

CALIFORNIA HOUSING RESOLUTION—B-8935

CALIFORNIA HOUSING FINANCE AGENCY

**Single Family Mortgage Purchase Program
(Federally Insured or Guaranteed)**

GENERAL SINGLE FAMILY MORTGAGE PURCHASE

BOND RESOLUTION

Adopted October 27, 1976

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**GENERAL SINGLE FAMILY MORTGAGE PURCHASE
BOND RESOLUTION**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
THE CALIFORNIA HOUSING FINANCE AGENCY AS FOL-
LWS:

ARTICLE I

DETERMINATIONS, DEFINITIONS AND INTERPRETATION

SECTION 101. *Title.* This Bond Resolution may hereafter be cited by the Agency, and is hereinafter sometimes referred to, as the "General Single Family Mortgage Purchase Bond Resolution".

SECTION 102. *Authority and Purpose for General Single Family Mortgage Purchase Bond Resolution.* The General Single Family Mortgage Purchase Bond Resolution is adopted by virtue of the Act and pursuant to and in accordance with its provisions for the primary purpose of providing for and facilitating the development of new construction or the acquisition of existing residential structures in good condition to provide decent, safe and sanitary housing for persons and families of low and moderate income in the State and may include housing for other economic groups in accordance with the Act.

SECTION 103. *General Single Family Mortgage Purchase Bond Resolution to Constitute Contract.* In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of the General Single Family Mortgage Purchase Bond Resolution shall be a part of the contract of the Agency with the Holders of the Bonds, and shall be deemed to be and shall constitute contracts among the Agency, the Trustee and the Holders from time to time of the Bonds and the coupons appurtenant thereto. The pledge made in the General Single Family Mortgage Purchase Bond Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Agency shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and coupons. All of the Bonds and the

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coupons appurtenant thereto, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or coupons over any other thereof except as expressly provided in or pursuant to the General Single Family Mortgage Purchase Bond Resolution.

SECTION 104. *Special Obligation of Bonds, and Pledges Securing the Same.* The Bonds shall be special obligations of the Agency payable solely out of the Agency's revenues, moneys or assets pledged therefor pursuant to this Bond Resolution. The Bonds shall not be deemed to constitute a debt or liability of the State or any political subdivision thereof, or a pledge of the faith and credit of the State or any such political subdivision, other than the Agency to the extent herein provided. All Bonds shall be entitled to the benefits of the continuing pledge and lien created by the General Single Family Mortgage Purchase Bond Resolution to secure the full and final payment of the principal or Redemption Price of and interest on all of said Bonds issued pursuant to the Bond Resolution and any Sinking Fund Installments for the retirement thereof.

SECTION 105. *Definitions.* In the General Single Family Mortgage Purchase Bond Resolution, unless a different meaning clearly appears from the context:

"Accountant's Certificate" means an opinion signed by any certified public accountant or firm of public accountants (who may be the accountant or a member of the firm of accountants who regularly audits the books and accounts of the Agency) from time to time selected by the Agency;

"Act" means the Zenovich-Moscone-Chacon Housing and Home Finance Act, constituting Division 31 (commencing with Section 41000) of the Health and Safety Code of the State, and all laws supplementary thereto and amendatory thereof;

"Agency" means the California Housing Finance Agency, a public instrumentality and political subdivision of the State, created by and existing under the Act;

"Authorized Newspapers" means newspapers customarily published at least once a day for at least five days (other than legal holi-

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days) in each calendar week, printed in the English language, one of which is of general circulation in San Francisco, California, and the other of which is a financial newspaper circulated in the Borough of Manhattan, City and State of New York;

“Authorized Officer” means the Chairperson, the President or the Executive Vice President of the Agency, or any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

“Bond” or “Bonds” means any Bond or Bonds, as the case may be, authorized, and authenticated under the General Single Family Mortgage Purchase Bond Resolution and issued pursuant to a Series Resolution;

“Bondholder” or the term “Holder” or “holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the bearer of any Outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any Outstanding Bond or Bonds which shall at the time be registered other than to bearer, and “Holder” or “holder”, when used with reference to coupons, shall mean any person who shall be the bearer of such coupons;

“Bond Reserve Fund” means the Fund so designated which is established and created by Section 502 which constitutes a “bond reserve fund” within the meaning of the Act;

“Bond Reserve Fund Requirement” means, as of any particular date of calculation except for any period five (5) days prior to any Principal Installment Date, an amount equal to the aggregate of the amounts required by each and every Series Resolution authorizing the issuance of a Series of Bonds Outstanding as the amount to be maintained in the Bond Reserve Fund with respect to such Series of Bonds. The amount so specified in each Series Resolution shall be not less than eight percent (8%) of the aggregate principal amount of Bonds of the Series authorized by such Series Resolution as may from time to time be Outstanding. During such five (5) day period, the Bond Reserve Fund Requirement shall be no less than eight percent (8%) of the Bonds to be Outstanding after giving effect to amounts transferred during such period to the Principal Account from the Bond Service Fund.

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“Bond Resolution” or “General Single Family Mortgage Purchase Bond Resolution” means this General Single Family Mortgage Purchase Bond Resolution as the same may from time to time be amended, modified or supplemented by a Supplemental Bond Resolution or Series Resolution;

“Bond Service Fund” means the Fund so designated which is established and created by Section 502;

“Capitalized Interest Accounts” means the Accounts so designated which are authorized to be established and created by Section 403;

“Chairperson” means the Chairperson of the Agency;

“Cost of Issuance” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee and any Paying Agents, bond discounts, legal fees and charges, professional consultants’ fees, costs of credit ratings, costs of insurance premiums for Bonds, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding and other costs, charges and fees in connection with the foregoing;

“Cost of Issuance Accounts” means the Accounts so designated which are authorized to be established and created by Section 403;

“Counsel’s Opinion” means a written opinion, including supplemental opinions thereto, signed by an attorney or firm of attorneys retained by the Agency (who may be counsel for the Agency) and who is acceptable to the Trustee;

“Defaulted Mortgage Loan” means any Mortgage Loan described in an Officer’s Certificate and stated to be in default in accordance with its terms or any Mortgage Loan on which payments are sixty or more days in arrears;

“Eligible Persons and Families” means persons and families of low or moderate income as defined in the Act or such other persons and families as may be eligible under the Act;

“Escrow Payment” means all payments made in order to obtain or maintain mortgage insurance and fire and other hazard insurance including payments for any federal, state, local or private program

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intended to assist in providing Mortgage Loans and any payments required to be made with respect to Mortgage Loans for taxes or other governmental charges or other similar charges to a mortgagor customarily required to be escrowed;

“Executive Vice President” means the Executive Vice President of the Agency;

“Fiduciary” means the Trustee or any Paying Agent;

“Fiscal Year” means the period of twelve calendar months ending with June 30 of any year or such other date as may be designated by the Agency;

“Fund” or “Account” means a Fund or Account created by or pursuant to the Bond Resolution;

“Housing Development” means a Single Family Residential Structure intended for Eligible Persons and Families;

“Interest Account” means the Account so designated which is established and created by Section 502;

“Interest Account Requirement” means, as of any particular date of calculation and with respect to the Bonds Outstanding on said date of calculation, the amount of money equal to any unpaid interest then due, plus an amount equal to the interest to become due on the Bonds on the next succeeding Interest Payment Date;

“Interest Payment Date” means the dates on which interest on the Bonds is required to be paid pursuant to Section 302;

“Investment Obligation” means any of the following which at the time are lawful investments under the laws of the State including the Act for the moneys held hereunder then proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America or the State, (ii) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures

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and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and in the bonds of any federal home loan bank established under said act, and in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended; or (iii) deposits in the Surplus Money Investment Fund referred to in Section 41363 of the Act;

“Issue Date” means, with respect to Bonds of a particular Series, the date of the coupon Bonds of such Series specified and determined in accordance with Article II except as otherwise provided in Section 304 in the case of registered Bonds;

“Mortgage” means a mortgage deed, deed of trust, or other instrument which shall constitute a lien in the State on real property and improvements thereon;

“Mortgage Lender” means a mortgage lender certified by the Agency pursuant to rules and regulations thereof to do business with the Agency and may include a bank or trust company, mortgage banker, federal or state chartered savings and loan association, service corporation or other financial institution or governmental agency, all as authorized by the Act;

“Mortgage Loan” means a long term loan secured by a Mortgage for the permanent financing, pursuant to the Act and the Program, of the purchase of a Housing Development or a Single Family Residential Structure;

“Mortgage Loan Expense Fund” means the Fund so designated which is established and created by Section 502;

“Mortgage Loan Expense Requirement” means such amount of money as may be fixed or determined from time to time by resolution of the Agency as necessary to be accumulated in the Mortgage Loan Expense Fund as a reserve for or to meet costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees, and similar expenses required to preserve or protect the Agency’s interest as Mortgagee of a Mortgage Loan.

“Mortgage Reserve Fund” means the Fund so designated which is established and created by Section 502;

“Mortgage Reserve Fund Requirement” means the aggregate of the amounts determined for each and every Series of Bonds Outstand-

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ing pursuant to a Series Resolution but which shall not in the aggregate be less than one percent (1%) of the principal balance, on the day of calculation of such requirement, of Mortgage Loans;

“Mortgagor” means the obligor of a Mortgage Loan;

“Officer’s Certificate” means a certificate signed by an Authorized Officer;

“Optional Redemption Account” means the Account so designated which is established and created by Section 502;

“Outstanding”, when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being delivered except (a) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Agency or by any other Fiduciary, at or before said date, (b) any Bond for the payment or redemption of which either (i) moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (ii) Investment Obligations or moneys in the amounts, of the maturities and otherwise as described and required under the provisions of Paragraph (C) of Section 1201, shall have theretofore been deposited with one or more of the Fiduciaries in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with Article VII, and (c) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to Sections 307, 310, 312 or 906;

“Paying Agent” means any paying agent for Bonds appointed by or pursuant to Section 202 or Section 1102, and its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to the Bond Resolution;

“President” means the President of the Agency;

“Principal Account” means the Account so designated which is established and created by Section 502;

“Principal Account Requirement” means, as of any particular date of calculation and with respect to the Bonds Outstanding on said date of calculation, the amount of money equal to any unpaid Principal Installment then due, plus the Principal Installment to become due on the Bonds on the next succeeding Principal Installment Date plus one-

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half of the Principal Installment, if any, to become due within the next six months after the next succeeding Principal Installment Date;

“Principal Installment” means, as of any particular date of calculation, an amount of money equal to the sum of (a) the principal amount of Outstanding Bonds which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds which would at or before said future date cease to be Outstanding by reason, but only by reason, of the application in accordance with the Bond Resolution of Sinking Fund Installments at or before said future date, and (b) the amount of any Sinking Fund Installment payable on said future date;

“Principal Installment Date” means the date on which Principal Installments are required to be made;

“Principal Office”, when used with respect to a Fiduciary, means the principal, or corporate trust, or head, or principal trust office of such Fiduciary situate in the city in which such Fiduciary is described as being located;

“Program” or “Single Family Mortgage Purchase Program” means the Agency’s program pursuant to this Bond Resolution of purchasing, in accordance with law, Mortgage Loans;

“Program Accounts” means the Accounts so designated which are established and created pursuant to Section 402;

“Purchase Agreement” means an agreement, contract or binding commitment with a Mortgage Lender for the purchase by the Agency of Mortgage Loans;

“Redemption Fund” means the Fund so designated which is established and created by Section 502;

“Redemption Price”, when used with respect to a Bond or portion thereof, means the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms pursuant to the Bond Resolution;

“Refunding Bonds” means the bonds authorized to be issued pursuant to Section 205 of the Bond Resolution;

“Residential Structure” means a real property improvement in the State used for residential purposes;

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“Revenue Fund” means the Fund so designated which is established and created by Section 502;

“Revenues” means all payments, proceeds, charges, rents and all other income received by the Agency from or related to the Mortgage Loans including, without limiting the generality of the foregoing, payments of principal of and interest on Mortgage Loans but shall not include Escrow Payments, servicing fees or fees charged by the Agency;

“Serial Bonds” means the Bonds as so designated in the Series Resolution;

“Series”, when used with respect to less than all of the Bonds, means and refers to all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to Sections 307, 310, 312 or 906;

“Series Resolution” or “Supplemental Bond Resolution” means any resolution of the Agency amending or supplementing the Bond Resolution adopted and becoming effective in accordance with the terms of Article VIII;

“Servicer” means the Agency or a bank or trust company, mortgage banker, federal or state chartered savings and loan association, service corporation or other financial institution or governmental agency which shall by Servicing Agreement with the Agency service any Mortgage Loan;

“Servicing Agreement” means a contractual agreement of the Agency with a Servicer for the servicing of Mortgage Loans by the Servicer;

“Single Family Residential Structure” means a Residential Structure, to be financed pursuant to the Program, consisting of not more than four family dwelling units, one of which shall be occupied as the primary residence of the Mortgagor, and includes, to the extent permitted by law, any family dwelling unit subject to a condominium regime or similar arrangement and the undivided interest, if any, in common areas and facilities;

“Sinking Fund Accounts” means the Accounts so designated which are established and created by Sections 502 and 506;

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“Sinking Fund Installment” means the amount of money required by or pursuant to a Series Resolution to be paid by the Agency on any single date toward the retirement of any particular Term Bonds prior to their respective stated maturities;

“Special Fund” means the fund so designated which is established and created by Section 502;

“Special Redemption Account” means the Account so designated which is established and created by Section 502;

“State” means the State of California;

“Term Bonds” shall mean any Bonds so designated in any Series Resolution;

“Trustee” means the Treasurer of the State, acting in accordance with the Act and this Bond Resolution, and upon an Event of Default hereunder, shall mean in addition to the Treasurer, the trustee appointed pursuant to Section 1101, and its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to the Bond Resolution;

Words importing the masculine gender include the feminine and neuter genders;

Words importing the maturity or payment of a Bond do not include or connote the becoming due of such Bond upon redemption thereof prior to maturity pursuant to the Bond Resolution or the payment of the Redemption Price thereof;

Words importing persons include firms, associations and corporations; and

Words importing the singular number include the plural number, and vice versa.

The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, and any similar terms, refer to the Bond Resolution; the term “heretofore” means before the date of adoption of the Bond Resolution; and the term “hereafter” means after the date of adoption of the Bond Resolution;

Articles and Sections mentioned by number only are the respective Articles and Sections of the General Single Family Mortgage Purchase Bond Resolution so numbered.

SECTION 106. *Captions and Index.* Any captions, titles or headings preceding the text of any Article or Section herein and any table

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of contents or index attached to the Bond Resolution or any copy thereof are solely for convenience of reference and shall not constitute part of the Bond Resolution or affect its meaning, construction or effect.

SECTION 107. *Directions as to Publications.* Whenever in the Bond Resolution publications in successive weeks are referred to, such successive weeks shall each be deemed to begin with Sunday and such publication shall be sufficient if made on any day or days of such successive weeks. Whenever in the Bond Resolution publications in an Authorized Newspaper on successive dates are referred to or implied, such publications need not all be made in the same Authorized Newspaper and shall be sufficient if made on such successive dates in any Authorized Newspapers published in the same municipality.

SECTION 108. *Parties Interested Herein.* Nothing in the Bond Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Fiduciaries and the Holders of the Bonds and the coupons thereunto appertaining, any right, remedy or claim under or by reason of the Bond Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in the Bond Resolution contained by and on behalf of the Agency, shall be for the sole and exclusive benefit of the Agency, the Fiduciaries and the Holders of the Bonds and the coupons thereunto appertaining.

SECTION 109. *Law Applicable.* The laws of the State shall be applicable to the interpretation and construction of the Bond Resolution.

SECTION 110. *Severability of Invalid Provision.* If any one or more of the provisions, covenants or agreements in the Bond Resolution on the part of the Agency or any Fiduciary to be performed should be contrary to law, then such provision or provisions, covenant or covenants, agreement or agreements, shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of the Bond Resolution or of the Bonds.

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SECTION 111. *Accounting Records.* Whenever the Trustee is by this Bond Resolution required to establish and maintain Funds or Accounts, the establishment and maintenance of such Funds or Accounts in the records of the Controller of the State shall be deemed to be full compliance with such requirement.

ARTICLE II

AUTHORIZATION OF BONDS

SECTION 201. *Authorization of Bonds.* In order to provide sufficient funds for the Program, Bonds of the Agency, each to be entitled "Single Family Mortgage Purchase Bond", are hereby authorized to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution and in one or more Series Resolutions as hereinafter provided.

SECTION 202. *Authorization for Issuance of Bonds in Series.* (A) From time to time when authorized by the Bond Resolution and subject to the terms, limitations and conditions established in the Bond Resolution, the Agency may authorize the issuance of a Series of Bonds upon adoption of a Series Resolution and the Bonds of any such Series may be issued and delivered to the Trustee for authentication upon compliance with provisions hereof. The Bonds of each Series shall, in addition to the title "Single Family Mortgage Purchase Bonds", bear a letter or number Series designation as may be necessary to distinguish such Series of Bonds from the Bonds of every other Series and may in addition to such title bear the number of the year in which the Series is issued. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds or both.

(B) Each Series Resolution authorizing the issuance of a Series of Bonds shall include a determination or ratification of a previous determination by the Agency to the effect that the principal amount of said Series of Bonds is necessary to provide sufficient funds to be used and expended for the Program, the refunding of Bonds and shall specify and determine:

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(1) The authorized principal amount of said Series of Bonds;
(2) The purposes for which such Series of Bonds are being issued, which shall be to provide funds for one or more of the following:

(i) for deposits of amounts, if any, determined by or pursuant to the Bond Resolution to be paid into one or more of the Funds or Accounts referred to in Section 401, and

(ii) for the payment of or redemption of Bonds and related purposes as provided in and under the conditions and subject to the provisions and limitations of Section 205.

(3) The amount of money to be deposited in the Bond Reserve Fund for the Series of Bonds authorized to be issued and notwithstanding any other provision of the Series Resolution, upon issuance, sale and delivery of such Series of Bonds, so much of such proceeds of the Bonds of such Series shall be deposited in the Bond Reserve Fund as is needed to establish the amount in such Fund at, or to increase the amount then held by the Trustee in such Fund to, the Bond Reserve Fund Requirement;

(4) The form, title and designation of, and the manner of numbering and lettering, such Bonds;

(5) The date or dates of maturity of such Bonds, and the date of the coupon Bonds of such Series;

(6) The rate or rates of interest borne by, or the manner of determining such rate or rates of, the Bonds of such Series and the interest payment dates of such Bonds;

(7) The portion of the Series of Bonds which are Term Bonds (if any) and the portion of the same which are Serial Bonds (if any);

(8) The Redemption Price or Redemption Prices and the redemption date or redemption dates and other terms of redemption (if any) of any such Bonds;

(9) The Paying Agent or Paying Agents appointed by such Series Resolution for such Bonds, subject to Section 1102;

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(10) The amount and date of each Sinking Fund Installment, if any, required by such Series Resolution to be paid by the Agency for the retirement of any of such Bonds;

(11) The designation of any Accounts to be established pursuant to Article IV and any other accounts deemed advisable by the Agency;

(12) Delegating to an Authorized Officer such of the determinations to be made pursuant to a Series Resolution;

(13) The determination of the Mortgage Reserve Fund Requirement pursuant to such Series Resolution;

(14) Any other provisions deemed advisable by the Agency, not in conflict with or in substitution for the provisions of the Bond Resolution; and

(15) The manner in which Bonds of such Series are to be sold and provisions for the sale and delivery thereof.

SECTION 203. *Issuance and Delivery of Bonds.* After their authorization by a Series Resolution, Bonds of a Series may be executed by or on behalf of the Agency, authenticated by the Trustee and delivered by the Trustee to the purchasers thereof upon compliance by the Agency with the requirements, if any, set forth in such Series Resolution and with the requirements of Section 204.

SECTION 204. *Conditions Precedent to Delivery of Bonds.* Except as provided in Sections 307, 311 and 312, the Trustee shall deliver to the purchasers or underwriters thereof, any of the Bonds authorized to be issued pursuant to the General Single Family Mortgage Purchase Bond Resolution and a Series Resolution upon receipt by the Trustee of:

(1) A copy of the Bond Resolution and the applicable Series Resolution, each certified by an Authorized Officer of the Agency;

(2) A Counsel's Opinion stating that in the opinion of such Counsel the Bond Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly adopted by the Agency and that the Bond Resolution and the applicable Series Resolution are valid and binding upon the Agency; and

(3) An Officer's Certificate stating the amounts to be deposited in the Funds and Accounts referred to in Section 401;

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(4) A written order of the Agency signed by an Authorized Officer directing the deposit in the Bond Reserve Fund of so much of the proceeds of the Bonds to be issued, upon their issuance, sale and delivery, as is needed to establish the amount in the Bond Reserve Fund at, or to increase the aggregate amount then held by the Trustee in the Bond Reserve Fund to, the Bond Reserve Fund Requirement;

(5) Except in the case of a Series of Bonds issued pursuant to Section 205, a certificate of an Authorized Officer of the Agency stating that the Agency at the time of issuance of such Bonds, is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Bond Resolution;

(6) The opinion and certificates required by Section 614 of this Bond Resolution.

SECTION 205. *Refunding Bonds.* (1) One or more Series of Refunding Bonds may be issued and delivered to the Trustee for authentication to refund any Outstanding Bonds of one or more Series. Bonds of such Series shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, this Section, the Series Resolution authorizing a Series of Bonds other than a Series of Refunding Bonds, and the Series Resolution authorizing said Series of Refunding Bonds.

(2) The Bonds of the Series of Refunding Bonds may be delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by Section 204) of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in Section 1201 to the Holders of Bonds and coupons being refunded;

(c) Either:

(i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, to-

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gether with accrued interest on such Bonds to the redemption date, or (ii) Investment Obligations described in clause (i) of the definition thereof in Section 105 having such terms and qualifications as shall be necessary to comply with the provisions of Section 1201 and any moneys required pursuant to said Section, which moneys or Investment Obligations shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of Bonds and coupons being refunded and used to pay when due the Principal Installments of and interest on said Bonds prior to the redemption date until such time as the Bonds being refunded shall be redeemable in accordance with their terms at which time said moneys shall be deposited in the Redemption Fund for the credit of the Optional Redemption Account unless the Bonds being refunded are so redeemable at the time of issuance of the Series of Refunding Bonds, in which event such moneys shall be forthwith deposited into the Redemption Fund for the credit of the Optional Redemption Account; and

(d) A certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of subsection (1) and this subsection (2) of this Section 205.

(3) Any balance of the proceeds of the Bonds of each such Series shall be deposited in such Funds or Accounts as shall be specified in the Series Resolution authorizing such Series of Refunding Bonds.

(4) Any moneys received by the Agency from any other source, which receipt is conditioned upon the Agency using such moneys for the redemption of any Outstanding Bonds shall be deemed to be and treated as the proceeds of a Series of Refunding Bonds and the Agency shall deliver to the Trustee the documents and monies or obligations required by the provisions of paragraphs (a), (b) and (c) of subsection 2 of this Section and shall do all other acts and things necessary to accomplish the redemption of such Bonds, in accordance with applicable provisions of this Section.

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ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 301. *Date of Bonds.* Each Bond shall be dated as of, and bear interest from, its Issue Date except as otherwise provided in Section 304 in the case of registered Bonds.

SECTION 302. *Interest Payment Dates.* Interest on each Bond shall be payable semi-annually on each January 1 and July 1 commencing not more than twelve months after its Issue Date.

SECTION 303. *Principal Installment Date.* The date when each Principal Installment with respect to a Bond is payable shall be on January 1 or July 1 as specified in a Series Resolution authorizing such Bonds.

SECTION 304. *Medium of Payment; Form and Date.* (A) The Bonds shall be payable, with respect to interest, principal and redemption premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) The Bonds of each Series shall be issued in the form of coupon Bonds, registrable as to principal only, or in the form of fully registered Bonds without coupons, or in both such forms as more fully specified by the Series Resolution authorizing the issuance thereof.

(C) Coupon Bonds of each Series shall be dated as of the Issue Date specified in the Series Resolution authorizing the issuance thereof. Coupon Bonds of each Series shall bear interest from their Issue Date, payable in accordance with, and upon surrender of, the appurtenant interest coupons as they severally mature. Registered Bonds of each Series issued prior to the first Interest Payment Date thereof shall be dated as of the Issue Date. Registered Bonds issued on or subsequent to the first Interest Payment Date thereof shall be dated as of the date six months preceding the Interest Payment Date next following the date of delivery thereof, unless such date of delivery shall be an Interest Payment Date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown by

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the records of the Trustee, interest on the Bonds of any Series shall be in default, the registered Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds surrendered. Registered Bonds of each Series shall bear interest from their Issue Date.

SECTION 305. *Legends.* The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Bond Resolution as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the Agency prior to the delivery thereof.

SECTION 306. *Execution.* (A) The Bonds shall be executed in the name of the Agency by the manual or facsimile signature of its Chairperson or President and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, impressed, engraved or otherwise reproduced, and attested by the manual or facsimile signature of an Authorized Officer of the Agency as shall be directed by the Series Resolution authorizing the issuance thereof, or in such other manner as may be required by law. In case any one or more of the directors, officers or employees of the Agency who shall have signed or sealed any of the Bonds or whose signature appears on any of the Bonds or coupons thereof shall cease to be such director, officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds or whose signature appears on any of the Bonds or coupons thereof had not ceased to hold such offices or be so employed until such delivery. Any Bond of a Series may be signed and sealed on behalf of the Agency 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 Agency, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The coupons to be attached to the coupon Bonds of each Series shall be signed by the facsimile signature of the Chairperson or Presi-

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dent of the Agency, or in such other manner as may be required by law, and the Agency may adopt and use for that purpose the facsimile signature of any person or persons who shall have been Chairperson or President of the Agency at any time on or after the date of the Bonds of such Series, notwithstanding that he may not have been such Chairperson or President at the Issue Date of any such Bond or may have ceased to be such Chairperson or President at the time when any such Bond shall be actually delivered.

SECTION 306A. *Authentication by Trustee.* The Bonds shall bear thereon a certificate of authentication, executed by the Trustee or any deputy of the Trustee. Only such Bonds as shall bear thereon such certificates of authentication shall be entitled to any right or benefit under this Bond Resolution, and no Bond and no coupon appurtenant thereto shall be valid for any purpose under this Bond Resolution until such certificate of authentication shall have been duly executed by the Trustee or such deputy. Such certificate of authentication upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued under this Bond Resolution and that the holder thereof is entitled to the benefits of this Bond Resolution.

Before authenticating or delivering any coupon Bond, the Trustee shall cut off and cancel all matured coupons attached thereto; provided that coupon Bonds issued for exchange purposes shall bear such coupons as may be necessary in order that no gain or loss of interest shall result from the exchange.

SECTION 307. *Interchangeability of Bonds.* (A) Coupon Bonds, upon surrender thereof at the Principal Office of the Trustee with all unmatured coupons and all matured coupons for which no payment or only partial payment has been provided attached, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any of the authorized denominations.

(B) Registered Bonds, upon surrender thereof at the Principal Office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner

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thereof, be exchanged for an equal aggregate principal amount of coupon Bonds of the same Series and maturity with appropriate coupons attached, or of registered Bonds of the same Series and maturity of any other authorized denominations.

SECTION 308. *Negotiability, Transfer and Registry.* All the Bonds issued under this Bond Resolution shall be negotiable as provided in the Act, subject to the provisions for registration and transfer contained in the Bond Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Agency shall maintain and keep, at the Principal Office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said office, the Agency shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds remain Outstanding, the Agency shall make all necessary provisions to permit the exchange of Bonds at the Principal Office of the Trustee.

SECTION 309. *Transfer and Registration of Coupon Bonds.* (A) All coupon Bonds shall pass by delivery, unless registered as to principal other than to bearer in the manner provided in this Section 309. Any coupon Bond may be registered as to principal on the books of the Agency at the Principal Office of the Trustee, upon presentation thereof at said office and the payment of a charge sufficient to reimburse the Agency or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such registration, and such registration shall be noted on such Bond. After said registration no transfer thereof shall be valid unless made on said books by the registered owner in person or by his attorney duly authorized in writing, and similarly noted on such Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, after which it shall again become transferable by delivery. Thereafter such Bond may again, from time to time, be registered or discharged from registration in the same manner. Registration of any coupon Bond as to principal, however, shall not affect the negotiability by delivery of the coupons appertaining to such Bond, but every such

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coupon shall continue to pass by delivery and shall remain payable to bearer.

(B) As to any coupon Bond registered as to principal other than to bearer the person in whose name the same shall be registered upon the books of the Agency may be deemed and treated as the absolute owner thereof, whether such Bond shall be overdue or not, for all purposes, except for the purpose of receiving payment of coupons; and payment of, or on account of, the principal or Redemption Price, if any, of such Bond shall be made only to, or upon the order of, such registered owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Agency, the Trustee and any Paying Agent may deem and treat the bearer of any coupon as the absolute owner thereof, whether such coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal other than to bearer, or the person in whose name any coupon Bond for the time being shall be registered upon the books of the Agency, as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or Redemption Price thereof and for all other purposes whatsoever except for the purpose of receiving payment of coupons, and neither the Agency, nor the Trustee nor any Paying Agent shall be affected by any notice to the contrary. The Agency agrees to indemnify and save the Trustee and each Paying Agent harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such bearer or registered owner.

SECTION 310. *Transfer of Registered Bonds.* (A) Each registered Bond shall be transferable only upon the books of the Agency, which shall be kept for the purpose at the Principal Office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the

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registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the Agency shall issue in the name of the transferee a new registered Bond or Bonds or, at the option of the transferee, coupon Bonds, with appropriate coupons attached, of the same aggregate principal amount and Series and maturity as the surrendered Bond.

(B) The Agency and any Fiduciary may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the Agency 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 and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his 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, and neither the Agency nor any Fiduciary shall be affected by any notice to the contrary. The Agency agrees to indemnify and save any Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

SECTION 311. *Regulations with Respect to Exchanges and Transfers.* In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Agency shall execute and deliver Bonds in accordance with the provisions of the Bond Resolution. All Bonds and coupons surrendered in any such exchanges or transfers shall be retained by the Trustee in safekeeping pursuant to written instructions signed by an Authorized Officer or forthwith be cancelled. The Trustee shall cancel all matured coupons on coupon Bonds exchanged for registered Bonds prior to the delivery of such coupon Bonds. For every such exchange or transfer of Bonds, whether temporary or definitive, the Agency or the Trustee 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. The Trustee shall not be obligated to make any such exchange or transfer of Bonds of any Series during the fifteen (15) days next preceding an

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Interest Payment Date on the Bonds of such Series, or, in the case of any proposed redemption of Bonds of such Series, after Bonds to be redeemed have been selected.

SECTION 312. *Bonds Mutilated, Destroyed, Stolen or Lost.* In case any Bond shall become mutilated or be destroyed, stolen or lost, the Agency shall execute and cause the Trustee to deliver a new Bond (with appropriate coupons attached in the case of coupon Bonds) of like Series, maturity and principal amount as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and coupons, if any, destroyed, stolen or lost, upon filing with the Agency evidence satisfactory to it and complying with such other reasonable requirements, including indemnity satisfactory to the Trustee, as the Agency may prescribe and paying such expenses as the Agency or the Trustee may incur in connection therewith. All Bonds and coupons so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to the Agency. The Trustee shall advise the Agency and Paying Agents by an Officer's Certificate of the issuance of substitute Bonds or coupons.

SECTION 313. *Preparation of Definitive Bonds; Temporary Bonds.* The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders. Until the definitive Bonds of any Series are prepared, the Agency may execute, in the same manner as is provided in Section 306, and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive coupon Bonds, except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds (which may be registrable as to principal and interest), substantially of the tenor of the definitive coupon Bonds in lieu of which such temporary Bond or Bonds are issued, but with or without coupons, in denominations of \$5,000 or any multiples thereof authorized by the Agency, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest pay-

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able on such temporary Bonds in bearer form shall be payable only upon the presentation and surrender of the coupons therefor attached thereto or, if no coupons for such interest are attached thereto, then only upon presentation of such temporary Bonds for notation thereon of the payment of such interest. The Agency at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds, with all unmatured coupons, if any, and all matured coupons, if any, for which no payment or only partial payment has been provided, attached, for exchange and the cancellation of such surrendered temporary Bonds and coupons, without charge to the Holder thereof, deliver in exchange therefor, at the Principal Office of the Trustee, definitive coupon Bonds, with appropriate coupons attached, or, at the option of the Holder, definitive registered Bonds, 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 a Series Resolution.

All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

SECTION 401. *Application of Bond Proceeds.* Of the proceeds of sale of Bonds of any Series, including accrued interest, the following amounts shall, on the date of the delivery of such Bonds by the Agency, be paid as follows:

- (1) To the Trustee, to be held in the Bond Reserve Fund, such amount, if any, necessary to increase the amount in the Bond Reserve Fund to the Bond Reserve Fund Requirement;
- (2) To the Trustee, to be held in the Interest Account in the Bond Service Fund, the amount, if any, of interest accrued from the Issue Date of such Bonds to the date of delivery of such Bonds;
- (3) To the Trustee, to be held in the Cost of Issuance Account within the applicable Program Account, the amount, if any, as shall be specified in the applicable Series Resolution as necessary to pay or provide for the payment of Costs of Issuance;

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(4) To the Trustee, to be held in the Capitalized Interest Account within the applicable Program Account the amount, if any, as shall be specified in the applicable Series Resolution to be deposited therein for payment of interest on Bonds;

(5) To the Trustee, to be held in the Mortgage Reserve Fund the amount, if any, as shall be specified in the applicable Series Resolution to be deposited therein; and

(6) To the Trustee, to be held in the applicable Program Account, or, in the event of the issuance of Refunding Bonds issued pursuant to Section 205, to the Trustee to be held in accordance with Section 205(2)(c), the balance of such proceeds remaining after the foregoing payments.

SECTION 402. *Establishment and Application of Program Accounts.* (A) Each Series Resolution authorizing the issuance of a Series of Bonds shall, unless such Bonds are issued as Refunding Bonds pursuant to Section 205, establish, in the California Housing Finance Fund created in the State Treasury by the Act, a separate Account or Accounts to be held by the Trustee designated "..... Single Family Mortgage Purchase Program Account" (inserting therein the Series designation of such Bonds). Except as otherwise provided in this Bond Resolution and as provided in Section 403 with respect to those subaccounts authorized to be established within a Program Account, moneys in the Program Accounts shall be used solely for (i) the purchase of Mortgage Loans or (ii) redemption of Bonds by operation of the Special Redemption Account.

(B) In the event that the Agency expends moneys for the purposes identified in clause (i) of Paragraph (A) of this Section, the Trustee shall, upon receipt of a requisition signed by an Authorized Officer, identifying the Program Account from which a disbursement is to be made and stating the amount of the Mortgage Loans to be purchased and the Mortgage Lenders to whom payment is to become due with respect to the purchase of Mortgage Loans, filed with the Trustee not earlier than five days prior to the closing date of the purchase by the Agency of such Mortgage Loans, immediately transfer from such Program Account to the credit of a special account in the name of the

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Agency an amount equal to the total of the amounts to be paid as set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition. The purchase price of Mortgage Loans shall be paid by warrant drawn on such special account or in such other manner as shall be approved by the Trustee and the Agency. Moneys deposited to the credit of any such special account shall be deemed to be a part of the Program Account until such check is certified or otherwise paid. If for any reason the Agency should decide prior to the payment of any item in a requisition to stop payment of such item, the Agency shall file with the Trustee an Officer's Certificate giving notice of such decision and thereupon the Trustee shall transfer back the amount of such items from such special account to such Program Account. The Agency shall maintain in the office of the Agency accurate records of all such requisitions, a description of the Mortgage Loans purchased pursuant thereto, the purchase price of such Mortgage Loans and the Mortgage Lenders from whom such Mortgage Loans were purchased. Any amount remaining in such special account after the closing of such Mortgage Loans shall be returned to the Program Account.

(C) In the event that moneys are to be transferred to the Special Redemption Account for the purposes identified in clause (ii) of Paragraph (A) of this Section, the Trustee upon receipt of an Officer's Certificate and in accordance with the applicable Series Resolution, shall transfer such moneys to the Special Redemption Account for the purposes specified in such Series Resolution.

(D) The interest earned and other income derived from the investment or deposit of the Program Accounts shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

(E) In the event that there shall be amounts remaining in any Program Account, derived from Bond proceeds (not including amounts transferred to a Program Account referred to in Paragraph (F) of this Section) three years after the Issue Date of the Bonds of the Series for which any such Account was established, or such lesser period of time as may be provided in the applicable Series Resolution, the Trustee shall transfer such excess to the Principal Account in the Bond Service Fund unless otherwise authorized by Series Resolution to be transferred to the Special Redemption Account in the Redemption Fund.

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(F) All moneys transferred from the Principal Account in the Bond Service Fund to the applicable Program Account pursuant to Section 506(H) shall be disbursed in the manner provided in this Section or the Agency may by Officer's Certificate direct the Trustee to transfer such payments from the Program Account back to the Principal Account in the Bond Service Fund.

(G) Notwithstanding any of the foregoing provisions of this Section, the Trustee shall transfer from any Program Account, for deposit in the Interest Account and Principal Account in the Bond Service Fund any amounts necessary for the payment, when due, of Principal Installments of or interest on Bonds as provided in Section 507, and the Agency shall by Officer's Certificate direct the Trustee to deposit in the Bond Service Fund any moneys held by it in a special account referred to in Paragraph (B) of this Section which are necessary for such payments.

(H) No amount shall be withdrawn or transferred from or paid out of any Program Account except as in this Article or Section 1205 expressly provided.

SECTION 402A. *Attribution of Mortgage Loans.* Any Mortgage Loan purchased by application of amounts in any Program Account shall be deemed to have been purchased by application of amounts relating to the Series of Bonds for which such Account was established or shall be deemed to have been purchased proportionately by application of amounts relating to more than one Series to the extent that such Mortgage Loan has been purchased by application of amounts in more than one Program Account.

SECTION 403. *Establishment and Application of Cost of Issuance Accounts and Capitalized Interest Accounts.* (A) Each Series Resolution authorizing the issuance of a Series of Bonds may but is not required to establish a separate sub-account within the applicable Program Account designated "..... Cost of Issuance Account" (inserting therein the Series designation of such Bonds). Moneys deposited in said account shall be expended for Costs of Issuance of such Series of Bonds and for no other purpose upon requisition signed by an Authorized Officer stating the amount and purpose of any

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such payment, and any excesses therein upon payment of all Costs of Issuance for each Series of Bonds shall be paid to and deposited in the Revenue Fund upon receipt by the Trustee of an Officer's Certificate stating that such moneys are no longer needed for the payment of Costs of Issuance whereupon such Account shall be closed.

(B) Each Series Resolution authorizing the issuance of a Series of Bonds may but is not required to establish a separate sub-account within the applicable Program Account designated "..... Capitalized Interest Account" (inserting therein the Series designation of such Bonds). Moneys in each such Capitalized Interest Account shall be transferred to the Interest Account in the Bond Service Fund as of the first day of the first month succeeding delivery of such Series of Bonds.

ARTICLE V

APPLICATION OF REVENUES AND OTHER MONEYS

SECTION 501. *Pledge of Revenues, Funds and Accounts.* (A) Subject only to the provisions of the Bond Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Bond Resolution, there is hereby pledged for the payment of the principal or Redemption Price of, and interest on, the Bonds, and the Sinking Fund Installments for the retirement thereof, in accordance with their terms and the provisions of the Bond Resolution, (i) proceeds of the sale of the Bonds, (ii) Revenues, (iii) Mortgage Loans purchased under the Bond Resolution, (iv) all Funds and Accounts and moneys and securities therein.

(B) This pledge hereby made shall be valid and binding from and after the time of the delivery by the Trustee of the first Bonds delivered under the Bond Resolution. The proceeds of the sale of the Bonds, Revenues, Mortgage Loans purchased under the Bond Resolution, and all Funds and Accounts and moneys and securities therein so pledged and then or thereafter received by the Agency shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in

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tort, contract or otherwise against the Agency irrespective of whether such parties have notice thereof.

SECTION 502. *Establishment of Funds.* The Agency hereby establishes and creates in the California Housing Finance Fund created in the State Treasury by the Act the following Funds and Accounts which shall be special Funds or Accounts held by the Trustee:

- (1) Revenue Fund
- (2) Mortgage Loan Expense Fund
- (3) Bond Service Fund
 - (i) Interest Account
 - (ii) Principal Account
 - (iii) Sinking Fund Accounts
- (4) Bond Reserve Fund
- (5) Mortgage Reserve Fund
- (6) Redemption Fund
 - (i) Special Redemption Account
 - (ii) Optional Redemption Account
- (7) Special Fund

SECTION 503. *Deposit of Revenues.* (A) From and after the time of delivery by the Trustee of the first Bonds delivered under the Bond Resolution, all Revenues shall be collected by the Agency and deposited on the date of receipt thereof, as far as practicable, with the Trustee. The Trustee at the request of the Agency shall notify the Agency of each depositary holding moneys and investments thereof and the amount being held. All such payments shall be deposited to the credit of the Revenue Fund.

SECTION 504. *Periodic Withdrawals from Revenue Fund.* (A) From and after the time of first delivery of Bonds, the Trustee, as of the first day of each month in any Fiscal Year and within five days thereafter, shall, out of any moneys in the Revenue Fund make payments into the following several Funds or Accounts, but as to each Fund or Account only to the extent moneys in the Revenue Fund are then available and only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within such limita-

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tion into every such Fund or Account previously mentioned in the following enumeration:

First: Into the Mortgage Loan Expense Fund, to the extent, if any, needed to increase the amount in the Mortgage Loan Expense Fund so that it equals the Mortgage Loan Expense Requirement;

Second: Into the Interest Account in the Bond Service Fund, to the extent, if any, needed to increase the amount in the Interest Account in the Bond Service Fund, when added to amounts, if any, transferred or to be transferred thereto from the Capitalized Interest Accounts, so that it equals the Interest Account Requirement;

Third: Into the Principal Account in the Bond Service Fund, to the extent, if any, needed to increase the amount in the Principal Account in the Bond Service Fund so that it equals the greater of the Principal Account Requirement or an amount equal to the balance that would remain after subtracting from the principal amount of Bonds Outstanding the sum of: (i) amounts credited to the Program Accounts (other than the Capitalized Interest Accounts and Cost of Issuance Accounts), Principal Accounts and Sinking Fund Accounts in the Bond Service Fund (other than the amounts referred to in Section 1204), Bond Reserve Fund, Special Redemption Account (other than the amounts referred to in Section 1204), (ii) the lesser of the principal outstanding balance on each Mortgage Loan or such discounted amount, calculated on the assumption that such Mortgage Loan would have a yield to maturity (calculated by reference to a standard table of mortgage yields for monthly payment mortgages) at a rate established in the Series Resolution which rate shall be at least equal to $\frac{1}{4}$ of 1% above the true interest cost of the applicable Series of Bonds, the proceeds of which were used, or were deemed to be used, to purchase such Mortgage Loan and (iii) the applicable amounts, if any, determined and established in each Series Resolution authorizing a Series of Bonds Outstanding during the first six years that Principal Installments are to be paid for Bonds of such Series, which amounts shall not initially total

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more than 3% of the principal amount of the Bonds of any such Series and may decline thereafter as provided in the Series Resolution authorizing such Bonds.

Fourth: Into the Bond Reserve Fund, to the extent, if any, needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Fund Requirement;

Fifth: Into the Mortgage Reserve Fund, to the extent, if any, needed to increase the amount in the Mortgage Reserve Fund so that it equals the Mortgage Reserve Fund Requirement; and

Sixth: Into the Special Fund, the balance.

SECTION 505. *Application of Mortgage Loan Expense Fund.* (A) The Trustee shall withdraw from the Mortgage Loan Expense Fund for the payment of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses incurred by the Agency in connection with the protection and enforcement of its rights conferred by law on the applicable Mortgage Loan upon receipt of an Officer's Certificate stating (i) the property with respect to which payment is to be made, (ii) the name of the person or party to whom payment is to be made, (iii) the amount to be paid, (iv) that the payment is for expenses required in order for the Agency to obtain or preserve unencumbered title to such property, and (v) that other funds from the operation of such property are not available for the payment. Any moneys in the Mortgage Loan Expense Fund in excess of the Mortgage Loan Expense Requirement shall be transferred to the Revenue Fund.

(B) The interest earned or other income derived from the investment or deposit of moneys in the Mortgage Loan Expense Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

(C) No amount shall be withdrawn or transferred from or paid out of the Mortgage Loan Expense Fund except as in this Article V or Section 1205 expressly provided.

SECTION 506. *Application of Bond Service Fund.* (A) The Trustee shall withdraw from the Interest Account in the Bond Service Fund, prior to each Interest Payment Date of the Bonds, an amount equal to the unpaid interest due on the Bonds on or before such Inter-

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est Payment Date, and shall cause the same to be applied to the payment of said interest when due and is hereby authorized to transmit the same to Paying Agents who shall apply the same to such payment.

(B) The Trustee shall withdraw from the Principal Account in the Bond Service Fund, prior to each Principal Installment Date an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on or before said day and shall cause the same to be applied to the payment of the principal of said Bonds when due and is hereby authorized to transmit the same to Paying Agents who shall apply the same to such payment.

(C) All withdrawals and transfers from the Bond Service Fund under the provisions of Paragraph (A) or Paragraph (B) of this Section shall be made not earlier than five days prior to the Interest Payment Date or Principal Installment Date to which they relate, and the amount so withdrawn or transferred shall, for the purposes of the Bond Resolution, be deemed to remain in and be part of the Bond Service Fund until such Interest Payment Date or Principal Installment Date.

(D) The Trustee shall establish and maintain in the Bond Service Fund a separate Account for the particular Outstanding Bonds of each Series which are designated as Term Bonds and for which Sinking Fund Installments are established in accordance with any Series Resolution designated "..... Sinking Fund Account" (inserting therein the Series designation of such Bonds). The Trustee, as of the forty-fifth day prior to a Principal Installment Date on which a Sinking Fund Installment is due and payable pursuant to a Series Resolution, and within five days thereafter, shall transfer from the Principal Account in the Bond Service Fund to the applicable Sinking Fund Account the amount of such Sinking Fund Installment available to be transferred and thereafter shall transfer from the Principal Account moneys as received equal to the remaining balance of the Sinking Fund Installment.

(E) The Trustee shall apply moneys in any Sinking Fund Account established in the Bond Service Fund as provided in Paragraph (D) of this Section to the purchase or the redemption of the Bonds for which such Sinking Fund Account is maintained in the manner pro-

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vided in this Section; provided that no such Bonds shall be so purchased during the period of sixty days next preceding the date of a Sinking Fund Installment established for such Bonds. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this Section shall not exceed the Redemption Price of such Bond applicable upon its redemption through application of the moneys available for such purchase on the next date on which such Bond could be redeemed in accordance with its terms by operation of Sinking Fund Installments. Subject to the limitations hereinbefore set forth or referred to in this Section, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its discretion may determine and as may be possible with the amount of moneys available therefor in the applicable Sinking Fund Account. If at any date there shall be moneys in any such Sinking Fund Account and there shall be Outstanding none of the Bonds for which such account was established, such Sinking Fund Account shall be closed and the moneys therein shall be withdrawn therefrom by the Trustee and be transferred to the Revenue Fund.

(F) As soon as practicable after the sixtieth and before the thirtieth day prior to the date of each Sinking Fund Installment, the Trustee shall call for redemption, whether or not moneys are then available for redemption on the said date of said Sinking Fund Installment, such principal amount of the Bonds entitled to said Sinking Fund Installment, and on the redemption date the Trustee shall apply the moneys in such Sinking Fund Account to the payment of the Redemption Price of the Bonds so called for redemption.

(G) If all the withdrawals from the Bond Service Fund required or authorized under the provisions of Paragraph (A) or Paragraph (B) or Paragraph (D) of this Section with respect to the same and every prior date shall sooner have been made, and the amount in the Bond Reserve Fund is equal to or not less than the Bond Reserve Fund Requirement as of said day, the Trustee shall, on any Principal Installment Date, withdraw from the Interest Account in the Bond Service Fund the amount of any excess therein over the Interest

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Account Requirement (except moneys transferred to the Interest Account in the Bond Service Fund from the Capitalized Interest Account pursuant to Section 403(B)) and the Trustee shall deposit the amount so withdrawn in the Revenue Fund. If there is a deficiency in the Bond Reserve Fund, such excess amounts shall be transferred to the Bond Reserve Fund until the requirement therein is met prior to any payments for deposit in the Revenue Fund.

(H) When amounts held in the Principal Account in the Bond Service Fund plus amounts held in Sinking Fund Accounts in the Bond Service Fund are in excess of the Principal Account Requirement, such excess shall be retained in such Account or, upon receipt of an Officer's Certificate authorizing the same, shall be transferred by the Trustee to a Program Account or to the Redemption Fund as determined by such Officer's Certificate.

(I) The interest earned or other income derived from the investment or deposit of moneys in the Bond Service Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund to the extent not required for the payment of Principal Installments of and interest on Bonds on the next succeeding Principal Installment Date or Interest Payment Date.

(J) No amount shall be withdrawn or transferred from or paid out of the Bond Service Fund except as in this Article V or Section 1205 expressly provided.

SECTION 507. *Deficiencies in Bond Service Fund.* (A) In the event that the amount in the Interest Account in the Bond Service Fund is insufficient to pay the interest due on the Bonds on the next succeeding Interest Payment Date five days prior to the next succeeding Interest Payment Date, the Trustee shall transfer to the Interest Account in the Bond Service Fund, not later than five (5) days prior to such Interest Payment Date, the amount of such deficiency from the following Funds in the following order of priority: (1) the Special Fund; (2) the Mortgage Reserve Fund; (3) the Bond Reserve Fund; or (4) from any other Funds or Accounts established by the Bond Resolution.

(B) In the event that the amount in the Principal Account in the Bond Service Fund is insufficient to pay the Principal Installment due

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on the Bonds on the next succeeding Principal Installment Date, the Trustee shall transfer to the Principal Account in the Bond Service Fund, not later than five (5) days prior to such Principal Installment Date, the amount of such deficiency from the following Funds in the following order of priority: (1) the Special Redemption Account in the Redemption Fund and from the Optional Redemption Account in the Redemption Fund to the extent that moneys in the Special Redemption Account in the Redemption Fund are insufficient therefor; no such transfer from the Redemption Fund shall be made from moneys with respect to which notice of redemption has been published in accordance with Article VII; (2) one or more Program Accounts as determined by an Officer's Certificate identifying such Account and the amounts to be transferred; (3) the Mortgage Reserve Fund; (4) the Special Fund; (5) the Bond Reserve Fund; or (6) from any other Funds or Accounts established by the Bond Resolution other than the moneys in the Interest Account.

SECTION 508. *Application of Bond Reserve Fund.* (A) Not earlier than five (5) days prior to any Principal Installment Date, the Trustee shall withdraw from the Bond Reserve Fund the amount by which the Bond Reserve Fund Requirement shall be reduced on such Principal Installment Date by reason of payment of the Principal Installment due on such date and shall transfer (i) to the Principal Account in the Bond Service Fund the amount, if any, required to be added to such Principal Account to meet the Principal Account Requirement and (ii) to the Revenue Fund the balance, if any.

(B) If at any time there shall not be a sufficient amount in the Bond Service Fund to make payment of Principal Installments of or interest on the Bonds, and in the event that the amount transferred from the Mortgage Reserve Fund with respect to payment of interest or from the Special Fund with respect to payment of Principal Installments is insufficient to make up such deficiency as provided in Section 507, the Trustee shall withdraw from the Bond Reserve Fund and pay into the Bond Service Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing prior to any such withdrawal from the Bond Reserve Fund.

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(C) In addition to the payments made into the Bond Reserve Fund pursuant to Section 504 or Section 506 or otherwise, the Agency shall deposit in the Bond Reserve Fund any moneys appropriated to the Agency by the State which the Agency pursuant to an Officer's Certificate shall authorize to be used for such purpose or other moneys that may be available to it and determined by the Agency to be used for the purpose of restoring the Bond Reserve Fund to the Bond Reserve Fund Requirement.

(D) If on any Principal Installment Date all withdrawals or payments from the Bond Reserve Fund required by any other provision of the Bond Resolution with respect to the same and every prior date shall have sooner been made, the Trustee within five days thereafter shall withdraw from the Bond Reserve Fund the amount of any excess therein over the Bond Reserve Fund Requirement, attributable either to interest or other income derived from the investment or deposit of the Bond Reserve Fund or to a decrease in the Bond Reserve Fund Requirement and deposit the same in the Revenue Fund.

(E) No amount shall be withdrawn from or paid out of the Bond Reserve Fund except as in this Section or in this Article V or in Section 1205 expressly provided or to pay Principal Installments of or interest on Bonds in accordance with their terms as the same become due.

SECTION 509. *Application of Mortgage Reserve Fund.* (A) The Trustee shall transfer moneys from the Mortgage Reserve Fund (1) to the appropriate Account in the Bond Service Fund for the payment of Principal Installments of and interest on Bonds, in accordance with Section 507, (2) to the Redemption Fund for the payment of the premium on Bonds to be redeemed in the amount stated in an Officer's Certificate directing such transfer or in the amount required by Paragraph (A) of Section 510, and (3) to the Principal Account in the Bond Service Fund such amounts to enable the Agency to comply with the covenant contained in Section 610(F) of this Bond Resolution. Moneys in the Mortgage Reserve Fund in excess of the Mortgage Reserve Fund Requirement shall, upon receipt by the Trustee of an Officer's Certificate determining to withdraw such amount, be paid to and deposited in the Revenue Fund.

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(B) No amount shall be withdrawn or transferred from or paid out of the Mortgage Reserve Fund except as in this Article V or Section 1205 expressly provided.

SECTION 510. *Application of Redemption Fund.*

(A) Any moneys transferred to the Redemption Fund and not otherwise restricted may be transferred to the Special Redemption Account in the Redemption Fund and shall be applied to the purchase or the redemption of Bonds as provided in this Section. The Redemption Price of Bonds of each Series subject to redemption by operation of the Special Redemption Account shall be the price set forth in the applicable Series Resolution. The Trustee shall transfer to the Special Redemption Account in the Redemption Fund from the Mortgage Reserve Fund to the extent available, the amount necessary, to pay the premium on Bonds to be purchased or redeemed pursuant to this Paragraph at the time of such purchase or thirty days prior to such redemption.

(B) Any moneys transferred to the Redemption Fund and not otherwise restricted may be transferred to the Optional Redemption Account in the Redemption Fund and shall be applied to the purchase or the redemption of Bonds, including the payment of premium, as provided in this Section. The Redemption Price of Bonds of each Series subject to redemption by operation of the Optional Redemption Account shall be a price set forth in the applicable Series Resolution.

(C) Upon receipt of the Officer's Certificate referred to in Paragraph (E), the Trustee shall apply moneys in the Redemption Fund to the purchase of such Bonds designated at the most advantageous price obtainable with due diligence, such price not to exceed the Redemption Price of such Bonds applicable on the next ensuing redemption date for such Bonds. 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 VII. Bonds shall not be purchased pursuant to this Paragraph during the period next preceding thirty days prior to a redemption date from moneys to be applied to the redemption of Bonds on such date.

(D) In the event that the amount in the Principal Account in the Bond Service Fund is insufficient to pay the Principal Installment due

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on the Bonds, the Trustee shall transfer to the Principal Account in the Bond Service Fund in accordance with this Bond Resolution, the amount of such deficiency from the Special Redemption Account and from the Optional Redemption Account in the Redemption Fund to the extent that moneys in the Special Redemption Account are insufficient therefor and to the extent of moneys therein with respect to which notice of redemption has not been published in accordance with Article VII.

(E) Any Bonds to be purchased or redeemed by the Trustee from moneys in the Redemption Fund shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of an Officer's Certificate determining or certifying the Account in the Redemption Fund from which Bonds are to be purchased or redeemed Bonds and the following:

- (1) The Series of Bonds to be purchased or redeemed;
- (2) The maturities within such Series from which Bonds are to be purchased or redeemed;
- (3) The principal amount of Bonds within such maturities to be purchased or redeemed;
- (4) If any of the Bonds to be purchased or redeemed as designated in clauses (1) through (3) hereinabove 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; and
- (5) That upon purchase or redemption of Bonds pursuant to the determinations made under the provisions of clauses (1) through (4) hereinabove, the Agency will be in compliance with its covenant contained in Paragraph (C) of Section 610.

Any Bonds purchased or redeemed by the Trustee in accordance with the provisions of the Bond Resolution shall be cancelled by the Trustee.

(F) Interest or other income derived from the investment or deposit of moneys in the Redemption Fund shall be transferred by the Trustee to the Revenue Fund upon receipt thereof unless the Agency provides otherwise in a Series Resolution for Refunding Bonds pursuant to Section 205.

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(G) No amount shall be withdrawn or transferred from or paid out of the Redemption Fund except as in this Article V or Section 1205 expressly provided.

(H) Notwithstanding the foregoing, only those moneys representing unexpended Bond proceeds or payments of principal with respect to Mortgage Loans shall be transferred to the Special Redemption Account except as may be specified in a Series Resolution.

SECTION 511. *Special Fund.* All amounts deposited in the Special Fund may be used to make payments to the Revenue Fund, the Bond Service Fund, the Bond Reserve Fund, the Redemption Fund, any Program Account, the Mortgage Loan Expense Fund or the Mortgage Reserve Fund as determined by an Officer's Certificate specifying the Fund or Account into which such amounts are to be paid. Amounts in the Special Fund may also be applied, free and clear of any lien or pledge created by the Bond Resolution, for any lawful purpose of the Agency consistent with Section 605, if and so long as such amounts are not necessary to be transferred to any of the above Funds and Accounts provided, however, that any such moneys shall be first applied by the Agency to compensate each Fiduciary in accordance with Section 1106 of the Bond Resolution and then to pay administrative expenses of the Agency with respect to the Program and provided further that no such amounts shall be released from the Special Fund so long as there is any deficiency in the Mortgage Reserve Fund.

SECTION 512. *Redemption of Bonds.* In the event that the amount in the Funds and Accounts created by the Bond Resolution and pledged to the payment of Bonds is sufficient to pay the Redemption Price of and interest on all Bonds Outstanding, the Trustee, upon receipt of an Officer's Certificate authorizing the same, shall withdraw from such Funds and Accounts an amount equal to such Redemption Price of and interest on all Bonds Outstanding and deposit the same in the Optional Redemption Account in the Redemption Fund.

ARTICLE VI

PARTICULAR COVENANTS OF AGENCY

SECTION 601. *General.* The Agency hereby particularly covenants and agrees with the Trustee and with the Holders of the

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Bonds and the coupons appertaining thereto and makes provisions which shall be a part of its contract with such Holders, to the effect and with the purpose set forth in the following provisions and Sections of this Article. The provisions of this Article shall be effective from and after the time of the delivery by the Agency of the first Bond delivered under the Bond Resolution.

SECTION 602. *Payment of Bonds.* The Agency shall duly and punctually pay or cause to be paid the principal of and interest on the Bonds, at the dates and places and in the manner mentioned in the Bonds and in the coupons thereto appertaining, 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 payable into the Bond Service Fund pursuant to any provision of the Bond Resolution.

SECTION 603. *Payment of Lawful Charges.* The Agency shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon the Agency or in respect of the Program or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or 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, moneys, securities, Mortgage Loans, Funds or Accounts created by Article V hereof, except the pledge and lien created by the Bond Resolution for the payment of the principal and Redemption Price of and interest on the Bonds and Sinking Fund Installments for the retirement thereof.

SECTION 604. *Budget.* The Agency shall prepare and file with the Trustee the budget referred to in Section 41360 of the Act. The Agency shall comply with any reasonable request of the Trustee as to information contained in the classifications in which such budget shall be prepared, particularly with respect to the divisions into which such budget shall be divided.

SECTION 605. *Tax Covenant.*

(A) The Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Agency on the Bonds shall, for the purposes

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of the Federal income tax be exempt from all income taxation under any valid provision of law, except that the Agency shall not be in violation of this covenant as the result of any Bond being held by a person who, within the meaning of Section 103(c)(7) of the Internal Revenue Code of 1954, as amended, is a "substantial user" of the facilities with respect to which the proceeds of such Bond were used or is a "related person".

(B) The Agency hereby particularly covenants and agrees with the holders of the Bonds and coupons that no part of the proceeds of the Bonds or any other funds of the Agency shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause any Bond to be an arbitrage bond as defined in subsection (d) (2) of section 103 of the Internal Revenue Code of 1954 of the United States of America and any applicable Regulations issued thereunder.

SECTION 606. *Accounts and Reports.* (A) The Agency 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 this Bond Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than five per centum (5%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) The Agency shall annually, within ninety (90) days after the close of each Fiscal Year, file with the Trustee and with such officials of the State, if any, as may be required by the Act a copy of the annual report for such Fiscal Year, accompanied by an Accountant's Certificate, setting forth in reasonable detail:

- (1) its operations and accomplishments;
- (2) its receipts and expenditures in accordance with the categories or classifications established by the Agency for its operating and Program purposes;
- (3) its assets and liabilities and fund balances at the end of such Fiscal Year, including all Funds and Accounts established by the Bond Resolution.
- (4) Any other matters required by the Act.

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(C) A copy of each such Annual Report and Accountant's Certificate shall be mailed promptly thereafter by the Agency to each Bondholder who shall have filed his name and address with the Agency for such purpose.

(D) The Agency agrees immediately upon becoming aware of the existence of any default under this Bond Resolution which with the passage of time may become an Event of Default, to notify the Trustee in writing specifying the nature and existence thereof and what action the Agency is taking and proposes to take with respect thereto.

SECTION 607. *Personnel and Servicing of Programs.* The Agency shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the Agency shall be qualified for their respective positions.

SECTION 608. *Compliance with Conditions Precedent.* Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by the 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 Agency, shall be within every debt and other limit prescribed by law.

SECTION 609. *The Bond Reserve Fund.* (A) The Agency shall at all times maintain from the Revenues and other moneys, funds and amounts pledged hereunder and available therefor the Bond Reserve Fund created and established by Section 502 at the Bond Reserve Fund Requirement and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee or the Paying Agents under the terms and provisions of Article V hereof or of the Act.

(B) In order to comply with the provisions of Section 41365.5 of the Act, the Agency shall cause the President to immediately certify

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in writing to the Joint Legislative Audit Committee, the Joint Legislative Budget Committee, the Speaker of the Assembly, the Senate Rules Committee, and the Governor of the State, if the Agency determines or receives information, verified by the State Treasurer, that moneys of the Agency pledged to the payment of the Bonds will not be sufficient for the payment of the principal or Redemption Price of and interest on the Bonds and the Sinking Fund Installments for the retirement thereof and to restore and maintain the Bond Reserve Fund in an amount equal to the Bond Reserve Fund Requirement. All moneys as may be received by the Agency from the State for the purpose of providing for any such insufficiency shall be paid to the Trustee for deposit and credit to the Bond Reserve Fund in accordance with Section 508.

SECTION 610. *Program Covenants.* (A) The Agency shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not reasonably required for other Program purposes of the Agency, to purchase Mortgage Loans, and shall do all such acts and things necessary to receive and collect Revenues, as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Mortgages and Mortgage Loans.

(B) The Agency shall file with the Trustee annually or more frequently as reasonably requested by the Trustee, a schedule of Mortgage Loans purchased by the Agency identifying the same by reference to the Agency loan number, the name of the borrower, the address of the applicable property, the identification number, if any, of federal insurance or guarantee, the principal amount due on the Mortgage Loan as of the date purchased, the interest rate on the Mortgage Loan and the term of the Mortgage Loan.

(C) The Agency shall not cause Bonds to be purchased or redeemed unless, after such purchase or redemption, there shall be no

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material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on the Bonds Outstanding.

(D) In the event that a Mortgage Loan becomes a Defaulted Mortgage Loan, the Agency shall certify to the Trustee the Agency loan number of such Defaulted Mortgage Loan and the principal amount then due on the Mortgage Loan. The Agency shall take all steps, actions and proceedings reasonably necessary to recover the balance due and to become due on a Defaulted Mortgage Loan.

(E) The Agency shall not sell a Mortgage Loan for an amount less than the principal balance outstanding on the Mortgage Loan except where such Mortgage Loan does not receive final endorsement for insurance or guarantee in accordance with Paragraph (I) of this Section, except as may be necessary to realize on the federal insurance or guarantee and except as may be required by applicable law.

(F) As of any Interest Payment Date, the principal amount of Bonds then Outstanding shall be equal to or less than the sum: (i) the amounts credited (other than the amounts referred to in Section 1204) to the Program Accounts (other than the Capitalized Interest Accounts and Cost of Issuance Accounts), Principal Account and Sinking Fund Accounts in the Bond Service Fund, Bond Reserve Fund, Special Redemption Account, plus (ii) the lesser of the principal outstanding balance on each Mortgage Loan or such discounted amount, calculated on the assumption that such Mortgage Loan would have a yield to maturity (calculated by reference to a standard table of mortgage yields for monthly payment mortgages) at a rate established in the Series Resolution which rate shall be at least equal to $\frac{1}{4}$ of 1% above the true interest cost of the applicable Series of Bonds the proceeds of which were used or deemed to be used to purchase such Mortgage Loan, plus (iii) the applicable amounts, if any, determined and established in each Series Resolution authorizing a Series of Bonds Outstanding during the first six years that any Principal Installments are to be paid for Bonds of such Series, which amounts shall not initially total more than 3% of the principal amount of Bonds of any such Series and may decline thereafter as provided in the Series Resolution authorizing such Bonds.

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(G) No Mortgage Loan shall be purchased by the Agency having a final principal maturity date beyond the final Principal Installment Date of the Bonds issued to finance such Mortgage Loan unless, after such purchase, there shall be no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on Bonds Outstanding.

(H) Nothing in the Bond Resolution shall be construed to prohibit the Agency from causing a Servicer to repurchase a Mortgage Loan in accordance with the applicable Purchase Agreement.

(I) No Mortgage Loan shall be purchased by the Agency unless there shall have been received a final commitment for insurance or guaranty by the Federal Housing Administration or the Veterans Administration. In the event that a final endorsement shall not have been received, within sixty (60) days from the purchase of such Mortgage Loan by the Agency, from the appropriate Federal Agency and the Mortgage Lender is in default with respect to repurchase of such Mortgage Loan the Agency shall sell such Mortgage Loan at the best obtainable price.

(J) The Agency shall not purchase a Mortgage Loan unless the yield to maturity (calculated by reference to a standard table of mortgage yields for monthly payment mortgages) on the Mortgage Loan, less the service charge deductible from interest, shall equal or exceed a rate of interest established in the Series Resolution which rate shall be at least one quarter of one percent (0.25%) greater than the true interest cost on the Series of Bonds issued by the Agency to purchase the Mortgage Loan.

SECTION 611. *Mortgage Loans.* No Mortgage Loan shall be purchased by the Agency unless the Mortgage Loan complies with the Act and with Paragraphs (A), (B) and (C) of this Section and, except to the extent, if any, that a variance is required by an agency or instrumentality of the United States of America guaranteeing or insuring the payment of, or otherwise assisting a Mortgage Loan, unless:

(A) The Mortgage shall be executed and recorded in accordance with the requirements of existing laws;

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(B) The Mortgage is the subject of a title insurance policy in an amount at least equal to the outstanding principal amount of the Mortgage Loan, insuring that the Mortgage constitutes a first lien, subject only to liens for taxes and assessments and Permitted Liens and Encumbrances on the real property of the Housing Development or Single Family Residential Structure with respect to which the Mortgage Loan is secured, provided, however, that the Mortgage may also be a participation by the Agency with another party or parties in a Mortgage Loan made with respect to a Single Family Residential Structure and similarly secured so long as the interest of each shall have equal priority as to lien in proportion to the amount of the loan secured, but need not be equal as to interest rate, time or rate of amortization or otherwise. As used herein, "Permitted Liens and Encumbrances" means liens, encumbrances, reservations, easements and other imperfections of title as, in the judgment of the Agency, shall not materially impair the use or value of the premises or as to which appropriate steps, in the judgment of the Agency, have been taken to secure the interest of the Agency;

(C) The Mortgage Loan is secured by (i) a Housing Development and the Mortgage Loan was made subsequent to the delivery of the Series of Bonds the proceeds of which are to be used or deemed to be used to purchase such Mortgage Loan or (ii) a Single Family Residential Structure if the Agency has required that the seller of such Mortgage Loan use the proceeds of the sale of the Mortgage Loan for financing a Residential Structure for Eligible Persons or Families.

(D) The Mortgagor shall warrant generally the title to the Mortgage Loan for financing a Residential Structure for Eligible Persons or Families.

(E) The Mortgagor will pay or escrow all taxes, assessments, water rates, sewer rents and other charges and any prior liens now or hereafter assessed or liens on or levied against the premises or any part thereof, and in case of default in the payment thereof when the same shall be due and payable, it shall be lawful for the Agency, without notice or demand to the Mortgagor, to pay the same or any of them; and the moneys paid by the Agency

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in discharge of taxes, assessments, water rates, sewer rents and other charges and prior liens shall be added to the amount of the Mortgage Loan and secured by the Mortgage payable on demand with interest at the rate applicable under the Mortgage Loan from and after maturity, from time of payment of the same;

(F) The buildings on the premises with respect to which the Mortgage Loan is made are insured against loss by fire and other hazards as required by the Agency to protect its interest with the Agency designated as the loss payee as its interest may appear; and that, except with respect to such insurance provided by the Servicer under mortgage protection blanket insurance, the Mortgagor will reimburse the Agency for any premiums paid for insurance made by or on behalf of the Agency on the Mortgagor's default in so insuring the buildings; and

(G) The Mortgagor will maintain the premises in good condition and repair, will not commit or suffer any waste of the premises, and will comply with, or cause to be complied with, all statutes, ordinances and requirements of any governmental authority relating to the premises.

SECTION 612. *Assignment of Mortgage Loans Upon Default.*
Upon the happening of an event of default specified in Section 1002 and the written request of the Trustee or of the Holders of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, the Agency, in accordance with the provisions of Section 615 hereof, shall effectuate the assignment of any or all of the Mortgage Loans held by the Agency to the Trustee provided, however, if the Trustee and the Bondholders are restored to their positions in accordance with Section 1015 the Trustee shall assign such Mortgage Loans back to the Agency.

SECTION 613. *Extension of Payment of Bonds and Coupons.*
The Agency 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 coupons or claims for interest by the purchase or funding of such Bonds, coupons or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for

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payment of any such coupons or claims for interest shall be extended, such Bonds, coupons or claims for interest shall not be entitled in case of any default under the Bond Resolution to the benefit of the Bond Resolution or to any payment out of any assets of the Agency or the funds (except funds held in trust for the payment of particular Bonds, coupons or pursuant to the Bond Resolution) held by any Fiduciary, 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 coupons or claims for interest. Nothing herein shall be deemed to limit the right of the Agency to issue Refunding Bonds as provided in Article II hereof, 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 coupon or claim for interest.

SECTION 614. *Issuance of Additional Obligations.* (A) The Agency shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues, or which will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, except that additional Series of Bonds may be issued from time to time pursuant to a Series Resolution subsequent to the issuance of the initial Series of Bonds under the Bond Resolution on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Revenues and payable equally and ratably from the Funds or Accounts, established and created pursuant to the Bond Resolution, for one or more of the purposes set forth in the Bond Resolution.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the Bond Resolution unless:

- (1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and other obligations of the Agency theretofore issued, will not, in the opinion of counsel to the Agency, exceed in aggregate principal amount any limitation thereon imposed by law;

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(2) As evidenced by an Officer's Certificate, at the time of the issuance of such Bonds, other than Refunding Bonds, there is no deficiency in any Funds or Accounts created by the Bond Resolution other than the Mortgage Reserve Fund or the Bond Reserve Fund and that upon the issuance and delivery of the additional Series of Bonds and the application of the proceeds thereof, the Bond Reserve Fund shall not be less than the Bond Reserve Fund Requirement and the Mortgage Reserve Fund shall not be less than the Mortgage Reserve Fund Requirement;

(3) As evidenced by an Officer's Certificate, after such issuance, there shall be no adverse material effect on the ability of the Agency to pay the Principal Installments of and interest on the Bonds then Outstanding;

(C) The Agency expressly reserves the right to adopt one or more other general bond resolutions for any of its corporate purposes including programs similar to the Program and reserves the right to issue other obligations and the Notes so long as same are not a charge or lien prohibited by Paragraph (A) of this Section.

SECTION 615. *Further Assurance.* At any time and all times the Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every 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, the Funds established pursuant to the Bond Resolution, including the Accounts thereof, and including the investments, if any, and other moneys, securities and investments hereby pledged or assigned, or assigned in trust, or intended so to be, or which the Agency may hereafter become bound to pledge or assign or assign in trust.

SECTION 616. *Powers as to Bonds and Pledge.* The Agency is duly authorized pursuant to law to authorize and issue the Bonds, to adopt the Bond Resolution and to pledge the Revenues and all Funds established by the Bond Resolution, including the Accounts thereof, and including the investments, if any, thereof and moneys, investments, and securities therein purported to be pledged by the Bond Resolution

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in the manner and to the extent provided in the 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 or the Accounts thereof or any securities or investments purchased with such proceeds of the sale of Bonds, including the income thereof, purported to be so assigned in trust by the Bond Resolution in the manner and to the extent provided in the Bond Resolution. The Revenues, the Mortgage Loans, and the Funds and Accounts and moneys and securities therein 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, the pledge and assignment in trust created by the Bond Resolution, and all corporate action on the part of the Agency to that end has been duly and validly taken. The Bonds and the provisions of the Bond Resolution are and will be the valid and legally enforceable special obligations of the Agency in accordance with their terms and the terms of the Bond Resolution. The Agency shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues, the Mortgage Loans, and the Funds and Accounts and moneys and securities therein so pledged under the Bond Resolution and the assignment in trust of the proceeds of sale of the Bonds created by the Bond Resolution and all the rights of the Bondholders under the Bond Resolution against all claims and demands of all persons whomsoever. The Bonds shall not be deemed to constitute a debt or liability of the State or any political subdivision thereof, or a pledge of the faith and credit of the State or of any such political subdivision, other than the Agency to the extent herein provided, but shall be payable solely from funds provided therefor pursuant to this Bond Resolution.

SECTION 617. *State Pledge.* The State does hereby pledge to and agree with the Holders of any Bonds issued under this Bond Resolution that the State will not limit or alter the rights hereby vested in the Agency to fulfill the terms of any agreements made with the Holders thereof or in any way impair the rights and remedies of such Holders until such Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders,

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are fully met and discharged. In accordance with Section 41719 of the Act, the Agency has been authorized to include this pledge and agreement of the State in this Bond Resolution.

ARTICLE VII

REDEMPTION OF BONDS

SECTION 701. *Privileges of Redemption and Redemption Prices.* The Bonds of any Series which are redeemable prior to maturity shall be subject to redemption by or on behalf of the Agency prior to maturity upon receipt by the Trustee of the Officer's Certificate referred to in Section 510 and upon published notice as provided in this Article, 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 the Bond Resolution and referred to in said Bonds, 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 or differing redemption premiums (if any), expressed as a percentage of such principal amount, as shall be set forth in said Bonds and applicable upon such redemption, together with interest accrued to the redemption date. If less than all of the Bonds of such Series of like maturity then Outstanding are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine.

SECTION 702. *Selection of Bonds to be Redeemed by Lot.* In the event of redemption by lot of Bonds of like Series and maturity, the Trustee shall assign to each registered Bond of such Series and maturity then Outstanding a distinctive number for each \$5,000 of the principal amount of such Bond and shall select by lot, using such method of selection as it shall deem proper in its discretion and from the numbers of all coupon Bonds of such Series and maturity of the denomination of \$5,000 then Outstanding and the numbers so assigned to such registered Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the coupon Bonds of the denomination of \$5,000 bearing the numbers so selected and the registered

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Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such registered Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

SECTION 703. *Notice of Redemption.* When the Trustee shall be required or authorized, or shall receive notice from the Agency of its election, to redeem Bonds, the Trustee shall in accordance with the terms and provisions of the Bonds and of the Bond Resolution, select the Bonds to be redeemed and shall give notice, in the name of the Agency, of the redemption of Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of a registered Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portion of the principal thereof in the case of a registered Bond to be redeemed in part only, together with interest accrued to such date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by publication thereof in Authorized Newspapers, at least once not less than thirty days or more than sixty days prior to such redemption date. The Trustee shall also mail a copy of such notice, postage prepaid, not less than twenty days before such redemption date, to the registered owner of any Bond all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

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SECTION 704. *Agency's Election to Redeem.* The Agency shall give written notice to the Trustee of its election to redeem Bonds which are subject to optional redemption and of the redemption date, which notice shall be given at least forty days prior to the redemption date or at such later date as shall be acceptable to the Trustee. In the event that the required notice of redemption shall have been given, the Agency shall, and hereby covenants that it will, prior to the redemption date, pay to the Trustee an amount in 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 705. *Payment of Redeemed Bonds.* Notice having been given by publication in the manner provided in Section 703, 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, upon presentation and surrender thereof at the place or places specified in said notice together with, in the case of Bonds registered otherwise than to bearer, a written instrument of transfer duly executed by the registered owner thereof or by his attorney duly authorized in writing, and, in the case of coupon Bonds, all appurtenant coupons maturing subsequent to such date, said Bonds or portions thereof shall be paid at the said Redemption Prices, plus unpaid interest on said Bonds or portions thereof accrued to such date not represented by coupons for matured interest installments. All interest represented by coupons which shall have matured at or prior to such redemption date shall continue to be payable to the bearers of such coupons. If there shall be so called for redemption less than all of a registered Bond, the Agency 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 registered Bond so surrendered, at the option of the owner thereof, either coupon Bonds or registered Bonds of like Series, designation, interest rate and maturity in any of the authorized denominations. If,

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on such redemption date, moneys 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 published as aforesaid, then from and after such redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable, and the coupons for interest appertaining thereto maturing subsequent to such redemption date shall be void and said Bonds and coupons shall no longer be considered as Outstanding hereunder. All moneys 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.

ARTICLE VIII

SUPPLEMENTAL AND SERIES BOND RESOLUTIONS

SECTION 801. *Supplemental Bond Resolutions and Series Resolutions Effective Upon Filing.* For any one or more of the following purposes and at any time or from time to time, a Series Resolution or a Supplemental Resolution of the Agency may be adopted which resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

- (1) To close the Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Bond Resolution on, the issuance of future Bonds, or of other notes, bonds, obligations or evidences of indebtedness;
- (2) To add to the covenants or agreements of the Agency in the Bond Resolution contained other covenants or agreements to be observed by the Agency which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;
- (3) To add to the limitations or restrictions in the Bond Resolution contained other limitations or restrictions to be observed by the Agency which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect;

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(4) To surrender any right, power or privilege reserved to or conferred upon the Agency by the Bond Resolution provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in this Bond Resolution;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or of any other moneys, securities or funds;

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

SECTION 802. *Supplemental Bond Resolutions Effective Upon Consent of Trustee.* For any one or more of the following purposes and at any time or from time to time, a resolution of the Agency amending or supplementing the Bond Resolution may be adopted which resolution upon the (a) filing with the Trustee of a copy thereof certified by an Authorized Officer and (b) filing with the Trustee and the Agency of an instrument in writing made by the Trustee consenting to such resolution shall be fully effective in accordance with its terms:

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

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

SECTION 803. *Supplemental Bond Resolutions Effective with Consent of Bondholders.* (A) At any time or from time to time, a resolution of the Agency amending or supplementing the Bond Resolution may be adopted modifying any of the provisions of the Bond Resolution or releasing the Agency from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, but no

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such resolution shall be effective until after the filing with the Trustee of a copy thereof certified by an Authorized Officer and unless (1) no Bonds delivered by the Agency prior to the adoption of such resolution remain Outstanding at the time it becomes effective, or (2) such resolution is consented to by or on behalf of Bondholders in accordance with and subject to the provisions of Article IX.

(B) The provisions of Paragraph (A) of this Section shall not be applicable to resolutions of the Agency adopted and becoming effective in accordance with the provisions of Section 801 or Section 802.

SECTION 804. *Restriction on Amendments.* The Bond Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. The provisions of Paragraph (A) of Section 803 are in all respects subject and subordinate to the provisions, restrictions, exceptions and limitations set forth in Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of the Agency to pass, make, do, execute, acknowledge or deliver any resolution, act, deed, conveyance, assignment transfer or assurance pursuant to the provisions of Article VI or the right or obligation of the Agency to execute and deliver to any Fiduciary any instrument which elsewhere in the Bond Resolution it is provided shall be delivered to said Fiduciary.

SECTION 805. *Adoption and Filing of Supplemental Bond Resolutions.* Any resolution of the Agency referred to and permitted or authorized by Sections 801, 802 or 803 may be adopted by the Agency without the vote or consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Every such resolution so becoming effective shall thereupon form a part of the Bond Resolution. The copy of every such resolution when filed with the Trustee shall be accompanied by an opinion of counsel to the Agency to the effect that such resolution has been duly and lawfully adopted by the Agency in accordance with the provisions of the Bond Resolution, is authorized or permitted by the provisions of the Bond Resolution and, when effective, will be valid and binding upon the Agency.

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SECTION 806. *Authorization to Trustee.* The Trustee is hereby authorized to accept the delivery of a certified copy of any resolution of the Agency referred to and permitted or authorized by Sections 801, 802 or 803 and to consent to such resolution 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 an opinion of counsel (which may be an opinion of counsel to the Agency) that such resolution is authorized or permitted by the provisions of the Bond Resolution or contains no provisions which are contrary to or inconsistent with the Bond Resolution as theretofore in effect.

ARTICLE IX

AMENDMENTS

SECTION 901. *Mailing and Publication of Notices.* (A) Any provision in this Article relative to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed, postage prepaid, only (1) to each registered owner of any Bonds then Outstanding at his last address, if any, appearing upon the registry books, (2) to each Holder of any Bonds payable to bearer then Outstanding who shall have filed with the Trustee within two years preceding such mailing an address for notices, and (3) to the Trustee.

(B) Any provision in this Article relative to publication of a notice or other matter shall be published in the Authorized Newspapers.

SECTION 902. *Powers of Amendment.* Any modification or amendment of the Bond Resolution and of the rights and obligations of the Agency and of the Holders of the Bonds and coupons thereunder, in any particular, may be made by a Supplemental Bond Resolution with the written consent, given as hereinafter provided in Section 903, of the Holders of at least sixty per centum (60%) in principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and interest rate remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed

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to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the description of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of its written assent thereto.

SECTION 903. *Consent of Bondholders.* The Agency may at any time adopt and file in accordance with the provisions of Section 803 a resolution of the Agency making a modification or amendment permitted by the provisions of Section 902, 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 Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Agency to Bondholders and shall be published at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of such resolution when consented to as in this Section provided). Such resolution shall not be effective unless and until, and shall take effect in accordance with its terms when, (1) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 902, and (b) a Counsel's Opinion or opinion of counsel to the Agency stating that such resolution has been duly and lawfully adopted by the Agency in accordance with the provisions of the Bond Resolution, is authorized or permitted by the provisions of the Bond Resolution, and, when effective, will be valid and binding upon the Agency, and (2) a notice shall have been published as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section

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1202. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient under the provisions of Section 1202 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. 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 1202, such consent may be revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to but 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 1202. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to such resolution, the Trustee shall make and file with the Agency and the Trustee a written statement that the Holders of such required percentages of Bonds have filed and given such consents. Such written statement shall be conclusive that such consents have been so filed and have been given. At any time thereafter notice, stating in substance that such resolution (which may be referred to as a resolution adopted by the Agency on a stated date a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to Bondholders by the Agency by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such resolution from becoming effective and binding as in this Section provided) and by publishing the same at least once not more than ninety days after the Holders of the required percentages of Bonds shall have filed their consents to the resolution and the written statement of the Trustee hereinabove provided for is filed. The Agency shall file with the Trustee proof of the

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publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this Section to be 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 Agency, the Fiduciaries and the Holders of all Bonds and coupons at the expiration of forty days after the filing with the Trustee of proof of the first publication 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 forty-day period; provided, however, that any Fiduciary and the Agency during such forty-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 904. *Modifications by Unanimous Consent.* Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article, the terms and provisions of the Bond Resolution and the rights and obligations of the Agency and the Holders of the Bonds and coupons thereunder, in any particular, may be modified or amended in any respect upon the adoption by the Agency and filing in accordance with the provisions of Article VIII of a resolution of the Agency making such modification or amendment and the consent to such resolution of the Holders of all of the Bonds then Outstanding, such consent to be given and proved as provided in Section 903 except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of its written assent thereto in addition to the said consent of Bondholders.

SECTION 905. *Exclusion of Bonds.* Bonds owned or held by or for the account of the Agency 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

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Agency 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 Agency shall furnish the Trustee an Officer's Certificate, upon which the Trustee may rely, describing all Bonds so to be excluded.

SECTION 906. *Notation on Bonds.* Bonds delivered after the effective date of any action taken as in Article VIII or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Agency and the Trustee as to such action and in that case upon demand of the Holder of any Bond Outstanding at such effective date and presentation of such Bond for the purpose at the Principal Office of the Trustee suitable notation shall be made on such Bond by the Trustee as to any such action. If the Agency or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Agency to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series, designation, maturity and interest rate then Outstanding, upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto.

SECTION 907. *Contracts or Indentures.* The Agency, so far as it may be authorized by law, may and if requested by any Fiduciary shall enter into a contract or an indenture with any Fiduciary giving effect to any modification or amendment of the Bond Resolution as hereinabove in Article VIII or this Article provided.

ARTICLE X

REMEDIES ON DEFAULT

SECTION 1001. *Powers of Trustee.* The Agency hereby determines that there shall be, and there hereby are, vested in the Trustee, in addition to all its property, rights, powers and duties mentioned or referred to in any other provision of the Bond Resolution, the rights, powers and duties in this Article provided in trust for the Bondholders. Any right of Bondholders to appoint a trustee other than the Trustee appointed hereunder is hereby abrogated in accordance with the pro-

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visions of the Act. Upon the occurrence of an Event of Default referred to in Section 1002 the Trustee shall act with the trustee appointed in accordance with Section 1101 of this Bond Resolution in the manner specified in Section 1101. The Trustee shall notify such trustee appointed in accordance with Section 1101 of the occurrence of any Event of Default or any event which, with the passage of time or the giving of notice thereof or both, may become an Event of Default.

SECTION 1002. *Events of Default.* Each of the following shall constitute an event of default under the Bond Resolution and is herein called "Event of Default", that is to say, in case:

(1) interest on any of the Bonds of a particular Series shall become due on any date and shall not be paid on said date, or the principal or redemption premium, if any, of, the Bonds of a particular Series shall become due on any date, whether at maturity or upon call for redemption, and shall not be paid on said date; or

(2) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds or Bond Resolution contained and such default shall continue for a period of ninety days after written notice to the Agency from at least five percentum (5%) in principal amount of the Bonds Outstanding at such time or from the Trustee specifying such default and requiring the same to be remedied; or

(3) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid and ceased to be Outstanding on the Principal Installment Date of any Fiscal Year in a principal amount thereof equal to the Sinking Fund Installment fixed or established with respect to such Bonds for said date in such Fiscal Year; or

(4) there shall be filed by the Agency a petition seeking a composition of indebtedness or the Agency shall suffer the appointment of a receiver under any applicable law or statute of the United States of America or of the State; or

(5) If the State has limited or altered the rights of the Agency pursuant to the Act, as amended to the date of this Bond Resolution, to fulfill the terms of any agreements made with the Holders of Bonds or in any way impaired the rights and remedies

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of Holders of Bonds until such Bonds, together with the interest thereon with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

SECTION 1003. *Enforcement by Trustee.* Upon the happening and continuance of an Event of Default described in the preceding Section, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds and coupons, may, after notice to the Agency, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding, shall, proceed to protect and enforce its rights and any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Bond Resolution by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Holders of Bonds, including the right to require the Agency to receive and collect Revenues adequate to carry out the pledge, the assignments in trust and the covenants and agreements made herein, and to require the Agency to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, require the Agency to account as if it were the trustee of an express trust for the Holders of the Bonds;

(4) to realize or cause to be realized by sale or otherwise the security pledged hereunder;

(5) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Bonds; and

(6) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than 25 per cent in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

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In the enforcement of any rights and remedies under the Bond Resolution, the Trustee in its own name and as trustee of an express trust on behalf of and for the benefit of its Holders of all Bonds, shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Agency for principal, Redemption Price, interest or otherwise, under any provision of the Bond Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Agency for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 1004. *Representation of Bondholders by Trustee.* The Trustee is hereby irrevocably appointed (and the Bondholders and the holders of the coupons appurtenant to the Bonds, by accepting and holding the same, shall be conclusively deemed to have so appointed the Trustee and to have mutually covenanted and agreed, each with the other, not to revoke such appointment) the true and lawful attorney-in-fact of the Bondholders and holders of coupons with power and authority, in addition to any other powers and rights heretofore granted the Trustee, at any time in its discretion to make and file in any proceeding in bankruptcy or judicial proceedings for reorganization or liquidation of the affairs of the Agency either in the respective names of the Bondholders or on behalf of all the Bondholders as a class, any proof of debt, amendment of proof of debt, petition or other document, to receive payment of any sums becoming distributable to the Bondholders, and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Bondholders against the Agency allowed in any bankruptcy or other proceeding.

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SECTION 1005. *Limitation on Powers of Trustee.* Nothing in the Bond Resolution contained shall be deemed to give power to the Trustee either as such or as attorney-in-fact of the Bondholders or holders of coupons to vote the claims of the Bondholders or the holders of coupons in any bankruptcy proceeding or to accept or consent to any plan or reorganization, readjustment, arrangement or composition or other like plan, or by other action of any character to waive or change any right of any Bondholder or holder of coupons or to give consent on behalf of any Bondholder or holder of coupons to any modification or amendment of the Bond Resolution requiring such consent or to any resolution requiring such consent pursuant to the provisions of Article VIII or Article IX.

SECTION 1006. *Action by Trustee.* (A) All rights of action under the Bond Resolution or upon any of the Bonds or coupons appurtenant thereto, enforceable by the Trustee, may be enforced by the Trustee without the possession of any of the Bonds or coupons, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee may be brought in its name for the ratable benefit of the Holders of said Bonds and coupons, subject to the provisions of the Bond Resolution.

(B) In any action, suit or other proceeding by the Trustee, the fees, counsel fees and expenses of the Trustee shall constitute taxable costs and disbursements, and all costs and disbursements, allowed by the court, shall be a first charge on the Revenues.

SECTION 1007. *Accounting, and Examination of Records after Default.* The Agency covenants with the Trustee and the Bondholders that, if an Event of Default shall have happened and shall not have been remedied, (1) the books of record and account of the Agency and all records, relating to the Program shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, and (2) the Agency whenever the Trustee shall demand, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Bond Resolution for such period as shall be stated in such demand.

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SECTION 1008. *Restriction on Bondholder's Action.* (A) No Holder of any Bond or coupon shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust hereunder or for any other remedy hereunder, unless (1)(a) such Holder previously shall have given to the Agency and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit, action or proceeding by the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding or, if such Event of Default is an Event of Default described in clause (1) or clause (3) of Section 1002, by the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding of the Series with respect to which such Event of Default has happened, and there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby, and (c) the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (2)(a) such Holder previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and (b) such suit, action or proceeding is brought for the ratable benefit of all Holders of all Bonds and coupons, subject to the provisions of the Bond Resolution.

(B) No Holder of any Bond or coupon shall have any right in any manner whatever by his action to affect, disturb or prejudice the pledge of Revenues or of any other moneys, funds or securities hereunder, or, except in the manner and on the conditions in this Section provided, to enforce any right or duty hereunder.

SECTION 1009. *Application of Moneys after Default.* (A) All moneys collected by the Trustee at any time pursuant to this Article shall, except to the extent, if any, otherwise directed by the court, be paid by the Trustee into and credited to the Revenue Fund. Such moneys so paid and credited to the Revenue Fund, and all other moneys from time to time in such Revenue Fund, shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article V.

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(B) In the event that at any time the moneys in the Bond Service Fund and any other funds held by the Agency or Fiduciaries available for the payment of interest or principal or Redemption Price then due with respect to Bonds shall be insufficient for such payment, such moneys and funds (other than funds held for the payment or redemption of particular Bonds or coupons as provided in Section 1204) shall be applied as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds so due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal or Redemption Price of and interest then due and unpaid upon the Bonds 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 Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons.

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(C) The provisions of Paragraph (B) of this Section are in all respects subject to the provisions of Section 1013.

SECTION 1010. *Remedies Not Exclusive.* No remedy by the terms of the Bond Resolution conferred upon or reserved to the Trustee (or to 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 hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 1011. *Control of Proceedings.* In the case of an Event of Default described in clause (1) or clause (3) of Section 1002, the Holders of a majority in principal amount of the Bonds then Outstanding of the Series with respect to which such Event of Default has happened, or, in the case of an Event of Default described in clause (2), (4) or (5) of Section 1002, the Holders of a majority in principal amount of the Bonds then Outstanding, shall have the right, subject to the provisions of Section 1008, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; provided, however, that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 1012. *Effect of Waiver and Other Circumstances.* No delay or omission of the Trustee or of any Holders of Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein, and every right, power and remedy given by the Bond Resolution to them or any of them may be exercised from time to time and as often as may be deemed expedient by the Trustee or, in an appropriate case, by the Bondholders.

SECTION 1013. *Subordination of Detached Coupons.* No coupon or claim for interest appertaining to any of the Bonds which in any

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way at or after maturity shall have been transferred or pledged separate and apart from the Bond to which it appertains shall, unless accompanied by such Bond, be entitled in case of an Event of Default hereunder to any benefit by or from the Bond Resolution except after the prior payment in full of the principal and Redemption Price of all of the Bonds then due and of all coupons and claims for interest then due not so transferred or pledged.

SECTION 1014. *Right to Enforce Payment of Bonds Unimpaired.* Nothing in this Article contained shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the Agency to pay the principal of and interest on each Bond to the Holder thereof at the time and place in said Bond and the appurtenant coupons, if any, expressed.

SECTION 1015. *Termination of Proceedings.* In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

ARTICLE XI

THE FIDUCIARIES

SECTION 1101. *Trustee; Appointment and Acceptance of Duties.* In addition to the Treasurer of the State such bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least two hundred million dollars (\$200,000,000), as may be named in a resolution adopted by the Agency prior to the delivery of any of the Bonds on original issuance, of which a copy certified by an Authorized Officer is delivered to such bank, trust company or national banking association, shall be and is hereby appointed, as trustee hereunder, to exercise the powers of a trustee upon the happening of an Event of Default under Section 1001 to represent and enforce rights of Holders of Bonds. Such trustee so appointed may act concurrently with or independently of the Treasurer of the State

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in his role as trustee and, the Trustee shall make available at all times to such trustee the books of record and account of the Agency and all records relating to the Program in its possession or made available to the Trustee including information pertaining to Revenues, Mortgage Loans and Funds and Accounts pledged or held under the Bond Resolution. The trustee so appointed shall signify its acceptance of the duties and obligations imposed upon it by the Bond Resolution by executing and delivering to the Agency a written acceptance thereof.

SECTION 1102. *Paying Agents.* The Agency shall appoint one or more Paying Agents for the Bonds of each Series of the Bonds by Series Resolution adopted prior to their delivery, and may at any time or from time to time by Supplemental Bond Resolution appoint one or more other Paying Agents for such Bonds. Each Paying Agent shall be a bank, trust company or national banking association, having trust powers and having a capital and surplus aggregating at least fifty million dollars (\$50,000,000) 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 the Bond Resolution. Each Paying Agent other than the Treasurer of the State shall signify its acceptance of the duties and obligations imposed upon it by the Bond Resolution by executing and delivering to the Agency and the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Paying Agent. The Treasurer of the State shall act as a Paying Agent for the Bonds.

SECTION 1103. *Responsibilities of Fiduciaries.* The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Agency and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Bond Resolution or of any Bonds or coupons issued thereunder or in respect of the security afforded by the Bond Resolution and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof except the Trustee to the extent such proceeds are paid to the Trustee in its capacity as

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Trustee, or the application of any moneys paid to the Agency or others in accordance with the Bond Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any action or suit in respect of the Bond Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default.

SECTION 1104. *Funds Held in Trust.* All moneys held by any Fiduciary, as such, at any time pursuant to the terms of the Bond Resolution shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of the Bond Resolution.

SECTION 1105. *Evidence on Which Fiduciaries May Act.* Each Fiduciary 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 signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Agency, 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 any Fiduciary 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 an Officer's Certificate stating the same, and such Officer's Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Bond Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order,

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notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Agency to any Fiduciary shall be sufficiently executed if executed by an Authorized Officer.

SECTION 1106. *Compensation and Expenses.* Unless otherwise provided by contract with the Fiduciary, the Agency shall pay to each Fiduciary from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal and engineering fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder, which compensation shall be paid in accordance with Section 511 from moneys available therefor, and no Fiduciary shall have a lien prior to or of equal rank with the pledge and assignment in trust created by the Bond Resolution. The Agency shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its negligence or default.

SECTION 1107. *Certain Permitted Acts.* Any Fiduciary may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Bond Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds outstanding.

SECTION 1108. *Resignation of Fiduciary.* A Fiduciary, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Bond Resolution by giving not less than sixty days' written notice to the Agency and the Trustee and publishing notice thereof, specifying the date when such resignation shall take effect, in Authorized Newspapers within twenty days after the giving of such written notice. Such resignation (other than the resig-

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nation of the Trustee appointed in accordance with Section 1101 which shall not take effect until a successor is appointed) shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Agency or Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

SECTION 1109. *Removal.* A Fiduciary (other than the Treasurer of the State as Trustee), or any successor thereof, may be removed at any time by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, 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 Agency and the Trustee. Copies of each such instrument shall be delivered by the Agency to each other Fiduciary and any successor thereof.

SECTION 1110. *Appointment of Successor Fiduciary.* In case at any time a Fiduciary, 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 such Fiduciary or of its property shall be appointed, or if any public officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Agency, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Fiduciary, notification thereof being given to the Agency, the predecessor Fiduciary and any other Fiduciaries. Pending such appointment, the Agency shall forthwith appoint a Fiduciary to fill such vacancy until a successor Fiduciary shall be appointed by Bondholders as herein authorized. The Agency shall publish notice of any such appointment in Authorized Newspapers within twenty days after such appointment. Any successor Fiduciary appointed by the Agency shall, immediately and without further act, be superseded by a Fiduciary appointed by Bondholders. If in a proper case no appoint-

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ment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Fiduciary shall have given to the Agency and the Trustee written notice as provided in Section 1108 or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other Fiduciary 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 Fiduciary. Any Fiduciary appointed under the provisions of this Section shall be a bank or trust company or a national banking association, doing business and having its principal office in the States of California, Illinois or New York, having the qualifications prescribed by Section 1102 with respect to Paying Agents, 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 the Bond Resolution.

SECTION 1111. *Transfer of Rights and Property to Successor Fiduciary.* Any successor Fiduciary appointed hereunder shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Agency and the Trustee, an instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as it named herein as such Fiduciary, but the Fiduciary ceasing to act shall nevertheless, on the written request of the Agency or of the successor Fiduciary, 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 Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under the Bond Resolution, and shall pay over, assign and deliver to the successor Fiduciary any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Agency be

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required by such successor Fiduciary for more fully and certainly vesting in and confirming to such successor Fiduciary 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 Agency. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

SECTION 1112. *Merger or Consolidation.* Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company or national banking association which is qualified to be a successor to such Fiduciary under Section 1110 and shall be authorized by law to perform all the duties imposed upon it by the Bond Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. *Defeasance.* (A) If the Agency shall pay or cause to be paid to the Holders of the Bonds and coupons, the principal and interest or Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then the pledge of the Revenues, Mortgage Loans, the Funds and Accounts and moneys and securities therein hereby pledged and the covenants, agreements and other obligations of the Agency to the Bondholders hereunder shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Agency expressed in an Officer's Certificate delivered to the Trustee, execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over and deliver to the Agency all money or securities held by them pursuant to the Bond Resolution which are not required for the payment or

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redemption of Bonds or coupons not theretofore surrendered for such payment or redemption.

(B) Any Bonds or coupons or interest installments appertaining thereto for the payment or redemption of which moneys shall have been deposited with the Trustee by or on behalf of the Agency, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section; provided, however, that if any such Bonds are to be redeemed prior to maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made as follows: (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article VII hereof, notice of redemption on said date of such Bonds, (b) in the event said Bonds are not by their terms subject to redemption within the next succeeding thirty (30) days, the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in Authorized Newspapers a notice to the Holders of such Bonds and coupons that the deposit required by this Section 1201 has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with this Section 1201 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 Bonds. No moneys so deposited with the Trustee shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal or Redemption Price of the Bonds for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption, excepting only that (a) any money so held by the Trustee for the payment to the holders of any particular Bonds or the coupons appurtenant thereto of principal or Redemption Price of, or interest on, such Bonds

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shall be invested by the Trustee, upon receipt of a copy of a resolution of the Agency, certified by an Authorized Officer, authorizing such investment, in such Investment Obligations described in (i) of the definition thereof in Section 105 as the Agency may approve; provided that any cash received from principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Agency, to the extent not needed for payment of the Bonds as aforesaid, as received by the Trustee, free and clear of any trust, lien, assignment in trust or pledge.

(C) As an alternative cumulative to and not excluding the provisions of Paragraph (B) of this Section, any Bonds and coupons or interest installments appertaining thereto, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section if (1) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made as set forth in Paragraph (B) of this Section, and (2) there shall have been deposited with the Trustee by or on behalf of the Agency either (a) moneys in an amount which shall be sufficient, or (b) Investment Obligations described in (i) of the definition thereof in Section 105 the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Neither such Investment Obligations or any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or interest on said Investment Obligations shall be withdrawn or used for any purpose other

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than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal or Redemption Price of the Bonds for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption.

(D) If, through the deposit of moneys by the Agency or otherwise, the Fiduciaries shall hold, pursuant to the Bond Resolution, moneys sufficient to pay the principal of and interest to maturity on all Outstanding Bonds and coupons, or in the case of Bonds which the Agency shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the Agency all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or redemption of Outstanding Bonds and coupons.

(E) Anything in the Bond Resolution to the contrary notwithstanding, any money held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons appurtenant thereto which remain unclaimed for six years after the date when such Bonds have become due and payable, either at maturity or by call for redemption, if such moneys were held by the Fiduciary at said date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the request of the Agency expressed in Officer's Certificates delivered to the Trustee, be paid by the Fiduciary to the Agency as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Holders of such Bonds and coupons shall look only to the Agency for the payment thereof; provided, however, that before being required to make any such payment to the Agency, the Fiduciary shall, at the expense of the Agency, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in the Authorized Newspapers notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be paid to the Agency.

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SECTION 1202. *Evidence of Signatures of Bondholders and Ownership of Bonds.* Any request, consent, revocation of consent or other instrument which the Bond Resolution may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of (1) the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, or (2) the holding by any person of any Bonds or coupons appertaining thereto, shall be sufficient for any purpose of the Bond Resolution if made in the following manner, or in any other manner satisfactory to the Trustee which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(A) The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (1) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer, or (2) by the certificate, which need not be acknowledged or verified, of an officer of a bank, trust company or financial firm or corporation (including members of the National Association of Securities Dealers, Inc.) satisfactory to the Trustee that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

(B) The authority of a person or persons to execute any such instrument on behalf of a corporation Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

(C) The amount of Bonds transferable by delivery held by any person executing any such instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a certificate, which need

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not be acknowledged or verified, of an officer of a bank, trust company, financial firm or corporation (including members of the National Association of Securities Dealers, Inc.) or other depository satisfactory to the Trustee, showing that at a date therein mentioned such person exhibited to or had on deposit with such bank, trust company, firm, corporation or depository Bonds described or referred to in such certificate; and such a certificate may be made and given by an officer or member of any bank, trust company, insurance company or financial firm or corporation satisfactory to the Trustee with respect to Bonds held by it, if acceptable to the Trustee.

(D) The holding of Bonds registered otherwise than to bearer, the amount, numbers and other identification thereof, and the date of holding the same, shall be proved by the registry books.

Any request, consent or other instrument executed by the Holder or owner of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Agency or any Fiduciary in accordance therewith.

SECTION 1203. *Date and Other Details of Documents Delivered to Fiduciaries.* All documents delivered to the Trustee with respect to the delivery of the Bonds of a Series shall be dated as of the date of the delivery of such Bonds by the Agency. All other documents delivered to any Fiduciary pursuant hereto, including documents signed by any Authorized Officer and Accountant's Certificates, Counsel's Opinions and Officer's Certificates but not including Bonds or any documents signed by any Bondholder or Fiduciary, shall be dated as of the date of delivery thereof and, in the case of documents delivered to the Trustee pursuant to Article VIII with respect to a Supplemental Bond Resolution, as of a date subsequent to the date of adoption by the Authority of such Supplemental Bond Resolution. Whenever a document delivered or to be delivered to the Trustee with respect to the delivery of the Bonds of a Series is described in said Section as referring in any way to any other document mentioned in any of said Sections or to a fact or amount stated or set forth in such other document, the other document so referred to is and shall be a document

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delivered to the Trustee with respect to the delivery of the Bonds of the same Series. Matters required to be stated in any document signed by any Authorized Officer or in any Accountant's Certificate, Counsel's Opinion or Officer's Certificate may be stated in separate documents of the required description or may be included in one or more thereof.

SECTION 1204. *Moneys Held for Particular Bonds and Coupons.* The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds or coupons shall, pending such payment, be set aside and held in trust by it for the Holders of the Bonds and coupons entitled thereto, and for the purposes of the Bond Resolution such interest, principal or Redemption Price, after the due date thereof, shall no longer be considered to be unpaid.

SECTION 1205. *Investment of Funds.* (A) Each of the Funds and Accounts held by a Fiduciary shall be a trust fund for the purpose thereof. Moneys in each of said Funds and Accounts, on instructions confirmed in writing by an Authorized Officer, shall be invested by the Fiduciary holding the same in Investment Obligations or, to the extent permitted by law, be deposited in time or other accounts, certificates of deposit or similar banking arrangements (1) in the case of the Program Accounts, Cost of Issuance Accounts, Capitalized Interest Accounts, Revenue Fund, Bond Service Fund, Redemption Fund and Mortgage Loan Expense Fund, maturing in the amounts and at the times necessary to provide funds to make the payments to which such moneys are applicable, as determined by an Authorized Officer, and (2) in the case of the Bond Reserve Fund and the Mortgage Reserve Fund, maturing within two years of the date of purchase or deposit with respect to 15% of the amount held in the Bond Reserve Fund or Mortgage Reserve Fund and having an average maturity life of not more than ten years from the date of purchase or deposit with respect to the entire amount held in the Bond Reserve Fund or Mortgage Reserve Fund. All such deposits may be made only in or with the banking department of the Fiduciary making the same, or in or with a bank or trust company having its principal office in the State, but only to the extent of its paid in capital and surplus. Deposits in excess of

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one hundred thousand dollars (\$100,000), other than insured deposits or deposits with the Fiduciary making such deposits, shall be collateralized under the procedures applicable for collateralization of public moneys of the State.

(B) Investment Obligations, time or other accounts or certificates of deposit or similar banking arrangements so representing an investment of moneys in any Fund or Account shall be deemed at all times to be a part of said Fund or Account and, except as may be otherwise expressly provided in other Sections of the Bond Resolution, the interest thereon and any profit arising on the sale thereof shall be credited to said Fund or Account, and any loss resulting on the sale thereof shall be charged to said Fund or Account. Such investments shall be sold at the best price obtainable whenever it shall be necessary so to do in order to provide moneys to make any transfer, withdrawal, payment or disbursement from said Fund or Account, or, in the case of any required transfer of moneys to another such Fund or Account may be transferred to that Fund or Account in lieu of the required moneys if permitted hereby as an investment of moneys in that Fund or Account, and no Fiduciary shall be liable or responsible for any loss resulting from any investment made in accordance with the Bond Resolution.

In computing for any purpose hereunder the amount in any such Fund or Account (other than the Bond Reserve Fund and the Mortgage Reserve Fund) on any date, obligations so purchased shall be valued at the lower of cost or face value exclusive of accrued interest, and may be so valued as of any time within four days prior to such date. In computing for any purpose hereunder the amount of the Bond Reserve Fund or the Mortgage Reserve Fund, obligations so purchased shall be valued at par if purchased at par and shall be valued at amortized value if purchased at other than par. For purposes of this section the term "amortized value", when used with respect to obligations purchased at a premium above or a discount below par, shall mean the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligations were purchased by the number of interest payments remaining to maturity on such obligations after such purchase and by multiplying the amount so calculated by the number of interest payment dates having passed since

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the date of such purchase; and (i) in the case of obligations purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of obligations purchased at a discount, by adding the product thus obtained to the purchase price.

SECTION 1206. *Cancellation of Bonds and Coupons.* All Bonds and coupons purchased, redeemed or paid shall, if surrendered to the Agency or any Paying Agent, be cancelled by either of them and delivered to the Trustee, or if surrendered to the Trustee, be cancelled by it. No such Bonds or coupons shall be deemed Outstanding under the Bond Resolution and no Bonds or coupons shall be issued in lieu thereof.

SECTION 1207. *Preservation and Inspection of Documents.* All reports, certificates, statements, and other documents received by any Fiduciary under the provisions of the Bond Resolution shall be retained in its possession and shall be available at all reasonable times to the inspection of the Agency, any other Fiduciary 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 such Fiduciary, be destroyed or otherwise disposed of at any time six years after such date as the pledge of the Revenues created by the Bond Resolution shall be discharged as provided in Section 1201.

SECTION 1208. *No Recourse on Bonds.* All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Bond Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any director, officer or employee of the Agency in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Bond Resolution against any director, member, officer or employee of the Agency or any natural person executing the Bonds.

SECTION 1209. *Effective Date.* This Bond Resolution shall be effective immediately.

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CERTIFICATE

I, _____, an Authorized Officer of the CALIFORNIA HOUSING FINANCE AGENCY, HEREBY CERTIFY that the foregoing resolution entitled "General Single Family Mortgage Purchase Bond Resolution" is a true copy of an original resolution which was duly adopted by a majority of the entire membership of the board of directors of said Agency at a meeting thereof which was duly called and held on October 27, 1976, and at which a quorum was present and acting throughout and that said copy has been compared by me with the original resolution as so adopted, recorded in the records of the Agency and that it is a correct transcript thereof and of the whole of said resolution, and that said original resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and impressed the seal of said Agency this _____ day of _____, . . .

Authorized Officer

(SEAL)

Proof of Wednesday 27 Oct. 76—0100 Hours—SORG/S.F.—982-9663