND
(FHA RISK-SHARING INSURED PASS-THROUGH)
SERIES 2017 B

DATED DATE	INTEREST RATE	MATURITY DATE	CUSIP
May 10, 2017	% per annum	_____, 20__	57419R ____

The Community Development Administration (the "Administration"), a unit of the Division of Development Finance of the Department of Housing and Community Development, a principal department of the State of Maryland (the "Department"), created and existing under Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the "Act"), for value received, promises to pay from the sources and as hereinafter provided, to CEDE & CO. or registered assigns on the maturity date identified above, the principal sum of _____ DOLLARS and in like manner to pay interest on said principal sum from the interest payment date next preceding the date of registration and authentication of this bond, unless this bond is registered and authenticated as of an interest payment date, in which case it shall bear interest from said interest payment date, or unless this bond is registered and authenticated prior to May 10, 2017 in which event this bond shall bear interest from May 10, 2017 or unless, as shown by the records of the hereinafter referred to Trustee, interest on the Series 2017 B Bonds shall be in default, in which event this bond shall bear interest from the date on which interest was last paid on this bond or from May 10, 2017, if no interest has been paid on this bond, until the Administration's obligations with respect to payment of such principal sum shall be discharged, at the interest rate per annum identified above monthly on the first day of each calendar month commencing July 1, 2017, until said principal sum is paid. The interest on this bond is payable by check or draft mailed by Manufacturers and Traders Trust Company (successor by merger to Allfirst Bank), a New York banking corporation with trust powers and having a corporate trust office in Baltimore, Maryland, as trustee, or its successor in trust (the "Trustee"), or, upon the request of a registered holder of a bond having a principal amount of \$1,000,000 or more, by wire transfer from the Trustee to the

registered owner hereof, and principal of, and redemption premium, if any, due at maturity or redemption on this bond are payable in lawful money of the United States of America upon presentation at the principal office of the Trustee.

This bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the principal office of the Trustee.

AS PROVIDED IN THE ACT, THIS BOND AND THE SERIES OF WHICH IT IS A PART ARE SPECIAL OBLIGATIONS OF THE ADMINISTRATION. THIS BOND IS NOT A DEBT OF AND DOES NOT PLEDGE THE FAITH, CREDIT OR TAXING POWER OF THE STATE, THE DEPARTMENT, THE ADMINISTRATION OR ANY POLITICAL SUBDIVISION, BUT IS PAYABLE SOLELY FROM THE REVENUES AND ASSETS PROVIDED FOR IN THE RESOLUTIONS (AS HEREINAFTER DEFINED). The Series 2017 B Bonds do not rank *pari passu* with the outstanding Bonds previously or concurrently issued nor any additional Bonds which may be issued under the Bond Resolution; however, the Series 2017 B Bonds are ratably secured by and entitled to the protection of the Bond Resolution, as described herein.

This bond is one of an authorized issue of Series 2017 B Bonds in the aggregate principal amount of \$12,000,000 (the "Series 2017 B Bonds") issued to provide funds to enable the Administration to carry out its program of financing qualified loans (the "Loans") for using projects which are "community development projects" or "public purpose projects" under the terms of the Act (the "Developments"), in order to increase the supply of adequate, safe and sanitary housing for persons or families of limited incomes and promote sound community development in the State of Maryland (the "State").

This bond is a special obligation of the Administration payable solely from the revenues and property of the Administration pledged therefor, including the Loans, Guaranteed Securities, Revenues, Prepayments, Recovery Payments and Acquired Development Receipts (as such terms are defined in the Bond Resolution).

The Series 2017 B Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Administration's Resolution Providing for the Issuance of Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through), adopted as of November 1, 1996 (the "Bond Resolution"), and amended and restated as of July 1, 2006, and a Series Resolution Providing for the Issuance and Sale of \$12,000,000 Principal Amount of Housing Revenue Bonds Series 2017 B, adopted as of May 1, 2017 (the "Series Resolution"). The Bond Resolution and the Series Resolution are collectively referred to herein as the "Resolutions." All Bonds, including all outstanding Bonds previously or concurrently issued and any additional Bonds issued under the Bond Resolution are collectively called the "Bonds" herein. Notwithstanding anything to the contrary in the Bond Resolution or the Series Resolution, the Series 2017 B Bonds shall constitute Subordinate Contract Obligations under the Bond Resolution and shall be secured solely by the proceeds thereof or funds on deposit in the Series 2017 B Account of the Revenue Fund, the Series 2017 B Account of the Debt Service Reserve Fund and the Series 2017 B Account of the Redemption Fund, in each case, established under the Series Resolution and not by any other moneys, funds or accounts held under the Bond Resolution. The proceeds or Revenues received in connection with the Series 2017 B Bonds shall not constitute security for or a source of payment

of any other Bonds or other Subordinate Contract Obligations outstanding or hereafter issued under or entered into in accordance with the Bond Resolution. Reference is hereby made to the Series Resolution and the Bond Resolution, as amended from time to time, for a description of the property pledged and assigned, the provisions, among others, with respect to the nature and extent of the security, rights, duties and obligations of the Administration, the Trustee, and the owners of the Series 2017 B Bonds and the terms upon which the Series 2017 B Bonds are issued and secured. The terms and conditions set forth herein concerning payment, redemption and other rights and remedies of the owners of the Series 2017 B Bonds are descriptive only and are subject in all cases to the terms and conditions as set forth in the Resolutions. Certain capitalized terms used herein are as defined in the Resolutions unless the context clearly indicates otherwise.

The Series 2017 B Bonds are issuable as fully registered bonds without coupons, in denominations of \$1.00 and any integral multiple thereof. This bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the principal office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Resolution, and upon surrender and cancellation of this bond. Upon such transfer, a new registered bond or bonds of the same series and the same maturity and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor.

In the event of a partial redemption of this bond, the owner hereof is authorized to effect a reduction in the face amount of this bond by making a notation on the face hereof in lieu of surrendering this bond to the Trustee for cancellation and the issuance of a new bond or bonds in the amount of the unredeemed portion hereof. ACCORDINGLY, THE OUTSTANDING PRINCIPAL OF THIS BOND MAY BE LESS THAN THE STATED FACE AMOUNT HEREOF AND THE RECORDS OF THE TRUSTEE SHALL BE CONCLUSIVE AS TO THE OUTSTANDING PRINCIPAL AMOUNT HEREOF. ANY PURCHASER OR TRANSFEE OF THIS BOND SHOULD CONTACT THE TRUSTEE TO ASCERTAIN THE OUTSTANDING AMOUNT HEREOF.

The Trustee shall not be required to issue, register, transfer or exchange any Series 2017 B Bonds during a period beginning at the opening of business on the fifteenth business day next preceding an Interest Payment Date (as defined in the Resolutions) and ending at the close of business on such Interest Payment Date, or in the case of any proposed redemption of Series 2017 B Bonds, after the mailing of notice calling such Bonds or portions thereof for redemption as provided in the Bond Resolution.

The Administration and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof (whether or not this bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest, if any, due hereon, for the giving of notices and for all other purposes, and neither the Administration nor the Trustee shall be affected by any notice to the contrary.

The Series 2017 B Bonds shall be subject to special, optional and mandatory redemption as provided in the Series Resolution.

All Series 2017 B Bonds so called for redemption will cease to bear interest after the specified redemption date and shall no longer be secured by the Resolutions, provided funds for their redemption are on deposit at the place of payment at that time.

The Series 2017 B Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Act. The Secretary of Housing and Community Development and the Director of the Administration have determined that the issuance of the Series 2017 B Bonds is necessary to achieve the purposes of the Act. Neither the Secretary of Housing and Community Development nor any other person executing the Series 2017 B Bonds shall be personally liable or accountable by reason of their issuance. Payments sufficient for the prompt payment, when due, of the principal, premium, if any, and interest on the Series 2017 B Bonds, are to be paid to the Trustee for the account of the Administration, which payments have been duly pledged and assigned for that purpose.

The owner of this bond shall have no right to enforce the provisions of the Bond Resolution or the Series Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Resolution. In certain events, on the conditions, in the manner and with the effect set forth in the Bond Resolution, the principal of all the Bonds issued under the Bond Resolution and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest, if any, accrued on the principal amount thereof.

The Bond Resolution provides for the supplementation or amendment thereof pursuant to a resolution adopted by the Administration and consented to by the Trustee, but without the consent of the owners of the Bonds, to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision therein or to insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent therewith. The Bond Resolution also provides for the supplementation thereof for certain purposes upon the filing of a resolution of the Administration relating thereto with the Trustee.

The Bond Resolution further provides for the amendment thereof and the modification of the rights and obligations of the Administration and the rights of the owners of the Bonds at any time by the Administration with the consent of the owners of two-thirds in aggregate principal amount of the Bonds at the time Outstanding, as defined in the Bond Resolution; provided, however, the consent of the holders of all Outstanding Bonds shall be required for (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 a supplemental resolution, (e) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding 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 such amendment or modification shall be conclusive and binding upon the owner of this bond and upon all future owners of this bond and of any Series 2017 B Bond issued in replacement hereof whether or not notation of such consent is made upon this bond. The Bond Resolution also contains provisions (i) limiting the declaration of an Event of Default in the event

that all overdue payments of principal, as of the date of payment or provision therefor, as applicable, and interest on Bonds which shall have matured by their terms either shall be paid by or for the account of the Administration or provision satisfactory to the Trustee shall be made for such payment and (ii) permitting the Trustee to waive certain defaults under the Bond Resolution and their consequences.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Bond Resolution and the issuance of this bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this bond and the issue of which it forms a part, together with all other obligations of the Administration, do not exceed or violate any constitutional or statutory limitation; and that the amounts pledged to the payment of the principal of, premium, if any, and interest on this bond and the issue of which it forms a part, as the same become due, will be sufficient in amount for that purpose.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the certificate of authentication shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, the Administration has caused this Bond to be duly executed by the manual or facsimile signature of its Authorized Officer and attested by the manual or facsimile signature of its Authorized Officer.

COMMUNITY DEVELOPMENT
ADMINISTRATION

[SEAL]

By: _____
Director

ATTEST:

By: _____
Secretary of
Housing and Community Development

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of and described in the within-mentioned Series Resolution.

Date of Authentication: _____

MANUFACTURERS AND TRADERS TRUST
COMPANY

By: _____
Authorized Signer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number)
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney,
to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signatures Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX C

FORM OF BOND COUNSEL OPINION

LETTERHEAD OF KUTAK ROCK LLP, WASHINGTON, D.C.

[Closing Date]

Community Development Administration
Maryland Department of Housing and
Community Development
7800 Harkins Road
Lanham, Maryland 20706

\$12,000,000
COMMUNITY DEVELOPMENT ADMINISTRATION
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Housing Revenue Bonds
(FHA Risk-Sharing Insured Pass-Through)
Series 2017 B (Non-AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Community Development Administration (the “Administration”), a unit of the Division of Development Finance of the Department of Housing and Community Development (the “Department”), a principal department of the State of Maryland (the “State”), in connection with the issuance and sale of \$12,000,000 aggregate principal amount of its Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through) Series 2017 B (the “Series 2017 B Bonds”).

The Series 2017 B Bonds are being issued under and pursuant to (1) Sections 4-101 through 4-255 of the Housing and Community Development Article of the Annotated Code of Maryland, as amended (the “Act”), (2) the resolution of the Administration adopted as of November 1, 1996, and amended and restated as of July 1, 2006, entitled “Resolution Providing for the Issuance of Housing Revenue Bonds” (the “Bond Resolution”) and (3) a Series Resolution Providing for the Issuance and Sale of Housing Revenue Bonds, Series 2017 B, adopted by the Administration as of May 1, 2017 (the “Series Resolution”). The Bond Resolution and the Series Resolution are referred to collectively as the “Resolution.” The Director of the Administration determined, pursuant to Section 4-245(a) of the Act, that the issuance of the Series 2017 B Bonds is necessary to achieve one or more purposes of the Administration, and such determination was approved by the Secretary of the Department. Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings set forth in the Resolution or the Act.

Based upon the foregoing, we are of the opinion that:

- 1) Under the Constitution and laws of the State, the Act is valid and the Administration has been duly created and validly exists as a unit of the Division of Development Finance of the Department with such political and corporate powers as set forth in the Act and with good, right and lawful authority, among other things, to carry out the Program of making

Qualified Loans, to issue the Series 2017 B Bonds to provide funds therefor and to perform its obligations under the terms and conditions of the Resolution.

- 2) The Resolution has been duly adopted by the Administration and approved by the Secretary and is valid and binding upon the Administration and is enforceable in accordance with its terms.
- 3) The Series 2017 B Bonds are valid and legally binding limited obligations of the Administration secured by a pledge in the manner and to the extent set forth in the Resolution and are entitled to the benefit, protection and security of the provisions, covenants and agreements of the Resolution. The Resolution creates the valid pledge of and the valid lien which it purports to create upon the Revenues and other assets and income described in the Resolution, subject only to the provisions of the Resolution permitting the use and payment thereof for or to the purposes and on the terms and conditions set forth in the Resolution.
- 4) Under existing law, interest on the Series 2017 B Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Series 2017 B Bond for any period during which such Series 2017 B Bond is held by a person who is a “substantial user” of the facilities financed with the proceeds of the Series 2017 B Bonds or a “related person” within the meaning of Section 147(a) of the Code. Furthermore, interest on the Series 2017 B Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.
- 5) Under existing statutes, the Series 2017 B Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, are exempt from taxation of every kind and nature whatsoever by the State of Maryland, except that no opinion is expressed with respect to any exemption from Maryland estate or inheritance taxes.

The foregoing opinion is qualified only to the extent that the enforceability of the Series 2017 B Bonds and the Resolution may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors’ rights or remedies generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2017 B Bonds. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason.

Very truly yours,

APPENDIX D

BOOK-ENTRY SYSTEM

The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. According to DTC, the following information with respect to DTC and DTC's book-entry system has been provided for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. No representation is made by the Administration or the Underwriter as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Administration believes to be reliable, but neither the Administration nor the Underwriter take any responsibility for the accuracy thereof. The Beneficial Owners of the Series 2017 B Bonds should confirm the following information with DTC or the DTC Participants.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2017 B Bonds. The Series 2017 B Bonds will be issued as fully registered securities, registered in the name of Cede & Co., DTC's partnership nominee (“Cede”) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2017 B Bond certificate will be issued for each maturity of the Series 2017 B Bonds, in the aggregate principal amount of each such maturity of the Series 2017 B Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the “**Direct Participants**”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor's rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The Administration, the Trustee, and the Underwriter undertake no responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of Series 2017 B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 B 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 2017 B 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 2017 B Bonds, except in the event that use of the book entry system for the Series 2017 B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 B 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 2017 B 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 2017 B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 B Bonds, such as redemptions, defaults, and proposed amendments to the Series 2017 B Bond documents. For example, Beneficial Owners of Series 2017 B Bonds may wish to ascertain that the nominee holding the Series 2017 B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

As described in this Official Statement in "TERMS OF THE SERIES 2017 B BONDS – Prior Redemption – Mandatory Redemption," it is the intention that, while any Short Term Bonds remain outstanding, the allocations for mandatory redemption of the Series 2017 B Bonds be made by DTC on a pro rata by maturity basis in accordance with DTC's "Pro-Rata Pass-Through Distribution of Principal" rules and procedures. If DTC's operational arrangements do not allow for payment of the Series 2017 B Bonds on a pro-rata pass-through payment distribution of principal basis, then the Series 2017 B Bonds selected for payment will be made in accordance with DTC's procedures then in effect.

While the Series 2017 B Bonds are in the book-entry system, redemption notices will be sent to DTC. If less than all of the Series 2017 B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2017 B Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 B Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Administration as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017 B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Administration or the Trustee, on a payment date in accordance with their respective holdings shown on

DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, the Trustee, the Paying Agent or the Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee or the Administration, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE ADMINISTRATION, THE TRUSTEE, AND THE PAYING AGENT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE SERIES 2017 B BONDS, THE DELIVERY TO ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO THE SERIES 2017 B BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE PAYMENT TO ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2017 B BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE SERIES 2017 B BONDS ARE NOT ISSUED PURSUANT TO THE RESOLUTIONS AND THE SERIES 2017 B BONDS ARE REGISTERED TO DTC, THE ADMINISTRATION, THE PAYING AGENT, AND THE TRUSTEE SHALL TREAT DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY AS, AND DEEM DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY TO BE, THE ABSOLUTE OWNER OF THE SERIES 2017 B BONDS FOR ALL PURPOSES WHATSOEVER, INCLUDING WITHOUT LIMITATION (1) THE PAYMENT OF PRINCIPAL AND INTEREST ON THE SERIES 2017 B BONDS, (2) GIVING NOTICE OF REDEMPTION AND OTHER MATTERS WITH RESPECT TO THE SERIES 2017 B BONDS, (3) REGISTERING TRANSFERS WITH RESPECT TO THE SERIES 2017 B BONDS AND (4) THE SELECTION OF SERIES 2017 B BONDS FOR REDEMPTION.

DTC may discontinue providing its services as depository with respect to the Series 2017 B Bonds at any time by giving reasonable notice to the Administration and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 B Bond certificates are required to be printed and delivered. The Administration may decide to discontinue use of the system of book entry transfer through DTC (or a successor securities depository). In that event, Series 2017 B Bond certificates will be printed and delivered to DTC.

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APPENDIX E

FHA RISK-SHARING PROGRAM

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

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

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

The Administration has entered into a risk-sharing agreement with HUD dated as of November 30, 1994 (the “Risk-Sharing Agreement”) which sets out the terms for the Administration’s participation in the FHA Risk-Sharing Program. The Administration has received designation as a Level I participant under the regulations which means it may elect to reimburse HUD for between 50% and 90% (in increments of 10%) of any losses incurred as a result of a default under a loan. Designation as a Level I participant permits the Administration to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans without further review by HUD. The Administration also has received designation as a Level II participant which means it may insure either 10% or 25% of any losses on the mortgage loan (based on certain loan-to-value criteria). In the event of a loan default, the Risk-Sharing Agreement requires the Administration to share with HUD in any loss arising as a consequence of the loan default.

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

The FHA Risk-Sharing Program may require that a participating agency establish a dedicated account for the purpose of meeting the agency's obligations under the program and the Risk-Sharing Agreement. The Administration was previously required to establish this type of reserve. In September 2012, HUD removed this requirement in light of the Administration's credit rating and the Administration no longer restricts amounts in the General Bond Reserve Fund for such purpose.

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

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

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

The Regulations define an event of default under an FHA-insured mortgage as (1) a failure to make any payment due under the mortgage or (2) a failure to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage) if the mortgagee, because of such failure, has accelerated the debt. A mortgagee is entitled to receive the benefits of insurance after the mortgagor has defaulted and such default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Administration has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Administration must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of the Administration, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where the Administration certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim

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

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

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

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

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semiannual reports, annual financial statements and must maintain its eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

THE MHF INSURANCE PROGRAM

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

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

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

Multifamily Loan Programs

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

The Administration is a participant in the Federal Housing and Administration’s (“FHA”) Risk-Sharing Program (the “FHA Risk-Sharing Program”) for multifamily loans. As a Level I participant under the FHA Risk-Sharing Program, upon payment of a claim by FHA, the Administration would be responsible for reimbursement to FHA of up to 50% of such claim. As a Level II participant under the FHA Risk-Sharing Program, the Administration would be responsible for reimbursement to FHA of up to 25% of such claim. The Administration expects that MHF would reimburse the Administration for its share of such losses, pursuant to a commitment letter issued by MHF to the Administration in connection with each Loan. Between 1997 and 2004, the Administration participated in the FHA Risk-Sharing Program only in connection with the refinancing of Loans then insured by MHF where the Administration was able to decrease the dollar amount of MHF’s insurance exposure with respect to such loans. In 2004, the Department expanded its MHF insurance program for new Loans funded through the Administration with credit enhancement under the FHA Risk-Sharing Program.

MHF has also provided mortgage insurance for short term loans made by the Administration pursuant to the Tax Credit Bridge Loan Insurance program. For a project which qualifies for federal low income housing tax credits, MHF provided limited insurance for bridge loans made by the Administration until equity capital contributions were made by the tax credit investor. The Tax Credit Bridge Loan Insurance program is governed by Sections 3-203 and 3-206 of the MHF Statute and COMAR 05.06.02 of the MHF Regulations.

Effective December 9, 2014, MHF and the Administration created a demonstration program (the “MHF Demonstration Program”) whereby MHF insures short term loans (“Short Term Loans”) financed with proceeds from the sale of short term bonds issued under the Bond Resolution (the “Short Term Bonds”). The MHF Demonstration Program is an additional cost-effective option extended to borrowers for the provision of Credit Enhancement for Short Term Loans financed under the Bond Resolution. Eligibility for the MHF Demonstration Program is limited to projects where the project would need to use more than 25% of its projected tax credit equity to cash collateralize a letter of credit (“LOC”) that otherwise would be delivered to secure Short Term Bonds during construction, and the amount of the Short Term Loan (which equals the amount of the cash collateral account that would be required by a LOC provider) is greater than 25% of the projected tax credit equity. No borrower, including all related entities, may have Short Term loans insured under the MHF Demonstration Program at any one time in excess of \$5 million. In addition, 25% of the projected amount of tax credit equity to be generated by a project must be contributed to the project at the closing of the Short Term Loan. MHF’s obligations under the MHF Demonstration Program are backed only by (i) MHF’s Unallocated Reserve and (ii) any excess revenue available under the Bond Resolution. The aggregate amount of outstanding indebtedness to be insured under the MHF Demonstration Program may not exceed \$10 million from the MHF Unallocated Reserve plus any excess revenue available under the Bond Resolution at any given time. Prior to formal implementation of the MHF Demonstration Program, two short term loans were underwritten using the MHF Demonstration Program criteria, and those short term loans have been transferred into the MHF Demonstration Program.

Single Family Loan Programs

In June 2005, the Department opened a program of MHF to insure 30-year and 40-year amortizing Single Family loans being purchased by the Administration. Because market conditions caused unexpected high demand for this insurance, the Department suspended the program as of November 10, 2008.

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

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

Small Business Loan Programs

Legislation was passed effective July 1, 2016, allowing MHF to provide credit enhancement to loans on business projects that will acquire, operate, construct or rehabilitate businesses. This program is governed by Sections 3-203 and 3-206 of the MHF Statute. Regulations to govern this program and eligibility criteria for credit enhancement are in development.

Additional Information

For fiscal year 2003, the Maryland Department of Legislative Services asked MHF and the Administration whether there were funds available for transfer to the State. After being advised by Moody's that a transfer, in and of itself, would not have an adverse effect on the rating of the Administration's outstanding parity debt, including the Bonds, MHF transferred \$10 million from the Unallocated Reserve to the State. There was no transfer in 2004, 2005, 2006, or 2007. Legislation was enacted during the 2008 session (SB 983) requiring another \$10 million to be transferred, and beginning in fiscal year 2010, any amount in the Unallocated Reserve at the end of any fiscal year that exceeds an amount necessary to provide backing for insurance issued by MHF by more than \$10 million, be transferred to the Department's revolving housing loan funds. During the fiscal years ending June 30, 2012, 2013, 2014, 2015 and 2016, and the six months ending December 31, 2016, MHF transferred \$2.1 million, \$1.1 million, \$0.77 million, \$0.88 million, \$0.87 million, and \$0.94 million, respectively. For more information, see "Management's Presentation of the MHF Program" below.

MANAGEMENT'S PRESENTATION OF THE MHF PROGRAM

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

Financial Statements and Information

The financial statement of MHF for the fiscal year ending June 30, 2016 has been audited by CliftonLarsonAllen LLP, and the financial statements for the fiscal years ending June 30, 2015 and June 30, 2014 have been audited by CohnReznick LLP. As indicated in the report of the auditors, such financial statements have been prepared in conformity with accounting principles and the audits conducted in accordance with auditing standards generally accepted in the United States. The financial statements of MHF are reported on a consolidated basis combining results of operations for all of the MHF Programs.

Income and Reserves

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

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

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

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

Statements of Net Assets Discussion

During the fiscal year ending June 30, 2016, the overall equity decreased from \$72,129,105 at June 30, 2015 to \$71,049,195. The net decrease of (\$1,079,910) is primarily due to actual losses and anticipated insurance losses on single family properties and a general reduction of administration costs allocated to MHF. During the six-month period ending December 31, 2016, the overall equity decreased from \$71,049,195 at June 30, 2016 to \$70,911,462. The net decrease of \$137,733 is primarily due to the \$943,319 transfer of excess reserves to the Department's revolving housing loan funds, offset by a decrease in actual and anticipated insurance losses on single family properties and decreased general and administrative expenses paid by MHF during the period.

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

In fiscal year 2016, MHF paid claims directly from the reserve funds resulting in a decrease to the Unrestricted Accumulated Deficit from \$11,215,354 to \$11,026,214. During the six-month period ending December 31, 2016, the Unrestricted Accumulated Deficit further decreased from \$11,026,214 to \$10,484,231. This was due primarily to a reduction in claims paid during the quarter.

Discussion of Changes in Net Position

During the fiscal year ending June 30, 2016, MHF reported a change in Net Position of (\$1,079,910). This change is primarily due to single family claims paid during the fiscal year and general administrative expenses paid.

During the six months ended December 31, 2016, MHF reported a Change in Net Position of (\$137,733). This change is primarily due to the transfer of funds to the Department's revolving housing loan funds combined with a reduction in single family insurance claims paid during the quarter as well as decreased administrative expenses for the quarter.

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

Discussion of Operating Cash Account

Selected Activity in MHF's Operating Cash Account

The following table is management's presentation of selected activity in MHF's operating cash account as of December 31, 2016.

	<u>Single Family</u>	<u>Multifamily</u>	<u>Total</u>
Premiums Collected ⁽¹⁾	\$ 247,166	\$ 639,923	\$ 887,089
Operating Expenses Paid ⁽²⁾	(120,038)	(202,909)	(322,947)
Premiums Net of Operating Expenses	127,128	437,014	564,142
Claims ⁽³⁾	(228,015)	-	(228,015)
Recoveries ⁽⁴⁾	-	-	-
Net Claim Activity	(228,015)	-	(228,015)
Other ⁽⁵⁾	(84,834)	(143,398)	(228,232)
Net Cash from Selected Activity	<u>(\$185,721)</u>	<u>\$293,616</u>	<u>\$107,895</u>

Notes:

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

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

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

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

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

During the fiscal year ending June 30, 2016, the net cash activity in MHF's operating cash was (\$2,420,476) for Single Family and \$1,033,294 for Multifamily. The change in Single Family is due to decrease in recoveries. The change in Multifamily is due to increase in recoveries.

During the six-month period ending December 31, 2016, the net cash activity in MHF's operating cash was (\$185,721) for Single Family and \$293,616 for Multi-Family. The change in Single Family cash is due to an increase in receivables relating to acquired properties. The change in Multi-Family cash is due to premiums collected exceeding allocated operating expenses.

Liquidity

MHF's primary uses of funds are to pay its operating expenses (direct and indirect) and to satisfy Multifamily and Single Family claims under its insurance policies resulting from a loan default (payment or physical) by an insured borrower. In general, MHF's insurance policies require MHF to pay claims to the lender, which includes the total principal outstanding, interest in arrears (through foreclosure), and other expenses associated with a failed real estate loan (e.g., foreclosure costs, negative escrows, etc.). MHF occasionally acquires a loan or property with the payment of the claim. The proceeds of the sale of this asset are deducted from the original claim to derive the net loss (or net gain) associated with the defaulted loan claim.

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

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

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

Discussion of Leverage Ratios

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

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

Under the 2010 Single Family Insurance Agreement, MHF has contracted with the Administration that, except as necessary to pay claims or advances on claims, MHF will not permit the ratio of the aggregate dollar amount of the Single Family insurance to assets in the Single Family Reserve (as may be reduced as described below) to exceed 25 to 1, and that no new insurance payable from the Single Family Reserve shall be issued or committed to, if upon such issuance or commitment and subsequent issuance, that ratio would be exceeded.

Due to MHF having never insured loans that were securitized by Fannie Mae, on April 4, 2014 MHF notified Fannie Mae of its intent to cease seeking certification as a Fannie Mae qualified insurer and requested that Fannie Mae remove

MHF from its list of eligible mortgage insurance providers. The Administration and MHF have entered into the First Amendment to Insurance Agreement Between the Maryland Housing Fund and the Community Development Administration, dated as of April 30, 2014, which eliminates the obligation of MHF to take all actions necessary for the qualification of Single Family Regular Program insurance as mortgage insurance from a qualified insurer within the meaning of Section 3.02(6)(2) of the Fannie Mae Charter Act.

Selected Information about the Single Family Regular Reserve Ratios

	<u>06/30/15</u>	<u>06/30/16</u>	<u>12/31/2016</u>
Single Family Regular Program Reserve ⁽¹⁾⁽²⁾	\$ 16,998,461	\$ 15,654,671	\$15,452,870
Amount Available for Calculation of "Ratio of Insurance to Available Reserve" ⁽³⁾	16,998,461	15,654,671	15,452,870
Primary Insurance coverage in force ⁽⁴⁾			
Insurance Agreement prior to 2005	9,045,862	7,177,309	6,710,616
Insurance Agreement post 2005	19,732,726	17,362,733	17,318,618
Pool Insurance coverage in force ⁽⁵⁾	-	-	-
Ratio of Mortgage Loans to the Regular Reserve ⁽⁶⁾	1.69 to 1	1.57 to 1	1.56 to 1

Notes:

⁽¹⁾ The Single Family Program does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of December 31, 2016, MHF had committed no additional primary insurance coverage.

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

⁽³⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of December 31, 2016, there was no reduction in the Single Family Reserve to cover the accumulated deficit.

⁽⁴⁾ The primary insurance coverage is 25% of the allowable claim for loans insured prior to 2005 under the Single Family Insurance Agreement (\$28,709,236 at December 31, 2016). The primary insurance coverage is 35% of the allowable claim for loans insured under the 2005 Single Family Insurance Agreement (\$49,607,810 at December 31, 2016).

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

⁽⁶⁾ The ratio in the table is computed based on the maximum amount of risk rather than the aggregate amount of mortgage loans insured, where the maximum amount of risk is calculated by taking (i) the aggregate amount of pool insurance coverage required for the Administration; and then adding to that product (ii) the maximum amount of risk on loans insured under the Single Family Regular Program (see 4 above), and then dividing the sum of those two amounts by (iii) the amount of the Single Family Regular Program Reserve. As of June 30, 2011, MHF fully allowed for the \$12.5 million for the Reinsurance Program by reducing the amount from the Single Family Regular Reserve Program. Therefore, the aggregate amount of reinsurance coverage is not included in the ratio.

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

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

Selected Information about the Multifamily Reserve Ratios

	<u>06/30/15</u>	<u>06/30/16</u>	<u>12/31/2016</u>
Total Multifamily Reserve ⁽¹⁾	\$ 44,698,739	\$ 44,698,739	\$ 44,698,739
Amount Available for Calculation of "Ratio of Insurance to Available Reserve" ⁽²⁾	43,483,386	44,698,739	44,698,739
Insurance Outstanding			
Multifamily mortgage insurance in force	149,156,990	156,486,309	153,559,236
Ratio of Insurance to Available Reserve	3.43 to 1	3.46 to 1	3.44 to 1

Notes:

⁽¹⁾ The Multi-Family Reserve does not include amounts, if any, which have been restricted for possible additional insurance coverage in the Unallocated Reserve. As of December 31, 2016, MHF had committed to additional mortgages in the amount of \$1,154,108.

⁽²⁾ In order to determine the leverage ratios, if the Unrestricted Accumulated Deficit exceeds the Unallocated Reserve, the Single Family Regular Reserve or the Multi-Family Reserve may be reduced in a manner determined by MHF to be appropriate. As of December 31, 2016, there was no reduction in the Multi-Family Reserve to cover the accumulated deficit.

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

SINGLE FAMILY INFORMATION

Certain Additional Expected Single Family Claims

Under its Single Family Regular insurance program, MHF is not obligated to pay claims on Single Family insurance until after the insured lender has completed foreclosure, evicted the occupants of the properties (if necessary) and restored the property to a condition satisfactory to MHF. As a result, at any time there are a number of mortgages that have been foreclosed and which are likely to result in payment of claims, but which have not yet reached the point where MHF recognizes them as liabilities in its financial statements. The total principal amount of such potential claims was \$421,726 as of December 31, 2016. On a quarterly basis, MHF includes its projection of net losses with respect to these potential claims in its financial statements as part of the allowance for Single Family insurance losses. Although these amounts are not payable from the Multifamily Reserve, they are potentially payable from other resources of MHF, including operating cash, the Unallocated Reserve and the Single Family Reserve.

Discussion of Single Family Operations

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

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

Single Family Claims Experience

The following chart sets forth information about claims on mortgage loans insured under the Single Family Regular Program Reserve and the Revitalization Reserve. This data includes net claim activity for properties sold during fiscal years ending June 30, 2015, June 30, 2016 and the six-month period ending December 31, 2016. No properties were acquired by MHF during the period ending December 31, 2016 as the Administration elected to keep title to all acquired properties and only request MHF to pay its prorata claim amount of \$228,015. The data for all of these reporting periods are subject to adjustment due to additional expenses paid and proceeds received after December 31, 2016.

Single Family Claims Experience on Acquired Properties

	<u>06/30/2015</u>	<u>06/30/16</u>	<u>12/31/16</u>
Recoveries on Sales of Properties Acquired Through Claims During the Fiscal Year	\$ 97,406	\$ 75,712	\$ -
Claims Paid on Acquired Properties Sold During the Fiscal Year			
Principal	151,299	-	-
Interest	-	-	-
Expenses and Carrying Costs	-	-	-
Total Claims Paid	\$ 151,299	\$ -	\$ -
Net Loss on Acquired Properties Sold During the Fiscal Year	\$ (53,893)	\$ 75,712	\$ -

2010 Single Family Insurance Agreement

The 2010 Single Family Insurance Agreement provides as follows:

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

Terms of Single Family Insurance Coverage

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

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

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

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

- (2) Fixed Percentage Settlement – claim settlement under this option is applicable when MHF provides for payment based on a declared percentage of the outstanding loan amount before foreclosure sale, and MHF, under this method, also waives any interest in the subject property;
- (3) Lender Acquisition Settlement – the lender acquires title at foreclosure (or by deed in lieu of foreclosure) and transfers title to MHF, and MHF pays the amount of the claim up to the percentage specified in the insurance policy; and
- (4) Third Party Acquisition – when the property is sold to a third party (at foreclosure, by the lender after taking a deed in lieu of foreclosure, or by the borrower after the commencement of foreclosure proceedings, with the approval of MHF, MHF pays the lesser of the percentage specified in the primary policy before crediting net sales proceeds or the full claim after crediting net proceeds of sale.

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

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

MULTIFAMILY INFORMATION

Multifamily Insurance in Force and Available Reserves

The following table sets forth information about outstanding insurance on mortgage loans under MHF’s Multifamily program as of December 31, 2016. The amounts shown are net of debt service claim payments. The amounts shown do not include insurance on mortgage loans insured by MHF and reinsured by FHLMC. See “The FHLMC Reinsurance Agreement” below. The reinsured mortgage loans had an aggregate principal balance as of December 31, 2016 of \$520,793.

In addition to the loans listed below, as of December 31, 2016, Single Family loans financed with the proceeds of Housing Revenue Bonds of the Administration, with outstanding principal balances in the aggregate amount of \$14,616 are insured under the Multifamily Reserves.

Outstanding Multifamily Insurance as of December 31, 2016

Lender	Units	No. of Loans	Original Insured Principal Amount	Current Balances
CDA permanent financing on large multi-family projects ⁽¹⁾	6,518	70	174,648,005	137,513,758
CDA Demonstration Program ⁽²⁾		2	4,920,000	4,920,000
CDA Single-Family loans under Multi-Family Reserves	6	6	236,300	14,616
CDA Special Housing Opportunity Program (SHOP) ⁽³⁾	490	150	27,471,668	16,257,596
Montgomery County Housing Opportunities Commission (HOC) ⁽⁴⁾	168	2	2,835,248	2,835,248
TOTAL	7,176	230	\$ 210,111,221	\$ 161,541,218

⁽¹⁾ Loans financed with proceeds of the Administration's Housing Revenue Bonds and the Administration's Multi-Family Residential Revenue Bonds (Insured Mortgage Loans). The loans provided permanent financing for construction and permanent for developments located in 12 counties and the City of Baltimore. The projects (not including SHOP) contain units that are assisted under the Section 8 Program.

⁽²⁾ On December 9, 2014, CDA and MHF created a new Demonstration Program whereby MHF insures short term loans. By utilizing MHF for this purpose, borrowers may avoid the need to obtain costly letters of credit.

⁽³⁾ Loans financed with proceeds of the Administration's Special Housing Opportunities Program.

⁽⁴⁾ Insurance issued to the Housing Opportunities Commission of Montgomery County ("HOC") to insure loans financed with proceeds of bonds issued by HOC. The mortgage loans provided financing for developments containing 168 units. The mortgage loans were initially endorsed for insurance between 1980 and 1996.

Charts detailing the multifamily loans insured by MHF and financed by the Administration may be found in the Administration's filings in accordance with Rule 15c2-12 of the Securities and Exchange Commission with the Electronic Municipal Market Access ("EMMA") for Housing Revenue Bonds and for Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

Certain Additional Expected Multifamily Claims

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

Discussion of Multifamily Operations

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

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

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

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

MHF’s Risk Rating of the Multifamily Projects as of December 31, 2016

	Current Principal Balances	Percentage of Total Principal	Number of Loans	Number of Projects
"A" Loans: ⁽¹⁾	278,801,527	92.95%	57	54
"B" Loans:	20,842,860	7.05%	10	9
Portfolio Totals:	\$299,944,388	100.00%	67	63

Notes:

⁽¹⁾ Included in the 'A' Loans, in the “Current Principal Balance” column, is \$16,257,596 for 150 group home loans, which are not reflected in the 'Number of Loans' or 'Number of Projects' columns.

Portfolio Management. The Division is evaluating each of the loans in the “B” category to develop a plan for stabilizing the loans and reducing its potential for default. Strategies may include loan modification, use of additional resources, adjustments to funding of reserves for replacement going forward, and replacement of management agents. As of December 31, 2016, there were no loans in the “C” category.

Multifamily Claims Experience

The following chart describes claims paid by MHF on loans insured under the Multifamily Reserve as of December 31, 2016.

In the column entitled “Claims Net of Cash Recoveries,” the figures show the result as of December 31, 2016. Workouts are in progress. See the individual footnotes below for further information.

MULTIFAMILY CLAIMS PAID BY MHF
As of December 31, 2016

Development/Claim Status	Principal	Interest & Carrying Costs	Total	Recoveries	Claims Net of Cash Recoveries	Date Claim Paid
<u>Closed Claims</u>						
Single Family Mortgage Loans ⁽¹⁾	\$ 309,392	\$ -	\$ 309,392	\$ 346,620	\$ 37,228	Various
Beethoven Apartments	40,000	-	40,000	40,000	-	
Douglynne Woods & Rhoda's Legacy	566,658	-	566,658	566,658	-	04/1982
Bond Street ⁽²⁾	543,940	71,711	615,651	408,859	(206,792)	08/1989
Bellevue-Manchester ⁽³⁾	288,333	-	288,333	-	(288,333)	10/1990
Strathdale Manor Apartments ⁽⁴⁾	10,700,000	2,376,830	13,076,830	-	(13,076,830)	05/1994
Walker Mill ⁽⁵⁾	3,346,441	1,229,080	4,575,521	2,314,817	(2,260,704)	01/1997
Edmondale ⁽⁶⁾	457,739	24,206	481,945	-	481,945	04/1997
Town Properties ⁽⁷⁾	819,111	12,493	831,604	582,989	(248,615)	07/1997
Loch Raven ⁽⁸⁾	12,103,623	1,065,472	13,169,095	9,080,444	(4,088,651)	02/1998
Village Home Apartments ⁽⁹⁾	954,202	55,182	1,009,384	649,523	(359,861)	12/1998
Regent Apartments ⁽¹⁰⁾	1,227,455	72,446	1,299,901	860,603	(439,298)	01/1999
Maple Avenue ⁽¹¹⁾	3,053,892	211,540	3,265,432	1,748,397	(1,517,035)	06/1999
Westfield Apartments ⁽¹²⁾	4,401,438	390,924	4,792,362	2,910,539	(1,881,823)	11/1999
Westfield Gardens ⁽¹³⁾	496,757	1,735	498,492	279,435	(219,057)	11/1999
Apartments at the Greens ⁽¹⁴⁾	6,337,284	21,927	6,359,211	6,010,026	(349,185)	11/1999
Stewarttown ⁽¹⁵⁾	2,543,590	-	2,543,590	2,150,000	(393,590)	12/1999
Telephone Apartments ⁽¹⁶⁾	1,030,275	33,569	1,063,844	773,833	(290,011)	01/2001
Robinwood Townhomes ⁽¹⁷⁾	2,451,741	218,057	2,669,798	2,630,807	(38,991)	11/2001
North Avenue Terraces ⁽¹⁸⁾	1,155,285	48,762	1,204,047	750,000	(454,047)	07/2002
SHOP Loans ⁽¹⁹⁾	772,987	78,925	851,912	725,068	(126,844)	03/2001
Bell Haven Apartments ⁽²⁰⁾	5,856,640	2,449,128	8,305,768	5,842,157	(2,463,611)	03/1996
Quail Run/Bay Street Properties ⁽²¹⁾	1,182,578	37,677	1,220,255	1,186,575	(33,680)	03/2003
Tomall Apartments ⁽²²⁾	152,885	994	153,879	75,000	(78,879)	06/2004
Market Mews ⁽²³⁾	1,700,014	1,565,862	3,265,876	2,168,828	(1,097,048)	12/1985
Eastdale ⁽²⁴⁾	3,302,667	320,060	3,622,727	3,622,727	-	11/1999
Villages of Laurel ⁽²⁵⁾	5,036,854	607,133	5,643,987	5,643,987	-	11/1999
Hollins Townhouses ⁽²⁶⁾	2,445,475	1,073,289	3,518,764	2,052,599	(1,466,165)	10/1990
<u>Claims where debt is outstanding</u>						
Renaissance Plaza ⁽²⁷⁾	\$6,907,349	\$4,680,554	\$11,587,903	\$5,071,731	(\$6,516,168)	02/1991
Mount Pleasant ⁽²⁸⁾	\$3,506,595	\$601,296	\$4,107,891	\$4,066,175	(41,716)	02/1996
<u>Claims where REO is held</u>						
Lease-Purchase ⁽²⁹⁾	\$1,534,088	\$ 82,619	\$ 1,616,707	\$901,933	\$ (714,774)	05/1996

Notes:

- (1) Claims on eight Single Family loans insured under the Multi-Family Reserve before 1980.
- (2) Bond Street Deed of Trust Note in the original principal amount of \$543,940.
- (3) Bellevue-Manchester was a Construction Loan under Administration's HELP Program; secured by a second mortgage. First insured lender bought property at the foreclosure sale.
- (4) Strathdale Manor Apartments Deed of Trust Note in the original principal amount of \$14,285,000. Claim amount paid by MHF included \$10,700,000 of original principal on the Note and \$145,139 in interest. MHF paid \$2,205,204 of operating deficits for the project. The proceeds of a letter of credit in the amount of \$3,585,000 provided by Maryland National Bank were used to cover the rest of the original principal portion of the Note. As required by an intercreditor agreement between MHF and Maryland National Bank, MHF filed for foreclosure on August 4, 1994, and after prolonged negotiations with Baltimore City, the project developer, and other developers interested in further renovating the project proved unsuccessful, the property was sold to Baltimore City at foreclosure on April 15, 1997. The property was sold for an amount that was insufficient to provide any recovery to MHF.
- (5) Walker Mill Deed of Trust Note in the original principal amount of \$4,400,000, as modified by an allonge dated November 5, 1987, reducing the principal amount of the Note to \$3,400,000. The Deed of Trust Note was sold and assigned to an unrelated third party purchaser on February 6, 1997.
- (6) Edmondale Deed of Trust Note was in the original principal amount of \$508,000.
- (7) Town Properties Deed of Trust Note in the original principal amount of \$884,984. The property was sold to an unrelated third party at foreclosure on August 7, 1997.
- (8) Loch Raven Deed of Trust in the original principal amounts, as amended into two, Deed of Trust Notes: of \$9,765,000 and \$2,785,000, respectively. In return, the Administration accepted a demand note from MHF in the principal amount of \$11,782,615, the amount of the outstanding indebtedness net of the non-refundable deposit for the sale of the Deed of Trust Notes bearing interest at 8.25%. The Deed of Trust Notes were sold and assigned to an affiliate of the borrower on February 3, 1998. MHF received net sale proceeds in the amount of \$8,900,000, which were combined with additional claim payments totaling \$2,890,216 to repay the claim note and accrued interest. The net loss on the transaction was paid from the Unallocated Reserve.
- (9) Village Home Apartments Deed of Trust Note in the original principal amount of \$986,856, dated September 30, 1993. The property was sold for \$640,000. The Administration accepted a claim note from MHF for \$1,009,109. MHF paid \$318,664 plus \$50,720 paid previously as pre-claim payments and \$275 per diem interest and then signed over the proceeds to repay the claim note in December 1999.
- (10) Regent Apartments Deed of Trust Note in the original principal amount of \$1,255,000 dated September 16, 1994. The property was sold for \$860,603. The Administration accepted a claim note from MHF for \$1,299,265. MHF paid \$383,187 plus \$55,475 paid previously as pre-claim payments and \$636 per diem interest and then signed over the proceeds to repay the claim note in January 1999.
- (11) Maple Avenue Deed of Trust Note in the original principal amount of \$3,150,000 dated March 12, 1992. The property was sold for \$1,700,000 less settlement charges. The Administration accepted a claim note from MHF for \$2,953,878. MHF paid \$1,288,286 plus \$310,294 paid previously as pre-claim payments, \$1,259 per diem interest, signed over the proceeds, and, with \$10,000 received directly by the Administration, repaid the claim note in June 1999.
- (12) Westfield Apartments Deed of Trust Note in the original principal amount of \$4,600,000 dated April 12, 1983. The property was sold for \$2,910,539. MHF paid a partial claim in the amount of \$1,433,520 that includes \$390,924 of accrued interest plus \$448,303 paid previously as pre-claim payments.
- (13) Westfield Gardens Deed of Trust Notes in the original principal amounts of \$498,908 and \$28,150 dated September 21, 1983. The property was sold for \$279,435. MHF paid a partial claim in the amount of \$180,318, which included \$1,735 of accrued interest, plus \$38,739 paid previously as pre-claim payments.
- (14) Apartments at the Greens Deed of Trust Notes in the original principal amounts of \$6,348,627 and \$341,850 dated April 21, 1983. The property was sold for \$6,010,026. MHF paid a partial claim in the amount of \$302,222, which included \$21,927 of accrued interest, plus \$46,963 paid previously as pre-claim payments.
- (15) Stewarttown Deed of Trust Note in the original principal amount of \$3,136,100 dated July 18, 1975. The property was sold for \$2,150,000. MHF paid a partial claim payment in the amount of \$393,590.
- (16) In May 1993, MHF paid a partial claim on a project called Telephone Apartments, in the amount of \$291,487 for which a promissory note has been received. On February 8, 2001, MHF sold the Deed of Trust Note. The proceeds of the sale exceeded the claim paid to the Administration by MHF by \$1,477. The partial claim of \$291,487 will not be repaid. MHF had an allowance for loan loss for the full amount of this note.

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

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

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

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

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

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

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

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

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

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

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

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

(29) In May 1996, MHF accepted assignment of a Deed of Trust and Deed of Trust Note in the original amount of \$2,000,000, which financed a project known as Lease Purchase. MHF paid a claim for the project in the amount of \$1,587,498 on May 15, 1996. MHF received partial recovery of this amount upon disposition of the underlying collateral. MHF accepted a deed of assignment on this project on July 12, 1996. Thirty-six of the original 40 units have been sold and the majority of the remaining units are occupied by tenants, some of whom are candidates to purchase their properties.

Actuarial Study

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

FHLMC Reinsurance Agreement

On December 28, 1994, MHF, the Department, the Administration, and the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") entered into a Reinsurance Agreement (the "Reinsurance Agreement"). The purpose of the Reinsurance Agreement was to cede to and fully reinsure with FHLMC, MHF's mortgage insurance obligations with respect to certain loans insured by MHF. Under the Reinsurance Agreement, FHLMC has agreed to fully reinsure, without any contingent liability for MHF, 17 loans insured by MHF having an original unpaid principal balance of \$70,346,036 and, as of December 31, 2016, an aggregate unpaid principal balance of \$520,793. Ten of these loans were financed originally with the Administration's Multifamily Housing Revenue Bonds (Insured Mortgage Loans) and acquired with proceeds of the Administration's Housing Revenue Bonds Series 1996 A Bonds, and are identified in APPENDIX D – "DESCRIPTION OF LOANS AND DEVELOPMENTS" in the Official Statement for the Administration's Housing Revenue Bonds, Series 1999 D. The remainder of these loans was financed with the proceeds of the Administration's Multifamily Housing Revenue Bonds (Insured Mortgage Loans).

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

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

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

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

Staff

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

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

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

<u>Name</u>	<u>Position</u>
Allen W. Cartwright, Jr.	Director, Division of Credit Assurance and MHF
Sergei V. Kuzmenchuk	Chief Financial Officer
Ruth Putnam	Director, Division of Finance and Administration
Robyne Chaconas	Deputy Director, Division of Finance and Administration
Crystal Quinzani	Director of Financial Analysis, Division of Finance and Administration

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

Sergei V. Kuzmenchuk joined the Department as its Chief Financial Officer in June of 2015 after serving as Chief Financial Officer at the District of Columbia Housing Finance Agency (the “DCHFA”) since October 2008. Prior to joining the DCHFA, he served as the Department’s Deputy Director of Finance for the Administration from August 2000 until January 2006, and Director of Finance for the Administration from January 2006 until October of 2008. Prior to his work at the Department and DCHFA, Mr. Kuzmenchuk worked in various financial management and international trade and banking

capacities, both domestically and overseas. Mr. Kuzmenchuk earned his Master of Business Administration degree in Accounting in 2002 from the Joseph A. Sellinger, S.J., School of Business and Management, Loyola University, and in 1995 earned a Master of Public Management degree in Public Sector Financial Management from the School of Public Policy, University of Maryland, College Park. In 1993, Mr. Kuzmenchuk received his Bachelor of Arts and Master of Arts degrees in English and French Interpretation from the Minsk State Linguistic University, Minsk, Belarus.

Ruth Putnam was named Director of Finance and Administration in 2015. She has been with the Department since 1990 when she joined the Department in the Budget Office. Over the past 26 years she held numerous positions within the Department from Budget Director, Director of Fiscal Planning, Director of Insurance and Accounting, Deputy Director and now Director. Prior to joining the Department, she worked as Manager of Investor Relations in a private corporation. She holds a Bachelor of Arts in Finance from the University of Maryland and has started the Masters of Public Policy Program at the University of Baltimore.

Robyne Chaconas was named Deputy Director of Finance and Administration in May 2016. She came to the Department from the private sector, where she worked for a financial services firm, Robert W. Baird & Co for five years. Prior to that, she was with the Department from 2006-2010, where she held several positions in the Department, including Special Assistant, Legislative Liaison, and Budget Director. She holds a Bachelor of Science degree from the University of Maryland, College Park, and a Masters in Public Administration from the University of Baltimore.

Crystal Quinzani joined the Department as Director of Financial Analysis within the Division of Finance and Administration in August, 2016. She came to the Department from the State of Florida, where she worked for the Florida Office of Financial Regulation for seven years, and was Area Financial Manager for the Division of Banking. Prior to her work with the State of Florida, she spent 16 years working in various capacities in community banks in the Orlando, Florida area. She holds a Bachelor of Arts degree in Finance from the University of Central Florida, Orlando, Florida.

Additional Information

For additional information, please contact Investor Relations at (301) 429-7897 or cdabonds_mailbox.DHCD@maryland.gov.

APPENDIX F

FORM OF BORROWER CONTINUING DISCLOSURE UNDERTAKING

BORROWER CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “**Undertaking**”) dated as of _____, by and between _____, a _____ (the “**Borrower**”), and Manufacturers and Traders Trust Company, as dissemination agent (the “**Dissemination Agent**”), is executed and delivered in connection with the issuance by the Community Development Administration Maryland Department of Housing and Community Development (the “**Administration**”) of its \$12,000,000 Principal Amount of Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through), Series 2017 B (the “**Bonds**”). The Bonds are being issued pursuant to a Resolution Providing for the Issuance of Housing Revenue Bonds adopted by the Administration as of November 1, 1996, and amended and restated as of July 1, 2006 (the “**Bond Resolution**”), as supplemented by a Series Resolution Providing for the Issuance and Sale of \$12,000,000 Principal Amount of Housing Revenue Bonds (FHA Risk-Sharing Insured Pass-Through), Series 2017 B, to be adopted by the Administration as of May 1, 2017 (the “**Series Resolution**,” and together with the Bond Resolution, the “**Resolutions**”). Capitalized terms used in this Undertaking which are not otherwise defined in the Resolutions shall have the respective meanings specified above or in Section 1 hereof.

BACKGROUND

1. The Bonds are being issued to provide a portion of the funds expected to be used to fund the Series 2017 B Loan (as defined herein) and to otherwise attain the goals of the Administration pursuant to the Act.
2. In order to allow the Participating Underwriter (as defined in Rule 15c2-12 defined below) of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12) as amended to the date hereof (“**Rule 15c2-12**”), the Borrower has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.
3. This Undertaking is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

BORROWER COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) “Annual Financial Information” means the financial information or operating data with respect to the Series 2017 B Loan and the Series 2017 B Development, delivered at least annually pursuant to Section 2(a) and 2(b) hereof, of the type set forth in “PLAN OF FINANCE – The Series 2017 B Loan” and “THE SERIES 2017 B DEVELOPMENT” of the Official Statement.

(b) “Audited Financial Statements” means the annual financial statements for the Borrower prepared in accordance with generally accepted accounting principles, consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) “EMMA” means the MSRB’s Electronic Municipal Market Access System, with a portal at <http://emma.msrb.org>.

(d) “Events” means any of the following events with respect to the Bonds, whether relating to the Borrower or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, if any, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bond holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Borrower;²
- (xiii) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(e) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1300 I Street, NW, Suite 1000, Washington, DC 20005; fax: 202-898-1500.

² For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

(f) “Official Statement” means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(g) “Rule 15c2-12” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended from time to time.

(h) “SEC” means the Securities and Exchange Commission.

(i) “State” means the State of Maryland.

(j) “Underwriter” means Jefferies LLC, 520 Madison Avenue, 4th Floor, New York, New York 10022, which is the Participating Underwriter.

(k) “Series 2017 B Loan” means the loan of proceeds of the Bonds by the Administration to the Borrower to finance a portion of the costs of the acquisition, construction, rehabilitation and equipping of the Series 2017 B Development.

(l) “Series 2017 B Development” means the 75-unit rental housing facility, the acquisition, construction, rehabilitation and equipping of which is to be financed with the loan to be made with proceeds of the Bonds.

Section 2. Provision of Annual Information; Event Notice.

(a) Commencing with the first fiscal year of the Borrower following the fiscal year of the Borrower in which this Agreement is executed and annually while the Bonds remain outstanding, the Borrower agrees to provide or cause to be provided annually to the Dissemination Agent (with a copy, upon request, to the Underwriter) the Annual Financial Information and the Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided to the Dissemination Agent not later than 180 days after the end of each fiscal year for the Borrower. If not provided at the same time as the Annual Financial Information, the Audited Financial Statements will be provided when available. The Dissemination Agent shall file the Annual Financial Information and Audited Financial Statements so provided with EMMA and with the Administration within five (5) Business Days after receipt from the Borrower. The Dissemination Agent shall have no obligation to examine or review the Annual Financial Information and Audited Financial Statements, and shall have no duty to verify the accuracy or completeness of the Annual Financial Information and Audited Financial Statements.

(c) At any time the Bonds are outstanding, the Borrower shall provide, in a timely manner, to the Dissemination Agent, notice of any failure of the Borrower to timely provide the Annual Financial Information or Audited Financial Statements as specified in Sections 2(a) and 2(b) hereof. The Dissemination Agent shall file notice of any such failure of the Borrower to timely provide the Annual Financial Information or Audited Financial Statements as specified in Sections 2(a) and 2(b) hereof with EMMA and with the Administration within five (5) Business Days after receipt from the Borrower.

(d) At any time the Bonds are outstanding, the Borrower shall provide to the Dissemination Agent, in a timely manner not in excess of five (5) Business Days after the occurrence, notice of any Event. The Dissemination Agent shall file notice of such Event with EMMA and with the Administration within five (5) Business Days after receipt from the Borrower.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Dissemination Agent shall employ such methods of electronic or physical information transmission as is requested or recommended by the MSRB unless otherwise required by law. The Borrower shall provide to the Dissemination Agent Annual Financial Information and Audited Financial Statements in such form and by such means as shall be requested by the Dissemination Agent from time to time to enable the Dissemination Agent to comply with the preceding sentence.

Section 4. Enforcement. The obligations of the Borrower hereunder shall be for the benefit of the owners (including beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Borrower to comply with its obligations under this Undertaking, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds; provided, that, any owner or beneficial owner of Bonds seeking to require the Borrower to comply with this Undertaking shall first provide at least 30 days' prior written notice to the Borrower of the Borrower's failure, giving reasonable detail of such failure following which notice the Borrower shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in Maryland. Breach of the obligations of the Borrower hereunder shall not constitute an Event of Default under the Resolutions and none of the rights and remedies provided by the Resolutions shall be available to the owners of the Bonds or the trustee therein appointed.

Section 5. Additional Information. Nothing in the Undertaking shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other annual information, in addition to that which is required by this Undertaking; provided that the Borrower shall not be required to do so. If the Borrower chooses to include any annual information in addition to that which is specifically required by this Undertaking, the Borrower shall have no obligation under this Undertaking to update such information or include it in any future annual filing.

Section 6. Term. This Undertaking shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (i) the date all principal and interest on the Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Resolutions; (ii) the date that the Borrower shall no longer constitute an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Administration by an opinion of counsel experienced in federal securities law selected by the Administration.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Undertaking, the Borrower may amend this Undertaking from time to time, and any provision of this Undertaking may be waived, without the consent of the owners or beneficial owners of the Bonds upon the Borrower's receipt of an opinion of counsel experienced in federal securities laws satisfactory to and approved by the Administration, to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. The Borrower shall provide notice of such amendment or waiver to the Dissemination Agent, the Administration and the Underwriter, and the Dissemination Agent shall then forward such notice to EMMA.

Section 8. Beneficiaries. This Undertaking shall inure solely to the benefit of the Borrower, the Underwriter, the Administration and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 9. Fiscal Year. (a) The Borrower's current fiscal year ends _____, and the Borrower shall promptly notify the Dissemination Agent in writing of each change in its fiscal year. The Dissemination Agent shall provide such notice to (i) the MSRB and (ii) the Administration, in each case within five Business Days after receipt by the Dissemination Agent of such notice.

(b) Annual Financial Information shall be provided by the Borrower to the Dissemination Agent at least annually notwithstanding any fiscal year longer than 12 calendar months.

Section 10. Direction by Borrower. The execution and delivery of this Agreement by the Borrower shall constitute a direction by the Borrower to the Dissemination Agent to provide the Annual Financial Information, Audited Financial Statement and Event notices to the MSRB and the Administration as set forth herein and the Borrower hereby consents thereto.

Date: _____, 2017.

HELP PERRY POINT LP, a Maryland limited partnership

By: HELP Perry Point MM LLC, a Maryland limited liability company, as general partner

By: H.E.L.P. Development Corp., a New York not-for-profit corporation, its sole member

By: _____
Thomas Hameline
President

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Dissemination Agent

By: _____
Name: _____

Title: _____

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