
RESOLUTION NUMBER 77-5 *FSH*
OF THE
CALIFORNIA HOUSING FINANCE AGENCY

MULTI-FAMILY HOUSING FINANCE PROGRAM
NOTE RESOLUTION

Adopted January 18, 1977

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MULTI-FAMILY HOUSING FINANCE PROGRAM

NOTE RESOLUTION

BE IT RESOLVED by the Board of Directors of the California Housing Finance Agency as follows:

ARTICLE I

SHORT TITLE, DEFINITIONS, CONSTRUCTION

Section 101. Title. This Multi-Family Housing Finance Program Note Resolution may hereafter be cited as such and is hereinafter sometimes referred to as this Resolution.

Section 102. Definitions. For all purposes of this Resolution, the following words and terms shall have the respective meanings set forth as follows unless the context otherwise requires:

"Act" - shall mean 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" - shall mean the California Housing Finance Agency, a public instrumentality and political subdivision of the State, created by and existing under the Act.

"Authorized Officer" - shall mean the Chairperson, President, or the Executive Vice President, of the Agency or such other persons as shall be authorized by resolution of the Agency to act as an Authorized Officer hereunder.

"Bonds" - shall mean any Bond or issue of Bonds, as the case may be, authorized under a bond resolution to be

adopted by the Agency, all or part of the proceeds of which will be used to pay some or all of the Notes.

"Construction Loan Account" shall mean an account established by a Series Note Resolution pursuant to Section 401(1).

"Construction Loan Fund" shall mean the fund established by Section 401(1).

"Cost of Development" shall mean development costs consisting of the total of all costs incurred by a Mortgagor with respect to a Housing Development which costs are authorized by law and approved by the Agency as reasonable and necessary.

"Escrow Payment" shall mean all payments by or on behalf of a Mortgagor made in order to obtain or maintain mortgage insurance and fire and other hazard insurance and any other such payments required to be made with respect to Project Loans for taxes or other governmental charges or other similar charges customarily required to be paid in advance by a Mortgagor and escrowed pending their application.

"Fund" or "Account" shall mean any fund or account established by or pursuant to this Resolution.

"Holder of Notes" or "holder" or "Noteholder" or words of similar import shall mean the registered owner of any Outstanding Note or Notes.

"Housing Development" shall mean a multi-family housing development financed by the Agency pursuant to the Act by the making of a Project Loan with the proceeds of Notes.

"Indebtedness" shall mean all indebtedness of the Agency for money borrowed and also any other financial obligations, which

obligate in accordance with generally accepted accounting principles as from time to time in effect are classified long term indebtedness on a balance sheet.

"Mortgage" shall mean a promissory note secured by a mortgage, deed of trust or other instrument which shall constitute a lien in the State on the real property or interest in real property comprising a Housing Development.

"Mortgagor" shall mean a non-profit corporation, limited profit entity or other entity to which the Agency makes a Project Loan, as now or hereafter authorized by law.

"Note or "Notes" shall mean one or more, as the case may be, of the Multi-Family Housing Finance Program Notes including renewals thereof authorized and issued pursuant to the Act, this Resolution and a Series Note Resolution.

"Outstanding" - when used with reference to Notes, shall mean any Note except (a) Notes cancelled by the Agency or the Trustee, (b) Notes deemed to have been paid within the meaning of Section 1001, (c) Notes in lieu of or in substitute for which other Notes have been delivered pursuant to Sections 304, 305, 307, 314 and 405, and (d) Notes or portions thereof for which other renewal notes have been issued as provided in Section 315 or Bonds have been issued as provided in Section 316.

"Permitted Investments" shall mean any of the following which at the time are legal investments under the laws of the State for the monies 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, debentures and consolidated debentures issued by banks for cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, and bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended; (iii) deposits in the Surplus Money Investment Fund referred to in Section 41363 of the Act; and (iv) to the extent permitted by law, deposits in time or other similar accounts, certificates of deposit or similar banking arrangements.

"Program" or "Multi-Family Housing Finance Program" shall mean the Agency's program pursuant to the Act of making loans to finance construction or substantial rehabilitation of Housing Developments, including but not limited to those made pursuant to this Resolution and the bond resolution to be adopted for the authorization of Bonds.

"Project Documents" shall mean the agreements between the Mortgagor and the Agency relating to a Housing Development, including the Promissory Note, the Mortgage and other documents or instruments referred to in the applicable Series Resolution.

"Project Loan" shall mean a loan made by the Agency to a Mortgagor pursuant to law from the proceeds of Notes for Costs of Development incurred in construction or substantial rehabilitation of a Housing Development and secured by a Mortgage covering such Housing Development.

"Promissory Note" shall mean the note of the Mortgagor evidencing the Project Loan secured by the Mortgage.

"Redemption Price" shall mean, when used with respect to a Note or a portion thereof, the principal amount of such Note or portion thereof plus applicable premium, if any, payable upon redemption thereof, pursuant to this Resolution.

"Reserve Account" shall mean an account established by a Series Note Resolution pursuant to Section 401(2).

"Reserve Fund" shall mean the fund established by Section 401(2).

"Revenues" shall mean all monies received by the Agency with respect to Housing Developments, and investment earnings on all Funds and Accounts other than the Supplementary Reserve Account or any sub-account thereof, but shall not include (i) the proceeds of Notes or any securities issued by the Agency to pay Notes, (ii) Escrow Payments and (iii) any fees received by the Agency from a Mortgagor.

"Series of Notes" shall mean all of the Notes of like designation issued in a simultaneous transaction pursuant to a Series Note Resolution and any Notes issued and delivered in lieu thereof or in substitution thereof pursuant to this Resolution.

"Series Note Resolution" shall mean any resolution of the Agency providing for the issuance of one or more series of Notes pursuant to this Resolution.

"State" shall mean the State of California.

"Supplementary Reserve Account" shall mean the account established by Section 401(3).

"Supplementary Reserve Sub-Account" shall mean an account established by a Series Note Resolution pursuant to Section 401(3).

"Trustee" shall mean the Treasurer of the State, acting as trustee in accordance with the Act and this Resolution.

Section 103. Construction. In this Resolution, unless the context otherwise requires:

(1) Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(2) Words of the masculine gender shall mean and include correlative words of the female and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(3) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities including public bodies, as well as natural persons;

(4) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms refer to this Resolution, and the term "hereafter" shall mean after the date of adoption of this Resolution.

Section 104. Successors and Assigns. Whenever in this Resolution the Agency is named or referred to, it shall be deemed

to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and any provision for the benefit of the Agency contained in this Resolution shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Agency or of its successors or assigns.

Section 105. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person, other than the Agency, Trustee and the holders of any Notes any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee and the holders of the Notes.

Section 106. Severability of Invalid Provisions. If any covenant or agreement provided herein on the part of the Agency or any Trustee to be performed should be contrary to law, then such covenant or agreement shall be deemed separable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Resolution or the Notes.

Section 107. Accounting Records. Whenever the Trustee is 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
CONCERNING THE RESOLUTION

Section 201. Authority for this Resolution. This Resolution is adopted pursuant to the Act.

Section 202. Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Notes by the Holders thereof, the provisions of this Resolution shall be a part of the contract of the Agency with such holders and shall be deemed to be and shall constitute a contract between the Agency, such holders and the Trustee.

Section 203. Obligation and Pledge. (1) Each Series of Notes is a general obligation of the Agency payable from the assets pledged to such Series of Notes as provided in subsections (2) and (3) of this Section, which pledge or pledges shall also secure any securities issued by the Agency to pay such Series of Notes from and after such payment, and from any other assets of the Agency not heretofore or hereafter pledged or encumbered to secure any Indebtedness of the Agency other than such Series of Notes.

(2) The following are hereby pledged to payment of the principal or Redemption Price of, and interest on, a Series of Notes, in accordance with and subject to their terms and the provisions of this Resolution and the Series Note Resolution authorizing the issuance of such Series of Notes (including provisions permitting the application thereof to certain other purposes):

- (i) proceeds of the sale of such Series of Notes,

- (ii) proceeds of the sale of securities issued to pay such Series of Notes to the extent issued for such purpose,
- (iii) Revenues derived from the Housing Development for the financing of which such Series of Notes was issued,
- (iv) the Accounts, other than any Supplementary Reserve Sub-Account, established by the Series Note Resolution authorizing such Series of Notes and all moneys and securities therein, and,
- (v) the Mortgage, the Promissory Note and the rights of the Agency in the other Project Documents related to such Housing Development.

(3) Moneys and securities in the Supplementary Reserve Account, not heretofore or hereafter pledged to any particular Series of Notes or group of Series of Notes or other Indebtedness of the Agency, are hereby pledged to secure the Notes in the manner and subject to the terms and conditions set forth in Section 401(3). In addition, upon the issuance of any Series of Notes, or group thereof issued on the same day, amounts in the Supplementary Reserve Account shall be transferred to a Supplementary Reserve Sub-Account in accordance with Section 401(3) and pledged to secure such Series of Notes or group of Series of Notes in the manner and subject to the terms and conditions set forth in Section 401(3). The Agency shall be entitled to transfer

amounts in the Supplementary Reserve Account to any other supplementary reserve account or accounts to secure the payment of Indebtedness of the Agency related to the Program other than the Notes and pledging such amounts transferred to said purposes free and clear of the lien and pledge created by this Resolution or any Series Note Resolution. The Agency also shall be entitled to transfer amounts in any Supplementary Reserve Sub-Account back to the Supplementary Reserve Account so long as such transfer shall not reduce amounts in such Supplementary Reserve Sub-Account to less than fifty per cent (50%) of the aggregate principal amount of the Series of Notes or group of Series of Notes Outstanding for the security of which such Supplementary Reserve Sub-Account was established.

(4) Such pledge or pledges made hereby or by any Series Note Resolution as provided hereby shall be valid and binding from and after the time of the delivery by the Trustee of the first Notes delivered under this Resolution. The moneys and property so pledged 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 tort, contract or otherwise against the Agency irrespective of whether such parties have notice thereof.

(5) The Notes 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 Resolution.

ARTICLE III

AUTHORIZATION, TERMS AND FORM OF NOTES

Section 301. Authorization and Purpose of Notes. The Agency is of the opinion and hereby determines that the borrowing of money and the issuance of Notes for the making of Project Loans and in anticipation of the issuance of Bonds is necessary to provide sufficient funds for financing Project Loans and for other expenditures of the Agency incident to, and necessary or convenient to, issuance of such Notes. Accordingly, Notes of the Agency are hereby authorized to be issued in one or more Series as hereinafter provided, subject to the terms, conditions and limitations established in this Resolution and in one or more Series of Note Resolutions.

Section 302. Authorization for Issuance of Notes in Series. From time to time in accordance with this Resolution, Notes may be issued in one or more Series, and the Notes of any such Series may be issued by the Agency and delivered by the Trustee upon the adoption of a Series Note Resolution and upon compliance with the provisions of this Article. Each Series Note Resolution shall include a determination or ratification of a previous determination by the Agency to the effect that the principal amount of said Series of Notes is necessary to provide sufficient funds to be used and expended for Project Loans or the payment of Notes and shall specify the following for each Series of Notes proposed to be issued thereunder in such manner as shall be consistent in form and substance with law and the provisions of this Resolution:

(1) The aggregate principal amount and designation of the Notes of such Series and the purpose for which such Series of Notes is being issued, which purpose shall be limited to (a) the making of deposits into the Construction Loan Account or Reserve Account established in said Series Note Resolution or (b) the payment or redemption of Notes (which may include the interest and redemption premium thereon) or (c) any combination of the above.

(2) The denominations, rate of interest or manner of determining such rate of interest, numbers, place and date of payment of principal and interest of the Notes of such Series.

(3) The form of the Notes of such Series and the member, officer or employee of the Agency attesting the corporate seal of the Agency upon the Notes.

(4) The Redemption Price or Redemption Prices, date or dates, and such other terms of redemption (if any) of the Notes of such Series, subject to the provisions of this Resolution.

(5) The manner of sale (including public or private sale) and delivery of the Notes of such Series.

(6) The designation of any Construction Loan Account, Revenue Account, Reserve Account or Supplementary Reserve Sub-Account established by said Series Note Resolution in accordance with this Resolution.

(7) The designation of the Housing Development for which a Project Loan is to be made with proceeds of the Series of Notes or, in the case of a Series of Notes issued to provide moneys for a Reserve Account, the Series of Notes or group thereof entitled to the benefit of the Reserve Account.

(8) Such other matters as may be necessary or appropriate with respect to the issuance of Notes of a Series and as are not in conflict with the provisions of this Resolution.

Section 303. General Terms of Notes.

(a) Each Note shall be designated "California Housing Finance Agency Multi-Family Housing Finance Program Note", shall bear such letter or number Series designation as shall be necessary to distinguish the Notes of such Series from the Notes of every other Series, shall bear the number of the year in which the Series is issued, shall be issued only in fully registered form without coupons, shall be dated as of the date of delivery thereof, shall mature one year from its date, shall bear interest from its date until the discharge of the principal obligation thereof and shall be payable at maturity or earlier redemption as to principal, interest and redemption premium, if any, in any coin or currency of the United States of America which on the date of payment thereof shall be legal tender for the payment of public and private debts at such place or places as shall be designated in the Series Note Resolution for such Series. All Notes issued on the same day, even if in more than one series, shall bear the same rate of interest.

(b) The Notes 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 therein set forth, but shall be payable solely from funds provided therefor pursuant to this Resolution and each Note shall contain on the

face thereof a statement to the following effect: "Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on this Note".

(c) The Notes of such Series shall be in fully registered form payable as to both principal and interest to a named person or his registered assigns.

(d) The Notes of such Series shall be executed in the name of the Agency by the manual or facsimile signature of the Chairperson or President and its corporate seal shall be thereunto affixed, imprinted, engraved or otherwise reproduced, and attested by the manual signature of an Authorized Officer of the Agency or in such other manner as may be required by law. In case any one or more of the members, officers or employees who shall have signed or sealed any of the Notes shall cease to be such member, officer or employee before the Notes so signed and sealed shall have been actually delivered, such Notes may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Notes had not ceased to hold such offices or be so employed. Any Note 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 Note shall be duly authorized or hold the proper office in or employment by the Agency, although at the date of the Notes of such Series such persons may not have been so authorized or have held such office or employment.

Section 304. Interchangeability of Notes. Notes, 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, and upon payment of the costs of the Agency in connection therewith, may be exchanged for an equal aggregate principal amount of Notes of the same Series of other authorized denominations.

Section 305. Negotiability, Transfer and Registry. Each registered Note shall be transferable only upon the books 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 registered owner or his duly authorized attorney. Upon the transfer of any such registered Note the Agency shall execute and the Trustee shall deliver a new Note or Notes registered in the name of the transferee of the same aggregate principal amount and Series as the surrendered Note.

Section 306. Ownership of Notes. The Agency and the Trustee may treat and consider the person in whose name any Note shall be registered upon the books of the Trustee as the holder and absolute owner thereof, whether such Note shall be overdue or not, for the purpose of receiving payment of the principal or Redemption Price thereof and interest thereon and for all other purposes whatsoever. All payments made as provided in this Section 306 shall be valid and effectual to satisfy and discharge the liability upon the several Notes to the extent of the sum or sums so paid.

Section 307. Notes Mutilated, Destroyed, Stolen or Lost.

In case any Note shall become mutilated or be destroyed, stolen or lost, the Agency shall execute and the Trustee shall deliver, a new Note of like Series and principal amount as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note upon surrender and cancellation of such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost upon filing with the Agency and the Trustee evidence satisfactory to the Agency and the Trustee that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Agency and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Agency and the Trustee may prescribe and paying such expenses as they may incur in connection therewith. All Notes so surrendered to the Trustee shall be cancelled by it.

Section 308. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Notes or transferring registered Notes is exercised, the Agency shall execute and the Trustee shall deliver Notes in accordance with the provisions of this Resolution. All Notes surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. For every such exchange or transfer of Notes the Agency or the Trustee may make a charge sufficient to reimburse them for any tax, fee or other governmental charge required to be paid or other out-of-pocket costs incurred by the Agency or the Trustee with respect to such exchange or transfer. During the ten days next preceding any interest

payment date of the Notes of any Series or, in the case of any proposed redemption, after Notes of any Series or portion thereof to be redeemed have been selected, the Trustee shall not be required to make any transfer or exchange of Notes of such Series.

Section 309. Sale of Notes. (1) The Notes may be sold at public or private sale by the Treasurer of the State on behalf of the Agency at a purchase price of not less than par. If the Agency determines that a series of Notes shall be sold at public sale, by separate resolution or by the Series Note Resolution authorizing such Series, it shall authorize and request the Treasurer to publish, in such newspapers and substantially in such form as said resolution shall prescribe, and to distribute to interested bidders an official notice of sale inviting sealed bids for the purchase of the Notes of said Series and shall authorize the Treasurer to sell and deliver the Notes of said Series pursuant to the terms and conditions set forth in said official notice of sale which shall be consistent with this Resolution.

(2) In the event the Agency determines to sell a Series of Notes at private sale, by separate resolution or by the Series Note Resolution authorizing said Series of Notes, it shall authorize and request the Treasurer to sell the Notes of said series to underwriters selected from time to time by the Agency or to investors and, in this connection, to execute a Contract of Purchase and related documents in substantially the forms approved by the Agency in said resolution and not inconsistent with this Resolution.

Section 310. Conditions Precedent to Delivery of Notes.

The Trustee shall not deliver any Notes of a Series (except as provided in Sections 304, 305, 307, 314 and 405) unless prior to or simultaneously therewith there shall have been filed with the Trustee:

(1) A copy of this Resolution, certified by an Authorized Officer;

(2) A copy of the Series Note Resolution with respect to such Series, certified by an Authorized Officer;

(3) A certificate of an Authorized Officer stating that the Resolution and Series Note Resolution have not been repealed or rescinded but are in full force and effect;

(4) A certificate of an Authorized Officer stating that, as of the date of delivery of the Notes (a) that all the proceeds of such Series will be paid, deposited or applied as provided in this Resolution and (b) that there is no action, proceeding or litigation pending or, to his knowledge, threatened challenging or affecting the validity of the Notes of such Series or this Resolution, the existence or powers of the Agency or the title of any of its members or officers signing or attesting on the Notes of said Series to their respective positions;

(5) An Opinion of Counsel to the effect that (i) this Resolution and the applicable Series Note Resolution have been duly adopted by and are valid and binding upon the Agency; and (ii) the Notes of such Series have been duly authorized by and are valid and binding upon the Agency.

(6) A written order as to the delivery of Notes of a Series, signed by an Authorized Officer.

Section 311. Privilege of Redemption and Redemption Price. Any Series of Notes subject to redemption prior to maturity pursuant to a Series Note Resolution shall be redeemable upon published notice as provided in this Article, at such times, at such Redemption Prices and upon such terms in addition to and consistent with the terms contained in this Article as may be specified in such Series Note Resolution.

Section 312. Selection of Notes to be Redeemed. If less than all of the Notes of any Series shall be called for prior redemption, the particular Notes or portions of Notes to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may determine.

Section 313. Notice of Redemption. When the Trustee shall receive notice from the Agency of its election or direction to redeem Notes, the Trustee shall give notice, in the name of the Agency, of the redemption of such Notes, which notice shall specify the Series of the Notes to be redeemed, the redemption date and the place where amounts due upon such redemption will be payable

and, if less than all of the Notes of any like Series are to be redeemed, the letters and numbers or other distinguishing marks of such Notes so to be redeemed, and, in the case of Notes to be redeemed in part only, such notice shall also specify the respective portions 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 Note to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Notes to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by mailing, by registered or certified mail, postage prepaid, a copy of such notice, not less than 30 days before the redemption date, to the registered owners of any Notes or portions of Notes which are to be redeemed, at their last addresses, if any, appearing upon the registry books.

Section 314. Payment of Redeemed Notes. Notice having been given by mailing in the manner provided in Section 313, the Notes or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued to the redemption date, and, upon presentation and surrender thereof at the place specified in such notice. If there shall be selected for redemption less than all of a Note, the Agency shall execute and the Trustee deliver, upon the surrender of such Note, without charge to the owner thereof, for

the unredeemed balance of the principal amount of the Note so surrendered, Notes of like Series in any of the authorized denominations. If on the redemption date, moneys for the redemption of all the Notes or portions thereof of any like Series to be redeemed, together with accrued interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been mailed on the Notes or portions thereof of such Series so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Notes or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 315. Issuance of Renewal Notes. (1) The Agency may in the manner herein provided issue one or more Series of Notes for the purpose of paying one or more Series of Notes Outstanding. Notes issued for such purpose shall be issued in a principal amount at least sufficient, together with other monies available therefor, to provide for the payment of the principal or Redemption Price of and interest on such Outstanding Notes.

(2) In addition to matters set forth in Section 302 hereof, a Series Note Resolution with respect to a Series of Notes issued for the purpose of paying Outstanding Notes may provide for the redemption of such Outstanding Notes at the times and on such terms and conditions as shall be specified in such Series Note Resolution and not inconsistent with the terms and provisions of such Outstanding Notes.

Section 316. Issuance of Bonds. The Agency covenants to use its best efforts at the earliest reasonable date to issue and sell Bonds in an amount sufficient to pay the Notes and shall promptly apply the proceeds thereof, as and when received, or so much thereof (together with such other legally available funds as the Agency in its discretion shall decide to apply) as shall be sufficient for the purpose, to the payment of the principal or Redemption Price of and interest on the Notes.

Section 317. Other Obligations. The Agency expressly reserves the right to adopt one or more other general note or bond resolutions for any of its corporate purposes including the Program or other programs and reserves the right to issue other obligations so long as the same are not a charge or lien on assets pledged under this Resolution.

ARTICLE IV
CUSTODY AND APPLICATION OF CERTAIN PROCEEDS
OF NOTES

Section 401. Establishment and Application of Funds and Accounts. (1) There is hereby created and established in the California Housing Finance Fund created in the State Treasury by the Act a special trust fund to be held by the Trustee and designated as the "California Housing Finance Agency Multi-Family Construction Loan Fund" ("Construction Loan Fund"), to the credit of which deposits shall be made as hereinafter required. Each Series Note Resolution authorizing the issuance of a Series of Notes for the purpose of making a Project Loan shall establish a separate account in the Construction Loan Fund designated "_____ Multi-Family Construction Loan Account" (inserting therein the series designation of such Series of Notes). As promptly as practicable after the issuance, sale and delivery of such a Series of Notes, the Agency shall pay into the Construction Loan Account established for such Series of Notes the amount of the proceeds derived from the sale of such Series of Notes as shall be specified in the Series Note Resolution authorizing the issuance of such Notes. Subject to Section 408, moneys so deposited in a Construction Loan Account shall be used by the Agency to make a single Project Loan in the manner described in Section 402 for the particular Housing Development specified in such Series Note Resolution. Principal or Redemption Premium of and interest on the Series of Notes for which the Construction Loan Account was established may be paid from such Construction Loan Account, to the extent that money

by such Series Note Resolution the amount of the proceeds derived from the sale of such Series of Notes as shall be specified in said Series Note Resolution. Moneys so deposited in the Reserve Account shall be used by the Agency for making the transfers described in Section 403. Moneys representing interest earned or profit realized in excess of losses suffered on the investment of moneys in the Reserve Account, unless transferred as provided in Section 403(2), shall be used to pay the interest and, in case of redemption, the redemption premium, if any, on the Outstanding Notes of such Series. Upon certification by the Agency that there is no further need for such reserve, amounts remaining in the Reserve Account as shall be necessary therefor shall be applied to the retirement of such Series of Notes. When Notes of such Series are no longer Outstanding, the Reserve Account shall be closed, and any moneys remaining therein shall, as provided in a requisition signed by an Authorized Officer, be transferred into any Account or to the Agency for any of its lawful purposes.

(3) (a) There is hereby established in the Supplementary Bond Security Account created by the Act in the California Housing Finance Fund in the State Treasury a separate account designated the "Multi-Family Housing Finance Program Notes Supplementary Reserve Account" (the "Supplementary Reserve Account"). At or prior to delivery of the first Notes delivered under this Resolution, the Agency shall transfer or cause to be transferred all moneys then held in the Supplementary Bond Security Account, not representing interest earned on profits realized thereon, to the

Supplementary Reserve Account to secure the payment of the principal or Redemption Price of and interest on the Notes. Upon deposit into the Supplementary Bond Security Account of any amounts theretofore held therein, such amounts shall likewise be transferred to the Supplementary Reserve Account for such purposes.

(b) Each Series Note Resolution authorizing a Series of Notes, other than renewal notes, shall provide, unless provided for by another Series Note Resolution authorizing a Series of Notes to be issued on the same day as said Series, that such Series, together with all Series of Notes issued on the same day, be secured by a separate sub-account established in the Supplementary Reserve Account, designated "Multi-Family Housing Finance Program Notes Supplementary Reserve Sub-Account" (inserting therein the series designation of each Series of Notes to be secured thereby). At or prior to the delivery of said Series of Notes, the Agency shall transfer or cause to be transferred from the Supplementary Reserve Account to said Supplementary Reserve Sub-Account an amount equal to not less than ten per cent (10%) of the aggregate principal amount of the Notes to be secured thereby, as determined in the Series Note Resolution establishing said Supplementary Reserve Sub-Account.

(c) If the principal or Redemption Price of or interest on any Series of Notes shall become due and payment therefor in full has not been made or provided for, the Trustee shall withdraw from the Supplementary Reserve Sub-Account pledged to secure such Series of Notes and apply to the payment of such principal, Redemption Price or interest the amount then due for which payment

has not been made or provided for, to the extent funds are not otherwise available therefor in any of the Accounts pledged to secure such Series of Notes in accordance with Section 203(2). If amounts in such Supplementary Reserve Sub-Account are insufficient for this purpose, the Trustee shall withdraw from the Supplementary Reserve Account and apply said purpose the amount of such deficiency. If the Trustee is required in accordance with the preceding two sentences to make withdrawals from a Supplementary Reserve Sub-Account or the Supplementary Reserve Account, or both, to pay principal or Redemption Price or interest on more than one Series of Notes, amounts so withdrawn shall be applied to such principal or Redemption Price or interest in the order of their stated maturity, and, if the amounts so withdrawn shall not be sufficient to pay in full all the principal or Redemption Price or interest so due on any such date and not otherwise provided for, then to the payment thereof ratably, according to the amounts of principal or Redemption Price or interest due on such date, without preference or priority of principal over interest or of interest over principal or of any such Series of Notes or Note over any other such Series of Notes or Note.

(d) Interest earned or other income derived from the investment of moneys in the Supplementary Reserve Account or any Sub-Account thereof shall be transferred by the Trustee upon receipt to the Supplementary Bond Security Account.

Section 402. Project Loans. (1) A Project Loan for a Housing Development shall be made from monies in the Construction Loan Account applicable thereto under the provisions of Section 401. All payments from the Construction Loan Account shall be subject to the provisions and restrictions of this Resolution, and the Agency covenants that it will not cause or permit to be paid from the Construction Loan Account any sums except in accordance with such provisions and restrictions.

(2) The Trustee shall from time to time pay out or cause to be paid out monies in the Construction Loan Account for the purpose of making such Project Loan or disbursements in connection with such Project Loan upon compliance by the Mortgagor with the terms and conditions of the related Construction Loan Agreement entered into by the Mortgagor with the Agency referred to in the Series Resolution establishing such Construction Loan Account (provided, however, that terms and conditions of a Construction Loan Agreement may be waived by the Agency unless material in which case it may waived by the Agency with the consent of 66-2/3% of the Holders of the Series of Notes issued with respect to the Project Loan) and upon receipt by the Trustee of:

(a) a written requisition of the Agency signed by an Authorized Officer stating:

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

(ii) the item number of the payment;

(iii) the name of the Mortgagor to, and Housing Development for, which the payment is to be made;

(iv) the amount to be paid and that such amount represents a Cost of Development for the Housing Development named in such requisition; and

(v) that the particular Cost of Development has not been the subject of a previous disbursement;

(b) a certificate signed by an Authorized Officer and attached to the requisition certifying that (i) the amount being paid from the Construction Loan Account pursuant to such requisition, together with all prior withdrawals from said Construction Loan Account and all prior advances made by the Agency on account of and secured by the Project Loan, will not exceed in the aggregate the amount of the Project Loan specified in the applicable Series Note Resolution plus any amounts transferred to said Construction Loan Account pursuant to Section 403; that (ii) under the terms and provisions of said Construction Loan Agreement, the Mortgagor is obligated to make debt service payments in accordance with the requirements for Mortgages contained in Section 702; and that (iii) all insurance and surety requirements contained in said Construction Loan Agreement have been

and are being met, and the Mortgagor is not in default under any of the terms or provisions of said Construction Loan Agreement; and

(c) an opinion of counsel, who may be counsel to the Agency, stating that there has been duly recorded and exists in full force and effect a valid Mortgage on the Housing Development with respect to which the Project Loan is being made and that such Mortgage complies with all of the applicable requirements of Section 702.

Upon receipt of each such requisition and accompanying certificate and counsel's opinion, the Trustee shall pay or cause to be paid each such requisition from the applicable Construction Loan Account directly to the Mortgagor entitled thereto as named in such requisition, or shall deliver to the Agency or at the Agency's direction checks or drafts for the payment thereof, or shall make arrangements for the transfer and deposit of the amount for such payment, as the Agency shall request.

Section 403. Transfers from Reserve Accounts. (1)

All payments from the Reserve Accounts shall be subject to the provisions and restrictions of the Resolution, and the Agency covenants that it will not cause or permit to be paid from the Reserve Accounts any sums except in accordance with such provisions and restrictions. The Trustee shall transfer funds from a Reserve Account to any Construction Loan Account established for a Series of Notes that is entitled to the benefit

of the Reserve Account upon receipt by the Trustee of:

(a) a written requisition of the Agency signed by an Authorized Officer designating:

(i) the Reserve Account from which the transfer is to be made;

(ii) the item number of the transfer;

(iii) the Construction Loan Account into which the transfer is to be made; and

(iv) the amount of the transfer; and

(b) the certification and consents required, as follows:

(i) if the construction bid for the Housing Development to be financed by disbursements from said Construction Loan Account exceeds those costs of construction estimated and included in the aggregate principal amount of the Series of Notes issued to fund said Construction Loan Account, an Authorized Officer must certify to the Trustee and to the holders of such Series of Notes that the Housing Development is economically feasible at the increased cost, and 66 2/3% of said Noteholders must consent in writing to the transfer requisitioned from the Reserve Account to the Construction Loan Account to cover such excess cost. Nothing in this Section or in this Resolution shall be deemed to require the Agency to make a Project

Loan as to any Housing Development having a construction bid in excess of said estimated construction cost, notwithstanding receipt of said Noteholders consent, or

(ii) if, after the initial disbursement from said Construction Loan Account, there are construction cost overruns in connection with construction of said Housing Development, an Authorized Officer shall certify to the Trustee and said Noteholders that said Housing Development is economically feasible at the increased cost and, if the total Cost of Development to be financed by the Project Loan, including the amount of said overrun, would exceed the balance remaining after an amount which bears the same proportionate relationship to the initial principal amount of the Series of Notes issued to fund the Reserve Account as the initial principal amount of the Series of Notes issued to fund the Construction Loan Account bears to the initial principal amount of the Series of Notes or group of Series of Notes for which the Reserve Account was established, $66 \frac{2}{3}$ of said Noteholders must consent in writing to the transfer requisitioned from the Reserve Account to the Construction Loan Account to cover such cost overrun. Nothing in

this Section or in this Resolution shall be deemed to require the Agency to pay a construction cost overrun notwithstanding receipt of said Noteholders consent where required.

(2) Simultaneous with any such transfer, the Trustee shall transfer, from the Reserve Account, from funds representing interest earned or profit realized in excess of losses suffered from investment of moneys in such Reserve Account, to the Revenue Account established for the same Series of Notes as the Construction Loan Account designated in said requisition, such sums as shall be equal to the interest accrued on an amount of Notes of the Series issued to fund such Reserve Account equal to the amount specified in such requisition for transfer to the Construction Loan Account. In the event that moneys in such Reserve Account representing interest earned or profit realized in excess of losses suffered are not sufficient for such transfer, the Trustee shall transfer to such Revenue Account such moneys as are then available and shall transfer the remainder as such interest is earned or profit realized to the extent in excess of losses suffered.

(3) From and after making such a transfer from a Reserve Account to a Construction Loan Account,

(i) Notes of the Series issued to fund the Reserve Account equal in principal amount to the amount of such transfer shall no longer be deemed Outstanding, and interest shall no longer accrue or be payable on such principal amount;
and

(ii) Notes of the Series issued to fund the Construction Loan Account shall be deemed to be increased in principal amount by the amount of such transfer, and interest shall be deemed to have accrued on said amount of Notes of such Series from the date of Notes of such Series at the rate set forth in the Notes of such Series.

Any increase in the aggregate principal amount of a Series of Notes as provided above shall be treated for all purposes under this Resolution as if such Series of Notes were initially issued in the aggregate principal amount as so increased and such increase shall, together with the interest deemed to have accrued thereon, be secured equally and ratably, without preference, priority or distinction, and the same extent as the Notes of such Series Outstanding just prior to such transfer and the interest accrued thereon.

Section 404. Notice Related to Transfer. (1) Upon making a transfer from a Reserve Account to a Construction Loan Account pursuant to Section 403, the Trustee shall give notice, in the name of the Agency, that Notes of the Series issued to fund such Reserve Account equal in principal amount to the amount of such transfer and interest accrued thereon are deemed paid and that interest shall no longer accrue or be payable on such principal amount. Such notice shall further state that the principal amount of Notes of the Series issued for such Construction Loan Account is deemed increased by the amount of such transfer, that interest on such amount is

deemed to have accrued from the date of such Series at the rate set forth in the Notes of such Series, and that thereafter interest on such amount shall accrue at such rate. In addition, such notice shall set forth the provisions of Section 405 and the place at which the exchange therein provided for may be made. Such notice shall be given by registered or certified mail, postage prepaid, to the last address of the Holders of Notes so affected appearing on the registry books of the Agency.

(2) No notice shall be given as provided in this Section if on the date of making such transfer there shall have been presented to the Trustee all Outstanding Notes of both such Series together with such written instrument or instruments of transfer as are specified in Section 405.

Section 405. Cancellation and Exchange of Notes.

Notice having been given in the manner provided in Section 404(1), unless such notice is not required pursuant to Section 404(2), (i) upon presentation and surrender to the Trustee of all Notes of the Series issued to fund the Reserve Account, together with a written instrument of transfer duly executed by the registered owner thereof or his attorney duly authorized in writing, the Agency shall execute and the Trustee shall deliver a new Note or Notes of said Series in the aggregate principal amount of the Notes surrendered less the amount transferred from the Reserve Account to a Construction Loan Account; and (ii) upon presentation and surrender to the Trustee of all Notes of the Series issued to fund the

Construction Loan Account, together with a written instrument of transfer duly executed by the registered owner thereof or his attorney duly authorized in writing, the Agency shall execute and the Trustee shall deliver a new Note or Notes in the aggregate principal amount of the Notes surrendered plus the amount transferred from the Reserve Account to the Construction Loan Account.

Section 406. Retention and Inspection of Documents.

All requisitions and certificates and other documents received by the Trustee, as required in this Article as conditions to payment from the Construction Loan Accounts or the Reserve Accounts, may be relied upon by and shall be retained in the possession of the Trustee, subject at all times during normal business hours to the inspection of the Agency and, upon written request thereof, the Holders or their representatives duly authorized in writing of not less than twenty-five percentum (25%) in principal amount of the Outstanding Notes of the Series issued to fund such Account.

Section 407. Report of Trustee. The Trustee shall upon request of the Agency make a written report as to the funds, moneys and investments held pursuant to this Resolution which report upon request shall be made available to any holder owning more than 25% of any Series of Notes.

Section 408. Transfer of Funds. (1) The Agency covenants that, promptly upon the issuance of Bonds to pay a Series of Notes, it will deliver to the Trustee a certificate,

signed by an Authorized Officer, certifying such fact and stating the amounts remaining in the applicable Construction Loan Account and Revenue Account or Reserve Account established by the Series Note Resolution authorizing such Notes. Upon receipt of each such certificate by the Trustee, such amounts shall, together with proceeds of such Bonds, be (i) used to pay principal or Redemption Price of and interest due on such Notes, or (ii) transferred from such Account transfer and applied or deposited as provided in the resolution authorizing such Bonds, which transfer may be free and clear of the lien and pledge of this Resolution, or (iii) any combination of the above.

(2) In the event that the Agency determines by resolution that it shall not proceed to make a Project Loan with respect to a Housing Development for which monies have been deposited in a Construction Loan Account, the Trustee, upon receipt of such resolution, shall use all moneys or investments held therein (i) to pay principal and interest and redemption premium (whether due at maturity or upon redemption) on the Series of Notes issued to fund said Construction Loan Account, or (ii) transfer such moneys and investments to the Revenue Account established by the applicable Series Note Resolution authorizing such Series of Notes.

ARTICLE V

ESTABLISHMENT AND APPLICATION OF FUND

Section 501. Revenue Fund. (1) There is hereby created and established in the California Housing Finance Fund created in the State Treasury by the Act a special trust fund designated as the California Housing Finance Agency Multi-Family Revenue Fund (the "Revenue Fund"). Each Series Note Resolution authorizing the issuance of a Series of Notes to fund a Construction Loan Account shall establish a separate account in the Revenue Fund designated " _____ Multi-Family Revenue Account" (inserting the series designation of such Series of Notes) (the "Revenue Account"). Moneys received by the Agency as Revenues with respect to the Housing Development financed from such Construction Loan Account shall be deposited to the credit of said Revenue Account. Funds in the Revenue Account (including such Revenues and any amounts transferred to the Revenue Account pursuant to Article IV) shall be used to pay principal and interest and redemption premium (when due or upon redemption) on such Series of Notes. Upon the issuance of Bonds to pay such Notes, funds in the Revenue Account shall be applied as provided in Section 408(1).

(2) Amounts may be withdrawn from the Revenue Account to pay operating expenses of the Agency or cost overruns not otherwise provided for pursuant to Section 403.

only to the extent that such amounts represent (i) moneys paid to the Agency as interest pursuant to said Project Loan or (ii) income earned or profits realized in excess of losses suffered from any investments in said Revenue Account or in a Construction Loan Account transferred pursuant to Section 401(1) to said Revenue Account. No amounts shall be withdrawn from the Revenue Account to pay operating expenses of the Agency unless (i) there is on deposit in the Revenue Account, after giving effect to such withdrawal, an amount sufficient to pay all interest accrued to the date of said withdrawal on all Outstanding Notes of the Series secured by said Revenue Account, and (ii) there shall have been delivered to the Trustee a certificate of an Authorized Officer stating that adequate provisions exist or have been made for the payment following such withdrawal of all interest thereafter to accrue on said Notes, and stating that amounts to be so withdrawn are not reasonably expected to be required for the payment of the principal when due of any such Notes or for expense of construction, operation and administration of the Housing Development the Revenues from which are deposited in said Revenue Account.

(3) If the Agency shall be required to foreclose its Mortgage securing a Project Loan, such Revenue Account and the monies therein may be used with respect to the construction, operation and administration of the Housing Development and for the payment of debt service on the Notes of such Series, all as shall be set forth in a further resolution of the Agency consistent with Section 705(3).

ARTICLE VI
INVESTMENTS

Section 601. Investments. (1) All monies held in any Construction Loan Account, Reserve Account or Revenue Account, on written instructions from an Authorized Officer, may be invested and reinvested in Permitted Investments, provided, however, that the maturities of any such investments shall coincide as nearly as practicable with the times at which monies in the particular Account are needed to be expended by the Agency, as set out in said written instructions. Such Permitted Investments shall be considered part of the Fund or Account from which the investment was made.

(2) So far as practical, all monies held in any Reserve Account shall be invested only in Permitted Investments which in the aggregate will provide an amount of income earned or profits realized at least equal to the amount of interest to become due on the Series of Notes issued to fund such Reserve Account.

(3) The Trustee shall advise the Agency in writing on or before the last day of each calendar month of the details of all investments held for the credit of each Fund and Account as of the end of the preceding month.

ARTICLE VII

PARTICULAR COVENANTS OF THE AGENCY

Section 701. Certain Covenants. The Agency hereby particularly covenants and agrees with the holders of the Notes that:

(1) The Agency will duly and punctually pay or cause to be paid the principal or Redemption Price of every Note and the interest thereon, at the date and place or places and in the manner mentioned in the Notes, according to the true intent and meaning thereof but solely from the sources provided for in this Resolution.

(2) The Agency will use and apply the proceeds of the Notes only as provided in Article IV.

(3) The Agency will use and apply the Revenues only as provided in this Resolution.

(4) Upon the date of issuance of any Series of the Notes, all conditions, acts and things required by the Constitution or statutes of the State or by this Resolution or by the Series Note Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Notes will exist, have happened and have been performed in due time, form and manner as required by law, and such Notes, together with all other Indebtedness of the Agency will be within every debt and other limited prescribed by said Constitution, statutes or this Resolution.

(5) The Agency will do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Agency under the terms of this Resolution.

(6) The Agency will keep or cause to be kept, proper books of record and account relating to the Notes, Revenues and all monies held by or on behalf of the Agency pursuant to this Resolution in which full, true, and correct entries will be made of all its dealings and transactions in accordance with appropriate principles of accounting.

(7) The Agency will not alter, amend or repeal this Resolution, or take any other action impairing the authority hereby given with respect to the issuance or payment of the Notes except with the consent in writing of the holders of 66-2/3 of all Outstanding Notes or all of the Notes of each series so affected and Outstanding at the time such consent is given; provided, however, that the Agency may amend or supplement this Resolution in a manner not materially adverse to Noteholders with the consent of the Trustee and the review of Bond Counsel for the purpose of curing any ambiguity or defect or inconsistent provisions in this Resolution, and provided that nothing in this paragraph shall affect the right of the Agency to issue Notes from time to time in series and renewal notes under this Resolution.

(8) The Agency will establish and maintain or cause to be established and maintained the Funds and Accounts established and created herein and will invest and deposit the monies therein in accordance with and subject to the provisions of this Resolution.

(9) 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 this Resolution, use and apply the proceeds of the Notes for Project 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.

(10) The Agency hereby particularly covenants and agrees with the holders of the Notes that no part of the proceeds of any Series of the Notes or other funds of the Agency shall be used directly or indirectly to acquire any securities or obligations the acquisition of which, that it shall not enter into any arrangements with the sellers of such securities or obligations which, and that it will not use the income from such securities or obligations in any manner or take any other actions which, would cause a Note to be an "arbitrage bond" as defined in subsection (c) (2) of section 103 of the Internal Revenue Code of 1954 [Title 26 of the United States Code] and any applicable regulations issued thereunder.

(11) 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 Notes shall be exempt from Federal income tax under any valid provision of law, except that the Agency shall not be in violation of this covenant as the result of any Note being held by a person who, within the meaning of Section 103(b) (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 Note were used or is a "related person".

(12) The State does hereby pledge to and agree with the holders of any Notes issued under this Resolution that the State will not limit or alter the rights vested in the Agency by the Act 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 Notes, together with the interest, 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. In accordance with Section 41719 of the Act, the Agency has been authorized to include this pledge and agreement of the State in this Resolution.

(13) The Housing Developments being financed with the Project Loans from the proceeds of Notes shall meet all of the requirements of the Act, Article XXXIV of the State Constitution, the California Environmental Quality Act of 1970 and, if applicable, all requirements of the Department of Housing and Urban Development of the United States of America ("HUD") in order to be eligible and continue to be eligible for subsidy or other assistance from HUD, provided, however, that as to HUD requirements, the Agency may in good faith rely as to matters not within its control upon such documents, certifications and covenants as the Mortgagor may make to HUD.

(14) The Agency shall use its best efforts in order that Housing Developments financed by Project Loans from the proceeds of Notes aggregating not less than \$25,000,000 be completed no later than three (3) years from the time Notes are first issued pursuant to this Resolution. Housing Developments will be considered completed after construction is completed and a rent up period of one hundred and eighty (180) days.

(15) The Agency covenants that it shall withdraw and apply to the payment of principal or Redemption Price of or interest on the Notes when due, to the extent other funds of the Agency are not available therefor, assets which have been heretofore or hereafter pledged to secure any Indebtedness of the Agency other than the Notes and which may under the terms of the instrument establishing such pledge be withdrawn by the Agency and applied free and clear of the lien and pledge created by said instrument.

(16) The Agency covenants to reserve no less than \$100,000,000 of its revenue bonding authority for use for notes, bonds and other obligations issued to finance the Program and to reserve future use of the amounts heretofore appropriated by the State Legislature to the Supplementary Bond Security Account for the Program. The Agency shall be relieved of both requirements if and when Section Eight assistance from HUD is no longer available to support such Program or to the extent specified in a written consent of 66-2/3 of the holders of the Notes.

(17) The Agency will permit, at reasonable times and upon reasonable notice, the Trustee and each holder owning more than 10% of the Notes to inspect the books and records of the Agency, including those related to the Program.

Section 702. Mortgage Provisions. No Project Loan shall be made by the Agency from the proceeds of Notes unless the Mortgage and other related documents under which such Project Loan is to be made shall comply with the following terms, conditions, provisions and limitations, and shall have been approved by the Agency:

(a) The Mortgagor must be eligible under the Act, and the Mortgage shall be executed and recorded in accordance with the requirements of existing laws;

(b) The Mortgage shall constitute and create a first mortgage lien on the real property or interest therein (subject to the lien of current taxes) of the Housing Development with respect to which the Project Loan secured thereby is made and first security interest in the personal property required by the Agency for such Housing Development;

(c) The amount of the Project Loan to be made by the Agency to the Mortgagor shall never exceed the Cost of Development as approved by the Agency or any other limitation prescribed by law or authorized regulation, whichever is less;

(d) The Mortgage and related documents shall provide for the establishment of scheduled payments of principal and interest, and fees and charges, which shall be sufficient to produce monies in amount and time of payment to permit the Agency to pay when due the Agency's estimate of the Mortgagor's share of the Agency's administrative expenses and the debt service on the Bonds issued to fund the Notes issued in

connection with the Mortgagor's Project Loan or the financing thereof, all as provided for in a resolution authorizing Bonds;

(e) The Mortgage shall provide that the effective yield to maturity of the Project Loan to the Agency (taking into consideration any fees and charges imposed by the Agency and, in the case of a Project Loan with a fixed stated rate of interest at the time of the making or acquisition thereof, determined by reference to a standard table of mortgage yields for monthly level payment-self-liquidating mortgages, applied to the stated original principal amount of the Project Loan) shall be at least one-quarter of one percent greater than the average true interest cost of the Series of Bonds issued for such Project Loan, or, if such Project Loan is made with the proceeds of more than one Series of Bonds, the weighted average true interest cost of all such Series;

(f) the Mortgagor shall have provided, or will cause to be provided in a manner satisfactory to the Agency an amount equal to the difference between the Cost of Development approved by the Agency and the amount of the Project Loan;

(g) The Mortgagor shall thereby acquire or have acquired title to the site of the Housing Development or an interest in real property sufficient for the location thereon of the Housing Development, free and clear of all

liens and encumbrances (other than the mortgage and the lien of current taxes) which would materially affect the value or usefulness of such site or interest in real property for the intended use thereof;

(h) The Mortgagor shall have obtained all governmental approvals then required by law for the acquisition, construction, ownership and operation of the Housing Development by the Mortgagor;

(i) The Mortgagor shall have obtained the approval by the Agency of final plans and specifications of the Housing Development subject to amendment with consent of the Agency;

(j) The Mortgagor shall be prohibited from selling, assigning, conveying, transferring in any other form the Housing Development or any part thereof unless approved by the Agency, except that (i) a Mortgagor, with the written consent of the Agency may grant easements, licenses or rights-of-way over, under or upon the site of a Housing Development, so long as such easements, licenses or rights-of-way do not destroy or substantially diminish the value or usefulness of such site, as determined by the Agency in connection with such written consent, (ii) when and to the extent authorized by law, a Mortgagor, with the written consent of the Agency, may lease a Housing Development or a portion thereof to a third party for the purposes of operation, such lease to be subject to all of the terms, provisions and limitations of the Mortgage, (iii) a Mortgagor,

with the written approval of the Agency, may sell or exchange any encumbered land not required for a Housing Development, provided that the proceeds derived by the Mortgagor from the sale of any such lands shall be paid over to the Agency for deposit into the Revenue Account established by the Series Note Resolution providing for the financing of such Housing Development, until Bonds are issued and then to be deposited in accordance with the resolution authorizing Bonds, and (iv) the Mortgagor may be permitted to sell or assign a Housing Development to another Mortgagor approved by the Agency, which successor Mortgagor shall assume in writing the obligations of the original Mortgagor under the existing Mortgage.

(k) The Mortgage shall not permit a prepayment except with the prior written consent of the Agency.

(l) The Mortgage shall authorize the Agency to take possession of the Mortgaged property, if the Mortgagor defaults under the terms of the Project Loan. The Mortgage and related documents shall further authorize the Agency as mortgagee in possession to carry out all operations, construction, management and services as necessary until the Agency can obtain compliance with the terms of the Project Loan;

(m) The Mortgagor shall have obtained all necessary commitments of subsidy funds if such funds are required

to establish the feasibility of the Housing Development as determined by the Agency.

(n) The Mortgage shall require Title Insurance insuring the Agency in the full amount of the Project Loan.

Section 703. Modification of Mortgage Terms. The Agency shall not consent to the modification of, or modify, the rate or rates of interest of, or the amount or time of payment of any installment of principal or interest of any Project Loan or the security for or any terms or provisions of any Project Loan or the Mortgage securing the same in a manner materially detrimental to Noteholders; provided, however, that the Agency may consent to the modification of and modify such Project Loan and the Mortgage securing the same upon consent of 66-2/3 of the holders of the Series of Notes secured by said Project Loan and Mortgage.

Section 704. Sale of Mortgages by Agency. The Agency shall not sell any Mortgage or other obligation securing a Project Loan made by the Agency which is not in default unless the sales price thereof received by the Agency shall be sufficient, when added to amounts in the Construction Loan Account and the Revenue Account established by the Series Note Resolution providing for said Project Loan, to pay the principal or Redemption Price of and interest on the Series of Notes issued to make such Project Loan.

Section 705. Enforcement and Foreclosure of Mortgages.

(1) The Agency shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of Mortgages securing Project Loans made by the Agency, including the prompt collection of Revenues.

(2) Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Project Loan and to protect and enforce the rights and interests of Noteholders under this Resolution, the Agency shall either proceed as mortgagee in possession or commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage and, in protection and enforcement of its rights under such Mortgage, shall bid at least an amount equal to the amount disbursed from the applicable Construction Loan Account at the foreclosure or other sale thereof and, if its bid is successful, to purchase and acquire and take possession of such Housing Development.

(3) Upon foreclosure or other acquisition of a Housing Development, and so long as the Agency shall have title thereto or be in possession thereof, the Agency shall, as the case may be, construct, operate and administer such Housing Development in the place and stead of the Mortgagor and in the manner required of such Mortgagor by the terms and provisions of the Mortgage until the Project Loan provisions are complied with. In so doing, the Agency, to the extent it may have monies available for such purpose, including

any monies on deposit in the Construction Loan Account relating to such Housing Development, shall complete the construction and development of such Housing Development. The Trustee shall be authorized to pay to the Agency monies on deposit in said Construction Loan Account upon its requisition and certification as provided in Section 402(2)(a) and (b)(i). The Agency shall pay or make provision for payment of, from monies withdrawn from the Revenue Account, until Bonds are issued and then from funds or accounts established in accordance with the resolution authorizing Bonds, (i) the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to such Housing Development and then (ii) the costs and expenses of operating such Housing Development, including the debt service which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage.

(4) Notwithstanding the provisions of paragraph (3) of this Section, upon foreclosure or other acquisition of a Housing Development:

(a) The Agency may at any time thereafter assign the Mortgagor's interest or sell such Housing Development to a Mortgagor upon payment or prepayment of the Project Loan and may make a Project Loan with respect thereto as if such Mortgagor were the original Mortgagor, provided that the Mortgage securing such a Project Loan shall contain the terms, conditions, provisions and limitations required by Section 702 hereof; or,

(b) The Agency may at any time thereafter sell such Housing Development, provided that the sales price thereof received by the Agency shall be sufficient, when added to amounts in the Construction Loan Account and Revenue Account establishing by the Series Note Resolution related to said Housing Development, to pay the principal or Redemption Price and interest on the Series of Notes issued under said Series Note Resolution; or,

(c) In the event such Housing Development shall not have been completed, the Agency may elect to complete only a portion of such Housing Development and to sell off any lands not required for the portion of the Housing Development to be completed; provided that, prior to the sale of any such land and any reduction in the scope of the Housing Development, the Agency shall file with the Trustee its written determination to the effect that the proceeds of sale of such land and the Revenues to be derived from such Housing Development, as revised in scope, will be sufficient in amount to pay the costs and expenses of operating such Housing Development, including the debt service which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. All proceeds received by the Agency from the sale of land pursuant to this subparagraph (c) shall be deposited into the applicable Revenue Account.

(5) The Agency will notify the Trustee and any holder of Notes of a Series issued to provide moneys for a Project Loan of any material default by a Mortgagor. Upon the demand of 2/3rds of the holders of said Series of Notes the Agency will exercise any right to accelerate the Project Loan and will exercise any rights and remedies available upon such acceleration.

Section 706. Prepayment.

(1) Unless required to do so by an agency or instrumentality of the United States guaranteeing, insuring or otherwise assisting in the payment of the Project Loan, the Agency shall not permit a Mortgagor to make a prepayment unless it shall require, with respect to any such prepayment so permitted, the same be in an amount sufficient, when added to amounts in the Construction Loan Account and Revenue Account established by the Series Note Resolution providing for such Project Loan, to pay the principal or Redemption Price of and interest on the Series of Notes issued to make said Project Loan.

Section 707. Assignment of Mortgages. Upon the happening of an event of default specified in this Resolution and the written request of the Trustee or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Notes of the Series in default, the Agency shall assign to the Trustee the Mortgage, Promissory Note and other Project Documents pledged to the security of said Series. Upon the payment of said Series of Notes in default from proceeds of securities issued by the Agency for said purpose or otherwise, the Trustee shall assign such Mortgage back to the Agency.

ARTICLE VIII

THE TRUSTEE AND PAYING AGENTS

Section 801. Trustee in Event of Default. In addition to the Treasurer of the State, a 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) and its principal office in the State of California, may be appointed as trustee by the holders of 66-2/3% of any Series of Notes after the happening of an event of default with respect to such Series, to exercise the powers of a trustee upon the happening of an event of default under Section 902 to represent and enforce the rights of all holders of Notes of such Series. Such trustee so appointed may act concurrently with or independently of the Treasurer of the State in his role as Trustee, and the Treasurer of the State shall make available at all times to such trustee the books and records in its possession relating to the Program.

Section 802. Compensation. The Agency shall pay to the Trustee from time to time, and to the trustee appointed pursuant to Section 801 from time to time after such appointment, reasonable compensation for all services rendered under this Resolution, and also reimbursements for reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under

this Resolution. The Trustee, and any trustee appointed pursuant to Section 801, shall not have a lien for such compensation or reimbursements prior to or of equal worth with the pledge created by this Resolution. The Agency shall indemnify and save the Trustee, and any trustee appointed pursuant to Section 801, harmless against any liability which they may incur in the exercise and performance of their powers and duties hereunder and which are not due to their negligence or default.

Section 803. Permitted Acts and Functions. The Trustee, and any trustee appointed pursuant to Section 801, may buy, own, hold and sell any Bonds, coupons or Notes of the Agency, whether heretofore or hereafter issued or created; and may engage or be interested in any financial or other transaction with the Agency, with like effect and with the same rights it would have if it were not such Trustee. The Trustee, and any trustee appointed pursuant to Section 801, may act as depository for, and permit any of its officers to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Noteholders or Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Notes, Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds or Notes then Outstanding.

ARTICLE IX
DEFAULTS AND REMEDIES

Section 901. 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 this Resolution, the rights, powers and duties in this Article provided in trust for the Noteholders. Upon the occurrence of an Event of Default referred to in Section 902 the Trustee shall act with the trustee, if any, appointed in accordance with Section 801 in the manner specified in Section 801.

Section 902. Events of Default. Each of the following events is hereby declared an "event of default" with respect to a Series of Notes, that is to say, if

(a) default shall be made in the payment of the principal of or interest on any Note of such Series after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(b) the Agency shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Resolution, the Series Note Resolution authorizing such Series, or in the

Notes of such Series, and continuance of each such default shall continue for a period of ninety (90) days after written notice thereof from the Trustee or from the Holders of not less than five per centum (5%) in principal amount of the Outstanding Notes of the Series affected specifying such default and requiring the same to be remedied;

(c) 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

(d) the State has limited or altered the rights of the Agency pursuant to the Act, as amended to the date of this Resolution, to fulfill the terms of any agreements made with the Holders of Notes of such Series or in any way impaired the rights and remedies of Holders of Notes of such Series until such Notes, 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 903. Remedies. (1) Upon the happening and continuance of any event of default specified in Section 902, then, and in each such case, 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 Notes of such Series, may, after notice to the Agency, proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Notes of such Series shall proceed, to protect and enforce its rights and the rights of the Holders of Notes of such Series by such of the following remedies, to the extent otherwise permitted by law, as the Trustee shall deem most effectual to protect and enforce such rights:

(a) by suit, action or proceeding, enforce all rights of such Noteholders, including the right to require the Agency to collect Revenues adequate to carry out the covenants and agreements and pledge made herein and to require the Agency to carry out any other covenant or agreement with such Noteholders and to perform its duties under the Act;

(b) by bringing suit upon the Notes;

(c) by action or suit, require the Agency to

account as if it were the trustee of an express trust for the Holders of such Notes;

(d) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Notes;

(e) in accordance with the provisions of the Act, declare all Notes of such Series due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Notes of such Series, to annul such declaration and its consequences;

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

(2) In the enforcement of any remedy under this Resolution, the Trustee in its own name and as trustee of an express trust on behalf of and for the benefit of Noteholders, shall be entitled, to the extent otherwise provided by law, to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Agency for principal, Redemption Price, interest or otherwise, under any provision of this Resolution or of

the Notes in default, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Notes, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Notes, without prejudice to any other right or remedy of the Trustee or of the Noteholders, and to recover and enforce judgment or decree against the Agency for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decree to be payable.

Section 904. 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 Noteholders 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.

Section 905. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Notes is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 906. Restriction on Noteholder's Action.

(A) No Holder of any Note of a Series with respect to which an event of default has happened shall have any right to institute enforcement of any provision of this 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 Notes of said Series then Outstanding 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 Notes, subject to the provisions of this Resolution.

(B) No Holder of any Note 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.

ARTICLE X
MISCELLANEOUS

Section 1001. Defeasance. If the Agency shall pay or cause to be paid to the holders of the Notes the principal and interest or Redemption Price, if any, to become due thereon at the times and in the manner stipulated therein and in this Resoltuion, then the provisions hereof shall be of no further force and effect and all rights granted by this Resolution shall be discharged and satisfied. Any or all Notes shall be deemed to have been paid within the meaning and with the effect expressed in the foregoing sentence hereof if there shall have been deposited with the Trustee an amount of monies or securities representing direct obligations of or obligations guaranteed by the United States of America, or both, such that the principal of and interest on such obligations when due and without reinvestment (together with the moneys, if any, so deposited) will provide lawful money sufficient to pay, when due, the principal of and interest or Redemption Price, if any, on such Notes. In the event the Agency shall determine to deposit such moneys or such obligations with the Trustee and the Agency shall give such Trustee irrevocable instructions to deposit monies sufficient to pay the principal or Redemption Price of and interest on such Notes in the manner and at the place or places provided in such Notes and to notify appropriate Noteholders that it holds monies or obligations as provided herein sufficient to make such deposits, then such Notes shall be deemed paid and the obligation

of the Agency and all rights granted by this Resolution with respect thereto shall be discharged and released and upon the request of the Agency, the Trustee shall execute and deliver to the Agency all such instruments as it may reasonably request to evidence such discharge and satisfaction and shall pay over or deliver to the Agency all monies or other property held by it pursuant to this Resolution which are not required for the payment of principal or Redemption Price of or interest on such Notes, Notes not theretofore surrendered for such payment or otherwise pledged to receive Notes not paid or for which payment has not been provided for pursuant to this Section.

Section 1002. No Recourse on the Notes. All covenants, stipulations, promises, agreements and obligations of the Agency contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Agency and not of any director, member, 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 Notes or for any claim based thereon or on this Resolution against any director, member, officer or employee of the Agency or any person executing the Notes.

Section 1003. Authorization of Acts. The Authorized Officers of the Agency be and they hereby are authorized and directed, on behalf of the Agency, to take any and all actions, perform any and all acts and execute any and all documents that shall be required, necessary or desirable to implement this Resolution.

Section 1004. Governing Law. This Resolution shall be governed by the laws of the State of California.

Section 1005. Resolution Effective. This Resolution shall take effect immediately.

CERTIFICATE OF SECRETARY

I, Stuart Honse, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a meeting of the Board of Directors of the California Housing Finance Agency duly called and held in San Francisco, California, on the 18th day of January, 1977, of which meeting all of said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES: *Barker; Mazer; Ramos; Robinson; Solinas; Steinberg;*
Unruh by Hastings; Elliott

NOES: *none*

ABSTENTION: *none*

ABSENT: *Rothenburg, Frank*

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate
and affixed the seal of the Board of Directors of the
California Housing Finance Agency hereto this 19th day
of January, 1977.

Robert House

Secretary of the Board of
Directors of the California
Housing Finance Agency

(SEAL)