

NEW ISSUE — BOOK ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, that interest on the 2009 Series A Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the 2009 Series A Bonds is includable in gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2009 Series A Bonds. See “Tax Matters” herein for additional information.



\$380,530,000
CALIFORNIA HOUSING FINANCE AGENCY
Affordable Multifamily Housing Revenue Bonds
(Program Bonds – Taxable)

\$380,530,000
2009 Series A

Dated: Date of Delivery

Maturity Date: December 30, 2051

This cover page contains selected information for quick reference only. It is not a summary of all relevant information. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms are defined inside.

Interest on 2009 Series A Bonds will begin to accrue on January 12, 2010, and will be payable on the applicable Release Date for 2009 Series A Bonds which are being Converted as described herein, or upon redemption of the 2009 Series A Bonds which have not been Converted. See “The 2009 Series A Bonds — General” in Part 1 of this Official Statement. 2009 Series A Bonds which have not been Converted are subject to mandatory redemption on or before February 1, 2011. See “The 2009 Series A Bonds – Redemption Provisions.”

The 2009 Series A Bonds are issuable in denominations of \$10,000 principal amount or any integral multiple thereof. DTC will hold the 2009 Series A Bonds in book-entry form. Purchasers will not receive certificates representing their interests in the 2009 Series A Bonds. Interest on and principal of the 2009 Series A Bonds are payable on behalf of the Agency to DTC by U.S. Bank National Association, as Trustee and Paying Agent under the Indenture pursuant to which the 2009 Series A Bonds are issued (the “Indenture”). So long as DTC or its nominee remains the registered owner of the 2009 Series A Bonds, disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the Beneficial Owners of the 2009 Series A Bonds is the responsibility of DTC Participants and Indirect Participants. See “The 2009 Series A Bonds — DTC and Book-Entry.”

The 2009 Series A Bonds are issued under the Indenture in connection with the New Issue Bond Program of the HFA Initiative described herein and, upon initial issuance and delivery, proceeds of the 2009 Series A Bonds shall be deposited in the escrow fund established under the Indenture (the “Escrow Fund”).

THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2009 SERIES A BONDS ONLY PRIOR TO THE APPLICABLE RELEASE DATE, IF ANY, FOR 2009 SERIES A BONDS THAT ARE CONVERTED, OR TO THE APPLICABLE REDEMPTION DATE OF 2009 SERIES A BONDS THAT ARE NOT CONVERTED. THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE OR OTHERWISE PROVIDE ANY INFORMATION ABOUT ANY 2009 SERIES A BOND AFTER THE RELEASE DATE THEREOF. A SUPPLEMENT TO OR RESTATEMENT OF THIS OFFICIAL STATEMENT WILL BE DELIVERED ON OR PRIOR TO EACH RELEASE DATE.

The 2009 Series A Bonds are special, limited obligations of the Agency, payable solely from the Revenues and other amounts pledged under the Indenture, including amounts on deposit in the Escrow Fund. The 2009 Series A Bonds are not a debt of the State or any other political subdivision of the State (other than the Agency, to the extent provided in the Indenture), and neither the State nor any other political subdivision of the State will be liable for the payment of the 2009 Series A Bonds. 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 the 2009 Series A Bonds. The Agency has no taxing power.

The delivery of the 2009 Series A Bonds is subject to the delivery of the legal opinion of Bond Counsel and certain other conditions. The 2009 Series A Bonds are expected to be available for delivery to DTC for registration on or about December 30, 2009.

December 18, 2009

No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations, other than those contained in this Official Statement (consisting of Part 1 and Part 2), and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2009 Series A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and by other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

Part 1 and Part 2 of this Official Statement, including their respective appendices, are to be read together, and together Part 1 and Part 2, including their respective appendices, constitute this Official Statement.

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OFFICIAL STATEMENT PART 1

\$380,530,000

**California Housing Finance Agency
Affordable Multifamily Housing Revenue Bonds
2009 Series A**

This Official Statement Part 1 (“Part 1”) provides information as of its date (except where otherwise expressly stated) concerning the Agency’s 2009 Series A Bonds. It contains only a part of the information to be provided by the Agency in connection with the 2009 Series A Bonds. Additional information concerning the Agency, the security for the 2009 Series A Bonds, certain Loan insurance programs, and certain financing programs of the Agency is contained in the Official Statement Part 2 (“Part 2”) and is subject in all respects to the information contained herein.

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OFFICIAL STATEMENT PART 1

\$380,530,000

**California Housing Finance Agency
Affordable Multifamily Housing Revenue Bonds
2009 Series A**

INTRODUCTION

This Official Statement consists of Part 1 and Part 2. The purpose of this Part 1, which includes the cover page to this Official Statement, the cover page to this Part 1, and the appendices to this Part 1, is to provide information relating to \$380,530,000 aggregate principal amount of California Housing Finance Agency Affordable Multifamily Housing Revenue Bonds, 2009 Series A (the “2009 Series A Bonds”).

The 2009 Series A Bonds are being issued by the California Housing Finance Agency (the “Agency”) pursuant to Parts 1 through 4 of Division 31 of the California Health and Safety Code (the “Act”), certain resolutions of the Board of Directors of the Agency (the “Board”), an Indenture, dated as of December 1, 2009 (the “General Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by that certain Series Indenture, dated as of December 1, 2009 (including the New Issue Bond Program Appendix (the “NIBP Appendix”) incorporated therein, the “2009 Series A Series Indenture” and, together with the General Indenture, the “Indenture”). The 2009 Series A Bonds are the first Series of Bonds issued under the Indenture. The Agency may issue additional Series of Affordable Multifamily Housing Revenue Bonds pursuant to a Series Indenture. The 2009 Series A Bonds, together with any additional Series of Affordable Multifamily Housing Revenue Bonds issued under the Indenture are herein called the “Bonds.”

Capitalized terms used in this Official Statement and not otherwise defined have the meanings specified in the Indenture. All references to times in this Official Statement, unless otherwise indicated, are to New York City time.

The 2009 Series A Bonds are expected initially to be placed with the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac” and, together with Fannie Mae, the “GSEs”), as described under “Placement of 2009 Series A Bonds.” The net proceeds of the sale of the 2009 Series A Bonds will be deposited in the Escrow Fund (as defined below).

Concurrently with the issuance of the 2009 Series A Bonds, the Agency will transfer to the Trustee for deposit in the Escrow Fund such amounts as shall be necessary to increase the amount on deposit in the Escrow Fund on such date to \$380,530,000.

Pursuant to the terms of the 2009 Series A Series Indenture, proceeds of the 2009 Series A Bonds will be held in the Escrow Fund until released to the 2009 Series A Program Account established under the Indenture for the purpose of financing Loans (as defined by the Indenture), or until applied to the redemption of 2009 Series A Bonds. See “The 2009 Series A Bonds —

Redemption Provisions.” The Agency may establish, subject to the approval of the GSEs, up to three release dates (each, a “Release Date”) and the respective amounts of proceeds to be released on each such Release Date. On the date 60 days after each Release Date, the interest rate on a principal amount of 2009 Series A Bonds equal to the amount of proceeds released on such Release Date will be converted (“Converted”) to a fixed rate known as the Permanent Rate (each such conversion, a “Conversion”).

THIS OFFICIAL STATEMENT IS INTENDED TO DESCRIBE 2009 SERIES A BONDS ONLY PRIOR TO THE APPLICABLE RELEASE DATE, IF ANY, FOR 2009 SERIES A BONDS THAT ARE CONVERTED, OR TO THE APPLICABLE REDEMPTION DATE OF 2009 SERIES A BONDS THAT ARE NOT CONVERTED. THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE OR OTHERWISE PROVIDE ANY INFORMATION ABOUT ANY 2009 SERIES A BOND AFTER THE RELEASE DATE THEREOF. A SUPPLEMENT TO OR RESTATEMENT OF THIS OFFICIAL STATEMENT WILL BE DELIVERED ON OR PRIOR TO EACH RELEASE DATE.

The 2009 Series A Bonds are subject to optional and mandatory redemption as described in “The 2009 Series A Bonds — Redemption Provisions.”

The 2009 Series A Series Indenture permits the Agency to use proceeds of the 2009 Series A Bonds released to the 2009 Series A Program Account for the following purposes:

(a) to acquire and finance the holding of the following types of multifamily loans: (i) loans insured by FHA, including loans under the FHA risk-sharing program, (ii) loans guaranteed by GNMA, (iii) loans guaranteed by either GSE, and (iv) loans originated pursuant to underwriting criteria agreed to by the GSEs which are either newly originated or refinanced pursuant to (b) below, so long as all such loans are eligible to be financed on a tax-exempt basis under applicable federal income tax law (collectively, the “Permitted Mortgage Loans”);

(b) to refund, on a fixed-rate basis, any of the Agency’s outstanding variable rate debt (including auction rate securities) issued on or before October 19, 2009, so long as such debt, in turn, was issued to acquire and finance the holding of Permitted Mortgage Loans for projects that were initially financed on or after October 19, 2004; or

(c) to acquire and finance the holding of Permitted Mortgage Loans which are either (i) loans guaranteed by either GSE or (ii) loans originated pursuant to underwriting criteria agreed to by the GSEs and which are financed with bonds issued under NIBP (as defined below) that the Agency elects to treat as construction program bonds.

Descriptions of the Agency, the 2009 Series A Bonds, the security for the 2009 Series A Bonds, and the Indenture are included in Part 1 and Part 2 of this Official Statement. All summaries or descriptions in this Official Statement of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries in this Official Statement of the 2009 Series A Bonds are qualified in their entirety by reference to the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements, copies of which are available for inspection at the offices of the Agency. The

agreements of the Agency with the Holders of the 2009 Series A Bonds are fully set forth in the Indenture, and this Official Statement is not to be construed as a contract with the purchasers of the 2009 Series A Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

ESCROW FUND

In connection with the issuance of the 2009 Series A Bonds, an account has been established under the Indenture (the “Escrow Fund”) into which all of the proceeds of the 2009 Series A Bonds will be deposited on their date of issuance. On each Release Date related to a Conversion of 2009 Series A Bonds, an amount equal to the principal amount of 2009 Series A Bonds being Converted to a Permanent Rate will be withdrawn from the Escrow Fund and transferred to the 2009 Series A Program Account. Any amounts remaining on deposit in the Escrow Fund on January 1, 2011 will be applied to pay the redemption price of, and accrued interest on, the 2009 Series A Bonds for which no Release Date has occurred. See “The 2009 Series A Bonds — Redemption Provisions — *Mandatory Redemption - Failure to Establish Release Date.*” Amounts in the Escrow Fund are to be invested only in Permitted Escrow Investments.

THE 2009 SERIES A BONDS

See Appendix A to this Part 1, the form of the 2009 Series A Series Indenture, including the NIBP Appendix, for the definitions of certain capitalized terms with respect to the 2009 Series A Bonds and for a more detailed description of the terms of the 2009 Series A Bonds and the process of Conversion.

General

Until its Release Date or its date of redemption with amounts in the Escrow Fund, each 2009 Series A Bond will bear interest at the interest rate which produces an interest payment on such Release Date or date of redemption equal to the Investment Earnings on the proceeds of such Bond (the “Short Term Rate”). The maturity date of 2009 Series A Bonds that have not been Converted is December 30, 2051. The 2009 Series A Bonds will be issuable, convertible and redeemable in the denominations of \$10,000 or integral multiples thereof.

The 2009 Series A Bonds are being offered only as fully registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2009 Series A Bonds. See “The 2009 Series A Bonds — DTC and Book-Entry.” U.S. Bank National Association is the Trustee.

Redemption Provisions

Mandatory Redemption - Failure to Establish Release Date. Any 2009 Series A Bonds with respect to which a Release Date has not occurred prior to January 1, 2011 are subject to mandatory redemption on February 1, 2011 (or an earlier date selected by the Agency), at a redemption price equal to the principal amount thereof plus accrued interest, without premium,

from amounts then on deposit in the Escrow Fund and any other available moneys under the Indenture.

Mandatory Redemption – Certificate of Adverse Change. The 2009 Series A Bonds are subject to mandatory redemption in whole, at a redemption price equal to the principal amount thereof, plus accrued interest, on the first Business Day at least thirty (30) days after the Settlement Date, if there is delivered by mail or by electronic means to the Trustee on or prior to the Settlement Date a Certificate of Adverse Change and the GSEs have not, prior to the date 20 days following the Settlement Date, provided the Trustee a written waiver, from amounts then on deposit in the Escrow Fund and any other available moneys under the Indenture.

Mandatory Redemption - 2009 Series A Bonds Not Meeting Minimum Rating Thresholds. The 2009 Series A Bonds are subject to redemption within ten (10) Business Days of receipt by the Trustee of notice that the Bond Rating has been withdrawn or fallen below ‘A3’ or ‘A’, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, from amounts then on deposit in the Escrow Fund and any other available moneys under the Indenture.

Optional Redemption. The 2009 Series A Bonds are subject to redemption at the option of the Agency, in whole or in part, from any source of funds, on the first Business Day of any month, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest, if any, to the redemption date.

Selection of 2009 Series A Bonds to be Redeemed

If less than all of the 2009 Series A Bonds of a given maturity and tenor is to be redeemed, the particular 2009 Series A Bonds of such maturity and tenor or the respective portions thereof to be redeemed shall be selected by lot. In the event of such redemption, the Trustee shall select 2009 Series A Bonds by lot, using such method of selection as the Trustee shall deem proper in its sole discretion.

Notice of Redemption

When the Trustee shall be required or authorized or shall receive notice from the Agency of its election to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and the Indenture, select the Bonds to be redeemed and shall give notice, in the name of the Agency, of the redemption of the Bonds. Each such notice shall state the date of such notice, the complete official name of the Bonds (including Series designation) to be redeemed, the Issue Date, maturity dates, interest rates and CUSIP numbers (if any) of such Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee or the Paying Agent) and, if less than all of the Bonds of any Series are being redeemed, the numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall further state that on the date fixed for redemption there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the portion of the principal thereof to be redeemed in the case of a Bond to be redeemed in part only, together with interest accrued to such date, and that

from and after such date interest thereon shall cease to accrue and be payable. Each such notice may state that such notice may be rescinded.

Such notice shall be given by mailing a copy of such notice, postage prepaid, not less than three (3) days nor more than ninety (90) days before such redemption date, (1) by first class mail to the registered owner of any Bond all or a portion of which is to be redeemed, at such owner's last address, if any, appearing upon the registry books; and (2) by certified mail, return receipt requested, (i) upon written request of any registered owner of \$1,000,000 or more in aggregate principal amount of any Series of Bonds, each such request directed to the Trustee, (ii) to two or more Information Services, as defined in the Indenture, (iii) to the Securities Depositories, as defined in the Indenture, and (iv) to each Credit Provider, if any. A second notice shall be given by certified mail, return receipt requested, to any registered owner of Bonds being redeemed if such registered owner has not surrendered such Bonds for redemption on or before the date sixty (60) days after the date fixed for redemption.

Failure by the Trustee to give any notice as described above, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption.

DTC and Book-Entry

The 2009 Series A Bonds will be issued remarketed as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the 2009 Series A Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the 2009 Series A Bonds are immobilized in the custody of DTC, references to holders or owners of the 2009 Series A Bonds (except under "Tax Matters") mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and the Agency takes no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the 2009 Series A Bonds. The 2009 Series A Bonds will be issued or remarketed as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2009 Series A Bond certificate will be issued for each maturity of each Series thereof in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities

transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 2009 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2009 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2009 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2009 Series A Bonds, except in the event that use of the book-entry system for the 2009 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2009 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2009 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2009 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2009 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2009 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2009 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of 2009 Series A Bonds may wish to ascertain that the nominee holding the 2009 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative,

Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2009 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2009 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2009 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2009 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2009 SERIES A BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE 2009 SERIES A BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OR PARTIAL TENDER AND PURCHASE OF THE 2009 SERIES A BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as depository with respect to the 2009 Series A Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2009 Series A Bond certificates are required to be printed and delivered as described in the Indenture.

The Agency or the Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2009 Series A Bond certificates will be printed and delivered to DTC.

In the event that the book-entry system with respect to the 2009 Series A Bonds is discontinued as described above, the following requirements of the Indenture will apply. The Indenture provides for issuance of bond certificates directly to registered owners of the 2009 Series A Bonds other than DTC or its nominee at the expense of such registered owners. Interest on such 2009 Series A Bond will be payable by check or draft mailed to the persons whose names appear on the registration books of the Agency maintained by the Trustee. Principal of each 2009 Series A Bond will be payable to the registered owner thereof upon surrender of such 2009 Series A Bond at the office of the Trustee in San Francisco, California or, at the option of the registered owner, at the office of U.S. Bank National Association, St. Paul, Minnesota. Notwithstanding the foregoing, upon written request of a registered owner of \$5,000,000 or more in aggregate principal amount of the 2009 Series A Bonds, interest on and, upon surrender, principal of such Bonds will be payable by wire transfer from the Trustee to the registered owner thereof. The 2009 Series A Bonds may be exchanged by the registered owners thereof in person or by duly authorized attorney. Any 2009 Series A Bond may be transferred with a written instrument of transfer, in form and with a medallion guarantee of signature satisfactory to the Trustee, duly executed by the registered owner or his or her duly authorized attorney, at the principal office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of the 2009 Series A Bonds to be exchanged or transferred. No transfer or exchange of any 2009 Series A Bond shall be required to be made during the 15 days next preceding each Interest Payment Date or with respect to an 2009 Series A Bond for which notice of redemption has been given. Upon such exchange or transfer, a new 2009 Series A Bond or Bonds, as applicable, of the same or any other authorized denomination or denominations for the same aggregate principal amount, will be issued to the owner or transferee, as the case may be, in exchange therefor.

TAX MATTERS

State of California Income Tax Considerations

In the opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes.

Certain United States Federal Tax Considerations

Interest on such 2009 Series A Bonds is includable in gross income for federal income tax purposes.

Prospective investors that are not individuals or regular C corporations who are U.S. persons purchasing the 2009 Series A Bonds for investment should consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of the 2009 Series A Bonds.

Circular 230. Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Agency and its tax advisors are (or may be) required to inform prospective

investors that:

- i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- ii. any such advice is written to support the promotion or marketing of the 2009 Series A Bonds and the transactions described herein; and
- iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

LITIGATION

There is no pending (with service of process on the Agency completed) litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance or delivery of the 2009 Series A Bonds or contesting the validity of the 2009 Series A Bonds, the Indenture or other proceedings of the Agency taken with respect to the authorization, issuance or sale of the 2009 Series A Bonds, or the pledge or application of any money under the Indenture (except as described below).

While at any given time, including the present, there are or may be civil actions pending against the Agency, which could, if determined adversely to the Agency, affect the Agency's expenditures and in some cases its revenues, the Agency is of the opinion that no pending actions are likely to have a material adverse effect on the Agency's ability to pay principal of, premium, if any, and interest on the 2009 Series A Bonds when due.

LEGAL MATTERS

Certain legal matters incident to the delivery of the 2009 Series A Bonds are subject to the approval of Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement or other offering material relating to the 2009 Series A Bonds and expresses no opinion with respect thereto.

RATING

Moody's has assigned the 2009 Series A Bonds a rating of "Aa2." Such rating assigned to the 2009 Series A Bonds reflect only the view of Moody's and an explanation of the significance of such rating may be obtained from Moody's. There is no assurance that the rating which has been assigned to the 2009 Series A Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by Moody's, if in the judgment of Moody's, circumstances so warrant.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the 2009 Series A Bondholders or beneficial owners of the 2009 Series A Bonds to provide certain financial information and operating data relating to the Agency not later than 180 days after the end of the Agency's fiscal

year and to provide notices of the occurrence of certain enumerated events if material. All such reports and notices will be filed with the Municipal Securities Rulemaking Board under its Electronic Municipal Market Access system. A Continuing Disclosure Agreement will be executed and delivered by the Agency in substantially the form attached hereto as Appendix C.

PLACEMENT OF 2009 SERIES A BONDS

The 2009 Series A Bonds are expected to be placed pursuant to a Placement Agreement by and among the Agency, the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac” and, together with Fannie Mae, the “GSEs”), to be dated as of December 18, 2009 (the “Placement Agreement”) pursuant to the New Issue Bond Program of the Housing Finance Agency Initiative announced October 19, 2009 by the U.S. Treasury (the “NIBP”). Under the NIBP, the Agency will exchange the 2009 Series A Bonds for securities issued by the GSEs that will be backed by the 2009 Series A Bonds (“GSE Securities”). The GSE Securities will be purchased by the U.S. Treasury from the Agency at a purchase price of par, net of certain securitization fees and expenses owed to the GSEs. The net purchase proceeds of the Agency are \$380,096,970.

MISCELLANEOUS

The execution and delivery of this Official Statement have been duly authorized by the Agency.

CALIFORNIA HOUSING FINANCE AGENCY



By: /s/ BRUCE D. GILBERTSON

Director of Financing

Dated: December 18, 2009

FORM OF 2009 SERIES A SERIES INDENTURE

CALIFORNIA HOUSING FINANCE AGENCY

and

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

SERIES INDENTURE

Dated as of December 1, 2009

\$ _____

**CALIFORNIA HOUSING FINANCE AGENCY
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS,
2009 SERIES A**

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THIS SERIES INDENTURE (herein called the “Series Indenture”), made and entered into as of December 1, 2009, by and between the California Housing Finance Agency, a public instrumentality and a political subdivision of the State of California (herein called the “Agency”), and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, having a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created, as trustee (herein called the “Trustee”);

WITNESSETH:

WHEREAS, the Agency has been created by the Zenovich Moscone Chacon Housing and Home Finance Act (constituting Division 31 of the Health and Safety Code of the State of California), as amended (herein called the “Act”);

WHEREAS, the Agency has determined to borrow money for the purpose of financing or refinancing the construction or development of multifamily rental housing and to that end has duly authorized the issuance of its bonds under an Indenture, dated as of December 1, 2009, by and between the Agency and the Trustee (the “General Indenture”), as supplemented by this Series Indenture, and as it may be hereafter supplemented and amended (herein collectively called the “Indenture”), and to secure the payment of the principal thereof and of the interest and premium (if any) thereon, and the observance of the covenants and conditions herein contained, has authorized the execution and delivery of the Indenture, including this Series Indenture;

WHEREAS, said bonds are to be issued pursuant to the Indenture and any one or more Series Indentures, and designated the “California Housing Finance Agency Affordable Multifamily Housing Revenue Bonds” (herein called the “Bonds”), from time to time, in an aggregate principal amount not limited except as therein may be provided;

WHEREAS, the Agency has not previously issued any Bonds under the Indenture;

WHEREAS, the Agency has determined to issue hereunder a series of Bonds, additionally designated “2009 Series A,” in the aggregate principal amount of Three Hundred Eighty Million Five Hundred Thirty Thousand Dollars (\$380,530,000) (herein called the “2009 Series A Bonds”);

WHEREAS, the 2009 Series A Bonds are to be sold to Fannie Mae and Freddie Mac and are to be Program Bonds under the Program as those terms are defined for purposes of the 2009 Series A Bonds in the Appendix (the “Appendix”) attached to this Series Indenture; and

WHEREAS, all acts and proceedings required by law, including the Act, and by the Indenture, including all action requisite on the part of the Agency, its Board of Directors, its members and its officers, necessary to make the 2009 Series A Bonds, when executed by the Agency, caused to be authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Agency, and to constitute this Series Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have

been done and taken, and the execution and delivery of this Series Indenture have been in all respects duly authorized;

NOW, THEREFORE, IN CONSIDERATION OF THE COVENANTS AND PREMISES HEREIN CONTAINED, THIS SERIES INDENTURE WITNESSETH that the Agency agrees and covenants with the Trustee as follows:

ARTICLE I

DEFINITIONS AND MISCELLANEOUS

Section 101 Definitions. Unless the context otherwise requires, capitalized terms used in this Series Indenture shall, for all purposes of this Series Indenture, have the meanings specified in the Indenture, the recitals hereto, this Section or the Appendix. As provided in Section 1.2 of the Appendix, to the extent than any defined terms contained in Section 1.1 of the Appendix are inconsistent with any terms in the Indenture, the defined terms contained in the Appendix shall control with respect to the 2009 Series A Bonds. As used in this Series Indenture with respect to the 2009 Series A Bonds, the following terms shall have the following meanings:

“Conversion Indenture” means a series indenture or a supplemental indenture executed and delivered by the Agency pursuant to this Series Indenture in connection with the Conversion of all or a portion of the principal amount of 2009 Series A Bonds.

“Record Date” for the 2009 Series A Bonds means the close of business on the fifteenth (15th) day (whether or not a Business Day) immediately preceding each Interest Payment Date.

“Subseries” means that portion of the 2009 Series A Bonds given a unique subseries designation pursuant to the provisions of a Conversion Indenture executed and delivered in connection with a Conversion of the interest rate on such portion of the 2009 Series A Bonds.

Section 102 Captions and Index. Any captions, titles or headings preceding the text of any Article or Section herein and any table of contents or index attached to this Series Indenture or any copy hereof are solely for convenience of reference and shall not constitute part of this Series Indenture or affect its meaning, construction or effect.

Section 103 Execution of Several Counterparts. This Series Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and any and all such counterparts shall together constitute but one and the same instrument.

Section 104 Ratification of Indenture. As amended and supplemented hereby, the Indenture and the trusts conferred thereby are in all respects confirmed, and the Indenture, all indentures supplemental thereto and this Series Indenture shall be read, taken and considered as one instrument.

Section 105 Invalidity of Certain Provisions. In case any one or more of the provisions contained in this Series Indenture should be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions contained in this Series Indenture, and, to the extent and only to the extent that any such provision is invalid, illegal or unenforceable, this Series Indenture shall be construed as if such provision had never been contained herein.

ARTICLE II

THE 2009 SERIES A BONDS

Section 201 Authorization and Terms.

(A) Authorization, Amount and Designation of Bonds. In order to provide funds necessary to be used and expended for the purposes of the Indenture, in accordance with and subject to the terms, conditions and limitations established herein, a Series of Bonds is hereby authorized to be issued in the aggregate principal amount of \$380,530,000. The Agency is of the opinion and hereby ratifies its previous determination that the issuance of Bonds in such amount is necessary to provide sufficient funds at this time to be used and expended to finance the construction or development of multifamily rental housing. The Series of Bonds issued and delivered hereunder in said aggregate principal amount shall initially bear the designation of “2009 Series A,” and each Bond of such Series shall be entitled “California Housing Finance Agency Affordable Multifamily Housing Revenue Bonds, 2009 Series A.” Each Conversion of 2009 Series A Bonds creating a Subseries of 2009 Series A Bonds shall be authorized by a Conversion Indenture executed and delivered by the Agency pursuant to Section 302 of this Series Indenture. On and after the Release Date associated with a Conversion of Subseries of 2009 Series A Bonds such Subseries shall further bear a numerical designation as set forth in the related Conversion Indenture.

(B) Purpose of Series; Parity Bonds. The 2009 Series A Bonds are being issued to provide funds to be credited and applied pursuant to Article IV of this Series Indenture.

The 2009 Series A Bonds are initially issued as Parity Bonds under the Indenture. Upon Conversion, all or a portion of the 2009 Series A Bonds may, upon satisfaction of each of the applicable conditions of Section 206 of the General Indenture, be identified as Non-Parity Bonds under the Indenture, as specified in the related Conversion Indenture.

(C) Terms of the 2009 Series A Bonds. The terms of the 2009 Series A Bonds shall be as specified in the Appendix. The Record Dates for the 2009 Series A Bonds shall be as set forth in the definition of such term in Section 101 of this Series Indenture.

(D) Denominations and Form. The 2009 Series A Bonds shall be issued, Converted and redeemed only in Authorized Denominations. The 2009 Series A Bonds and the Trustee’s certificate of authentication and registration to appear thereon are to be in substantially the forms set forth in Exhibit A hereto, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required hereby.

(E) Paying Agent. The Trustee is hereby appointed Paying Agent for the 2009 Series A Bonds at its Principal Office in San Francisco, California. U.S. Bank National Association, at its Principal Office in St. Paul, Minnesota, will act as agent for the Paying Agent in accepting any 2009 Series A Bonds surrendered for payment of principal.

Section 202 Book Entry System Registration. (A) The 2009 Series A Bonds shall be initially issued in the form of a separate single fully registered Bond for each maturity. Upon initial issuance, the ownership of the 2009 Series A Bonds shall be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC. Except as provided in paragraphs (B) and (D) of this Section, all of the Outstanding 2009 Series A Bonds shall be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC.

(B) With respect to the 2009 Series A Bonds registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, the Agency, the Trustee and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the 2009 Series A Bonds. Without limiting the immediately preceding sentence, the Agency, the Paying Agent and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the 2009 Series A Bonds, (ii) the delivery to any Participant or any other person, other than a 2009 Series A Bondholder, as shown in the registration books kept by the Trustee, of any notice with respect to the 2009 Series A Bonds, or (iii) the payment to any Participant or any other person, other than a 2009 Series A Bondholder, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, or interest on the 2009 Series A Bonds. The Agency, the Paying Agent and the Trustee may treat and consider the person in whose name each 2009 Series A Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such 2009 Series A Bond for the purpose of payment of principal, premium and interest with respect to such 2009 Series A Bond, for the purpose of giving notices of matters with respect to such 2009 Series A Bond, for the purpose of registering transfers with respect to such 2009 Series A Bond, and for all other purposes whatsoever. The Trustee and the Paying Agent shall pay all principal of and interest on the 2009 Series A Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Trustee, as provided in Section 304(C) of the Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of and interest on the 2009 Series A Bonds to the extent of the sum or sums so paid. No person other than a 2009 Series A Bondholder, as shown in the registration books kept by the Trustee, shall receive a certificated 2009 Series A Bond evidencing the obligation of the Agency to make payments of principal and interest pursuant to this Series Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word "Cede" in this Series Indenture shall refer to such new nominee of DTC; and upon receipt of such a notice the Trustee shall promptly deliver a copy of the same to the Agency.

(C) No letter or other agreement required to be delivered to DTC by the Agency or the Trustee shall in any way limit the provisions of paragraph (B) of this Section or in

any other way impose upon the Agency any obligation whatsoever with respect to persons having interests in the 2009 Series A other than the 2009 Series A Bondholders, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the Agency in any such letter or agreement with respect to the Paying Agents and the Trustee, respectively, to at all times be complied with.

(D) DTC may determine to discontinue providing its services with respect to the 2009 Series A Bonds at any time by giving reasonable notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2009 Series A Bonds. Upon any such discontinuation or termination of the services of DTC with respect to the 2009 Series A Bonds, if no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Agency, is willing and able to undertake such functions upon reasonable and customary terms, the Agency is obligated to deliver Bond certificates, and the 2009 Series A Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging 2009 Series A Bonds shall designate, in accordance with the provisions of the Indenture.

(E) Notwithstanding any other provision of the Indenture to the contrary, so long as any 2009 Series A Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and interest on such 2009 Series A Bond and all notices with respect to such 2009 Series A Bond shall be made and given, respectively, in the manner agreed upon by DTC and the Trustee. Beneficial owners of the 2009 Series A Bonds shall have no lien on or security interest in any rebate or refund paid by DTC to the Trustee which arises from the payment by the Trustee of principal of or interest on the 2009 Series A Bonds in immediately available funds to DTC.

ARTICLE III

CONVERSION OF THE 2009 SERIES A BONDS

Section 301 Contents of Conversion Indentures.

(A) Each Conversion Indenture executed and delivered by the Agency in connection with the Conversion of 2009 Series A Bonds shall either specify or fix the manner of determining (in accordance with the provisions of this Series Indenture):

(i) The principal amount of the 2009 Series A Bonds being Converted;

(ii) The numerical designation of the Subseries designation of such 2009 Series A Bonds being Converted and the form of such Bonds and the Certificate of Authentication with respect thereto;

(iii) The Release Date of such Subseries of 2009 Series A Bonds, the maturity date or dates thereof and the amount of each maturity of such Bonds;

(iv) The Fixed Interest Rate for such Subseries of 2009 Series A Bonds;

(v) In the case of a Subseries for which sinking fund installments are to be provided, provision for the same on such dates and in such amounts which, together with the principal amounts remaining unpaid on the maturity dates thereof, in the aggregate will equal the aggregate principal amount of all such Subseries;

(vi) Any funds and accounts to be established under such Conversion Indenture within the Program Account or otherwise, and the amounts to be transferred to or deposited in such funds and accounts from the amounts on deposit in the Escrow Fund;

(vii) Any amendments to the terms of the Converted 2009 Series A Bonds as set forth therein;

(viii) Any other provisions deemed advisable by the Agency that are not in conflict with the provisions of the Indenture, including this Series Indenture and the Appendix, including, if necessary in the opinion of Bond Counsel, such provisions as may be required for such Bonds to comply with the requirements of Section 103, 142, 146 or 148 of the Code.

ARTICLE IV

APPLICATION OF 2009 SERIES A BOND PROCEEDS; OPERATION OF ACCOUNTS

Section 401 Establishment of Escrow Fund .

There are hereby established within the Program Account two separate accounts to be designated, respectively, as the “Escrow Fund” and the “2009 Series A Program Account.” The Trustee shall deposit the proceeds of the 2009 Series A Bonds in the Escrow Fund. In addition, the Trustee shall deposit the Shortfall Amount received from the Agency, namely \$_____, in the Escrow Fund. Moneys in the Escrow Fund and the 2009 Series A Program Account shall be applied as set forth in the Appendix, Section 402 of the Indenture, and Section 402 hereof. There shall be no Loan Reserve Account or Bond Reserve Account initially established for the 2009 Series A Bonds. Any Conversion Indenture for 2009 Series A Bonds may establish a Bond Reserve Account, a Loan Reserve Account and any requirements therefore, and may provide for the deposit of moneys other than the proceeds of Bonds for the payment of interest on any portion of the 2009 Series A Bonds being Converted or for any other purpose consistent with the Indenture.

Section 402 Operation of Accounts. The following provisions shall apply to the operation of the 2009 Series A Escrow Fund:

(i) On each Release Date, the Trustee shall automatically apply the Investment Earnings on amounts on deposit in the 2009 Series A Escrow Fund relating to the Bonds, the proceeds of which are being released on such Release Date, to the payment of interest on such Bonds;

(ii) Moneys on deposit in the Escrow Fund shall be released and transferred by the Trustee on each Release Date, pursuant to the related Conversion Indenture, to the related Subseries subaccount in the 2009 Series A Program Account in such amounts and on such dates as the Agency shall specify in such Conversion Indenture in accordance with the Appendix, to make or purchase Secured Multifamily Loans in accordance with the Indenture; and

(iii) Any moneys on deposit in Escrow Fund that have not been released upon a Conversion and remain on deposit therein as of January 1, 2011 shall be applied to the redemption of 2009 Series A Bonds in accordance with the Appendix. The Agency may at any time direct the Trustee to apply amounts that remain on deposit in the Escrow Fund to the redemption of 2009 Series A Bonds that have not been Converted. The Trustee shall redeem such 2009 Series A Bonds as directed by the Agency on the earliest practicable date of redemption in accordance with the Appendix.

Section 403 Investments. Amounts on deposit in the Escrow Fund shall be invested in Permitted Escrow Investments as that term is defined in the Appendix.

ARTICLE V

SPECIAL PROVISIONS

Section 501 Tax Provisions Relating to 2009 Series A Bonds. It is not intended that interest on 2009 Series A Bonds be excluded from gross income for federal income tax purposes prior to the applicable Release Date for such Bonds.

Section 502 Required Rating Agency Notices. The Trustee shall notify each Rating Agency rating the 2009 Series A Bonds prior to or concurrently with the occurrence of each of the following events: any amendment of, or supplement to, the General Indenture or this 2009 Series A Indenture; an acceleration of principal of any Bonds outstanding hereunder; a Conversion; the defeasance of any Bonds; the appointment of a successor Trustee;.

ARTICLE VI

SEVERABILITY

Section 601 Severability and Invalid Provisions. If any one or more of the covenants or agreements provided in this Series Indenture on the part of the Agency to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Series Indenture.

IN WITNESS WHEREOF, the California Housing Finance Agency has caused this Series Indenture to be signed in its name by its Director of Financing and its corporate seal to be affixed hereto and attested by the Secretary of its Board of Directors, and U.S. Bank National Association, in token of its acceptance of the trusts created hereunder, has caused this Series Indenture to be signed in its corporate name by one of its authorized signatories, all as of the day and year first above written.

CALIFORNIA HOUSING FINANCE AGENCY

By: _____
Bruce Gilbertson
Director of Financing

Attest:

Secretary of the Board of Directors

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By _____
Authorized Signatory

EXHIBIT A

[FORM OF 2009 SERIES A BOND]

No. AR __

\$_____

**CALIFORNIA HOUSING FINANCE AGENCY
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS,
2009 SERIES A**

Interest Rate	Maturity Date	Issue Date	CUSIP No.
--------------------------	--------------------------	-----------------------	----------------------

December __, 2010

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

The CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California (herein called the "Agency"), for value received, hereby promises to pay to the registered owner identified above, or registered assigns, on the maturity date specified above (or upon prior redemption as hereinafter described), the principal sum specified above in lawful money of the United States of America; and to pay interest thereon in like money from January 12, 2010 until payment of such principal sum is discharged as provided in the Indenture hereinafter referred to, at the rate per annum specified [in the Appendix], payable on the [dates specified in the Appendix] (each an "Interest Payment Date"). The principal (or redemption price) hereof is payable by check upon surrender hereof at the office of U.S. Bank National Association, as Trustee (herein called the "Trustee"), at _____, San Francisco, California (its "Principal Office"), or, at the option of the registered owner hereof, at the office of U.S. Bank National Association, St. Paul, Minnesota. Interest hereon is payable by check mailed on each Interest Payment Date to the person in whose name this Bond or any predecessor Bond is registered as of the 15th day preceding the applicable Interest Payment Date at such person's address as it appears on the Bond registration books of the Trustee. Notwithstanding the foregoing, upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of 2009 Series A Bonds, payments of interest on and, upon surrender hereof, principal of such Bonds shall be made by wire transfer from the Trustee to such registered owner.

This Bond is one of the duly authorized bonds of the Agency designated as the "California Housing Finance Agency Affordable Multifamily Housing Revenue Bonds" (herein

called the “Bonds”), unlimited in aggregate principal amount, except as otherwise provided in the Indenture hereinafter mentioned, which issue of Bonds consists or may consist of one or more series of varying dates, maturities, interest rates, redemption and other provisions, all issued or to be issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California, as amended (herein called the “Act”), and pursuant to that certain Indenture, dated as of December 1, 2009, by and between the Agency and the Trustee, as the same may be amended and supplemented from time to time. This Bond is one of a duly authorized series of Bonds additionally designated “2009 Series A” (herein called the “2009 Series A Bonds”), limited to the principal amount of \$380,530,000, and issued pursuant to the Act, the Indenture and that certain Series Indenture (herein called the “Series Indenture”), dated as of December 1, 2009, by and between the Agency and the Trustee. The Indenture mentioned above, as supplemented by the Series Indenture, is herein called the “Indenture”.

This Bond shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof, other than the Agency to the limited extent set forth in the Indenture, or a pledge of the faith and credit of the State of California or of any such political subdivision, other than the Agency. The faith and credit of the Agency, the State of California or of any political subdivision of the State are not pledged to the payment of the principal of or interest on this Bond. The Agency has no taxing power.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

This Bond is subject to redemption in whole on February 1, 2011 and shall be redeemed by the Trustee at a redemption price equal to the principal amount hereof, plus accrued interest, without premium, from amounts remaining on deposit in the 2009 Series A Bond Proceeds Account on such date.

Whenever less than all of the Bonds are called for redemption, Bonds shall be selected for redemption as provided in the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption and the holder hereof shall have no rights hereunder or under the Indenture except to receive payment of the redemption price of this Bond.

If an Event of Default (as that term is defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner, subject to the limitations, and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded.

The registered owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute actions to enforce the pledge, assignments in trust or covenants made therein or to take any action with respect to an Event of Default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The 2009 Series A Bonds are issuable as registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof.

This Bond is transferable by the registered owner hereof, in person or by such registered owner's attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of the same Series, maturity and tenor and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The Agency and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Agency and the Trustee, without the consent of any Bondholder, or in certain instances with the consent of the Holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture, provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of this Bond or reduce the amount of the principal hereof, or extend the time of payment or reduce the amount of any sinking fund installment provided in the Indenture for the payment of this Bond, or reduce the rate of interest hereon, without the consent of the Holder of this Bond, or (2) reduce the percentage of aggregate principal amount of Outstanding Bonds for which the consent of the registered owners thereof is required to effect any such modification or amendment, permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the bondholders of the lien created by the Indenture (except as expressly provided therein), without the consent of the Holders of all the Bonds then Outstanding, all as more fully set forth in the Indenture.

Neither the members of the Board of Directors of the Agency nor any officer or employee of the Agency nor any person executing this Bond shall be subject to any personal liability or accountability by reason of the issuance hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of California or by the Act or the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of the 2009 Series A Bonds exist, have happened and have been performed and that the issuance of the 2009 Series A Bonds, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, the California Housing Finance Agency has caused this Bond to be executed on its behalf by the facsimile signature of its Acting Executive Director, and its seal to be reproduced hereon and attested by the facsimile signature of the Secretary of its Board of Directors, all as of the Issue Date set forth above.

CALIFORNIA HOUSING FINANCE AGENCY

By _____
Acting Executive Director

Attest:

Secretary of the Board of Directors

[TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND
REGISTRATION]

This is one of the Bonds described in the within mentioned Indenture and
authenticated and registered on:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____,
Attorney, to transfer the said Bond on the Bond Register with full power of substitution in the
premises.

Dated: _____

Signature guaranteed: _____

NOTICE: The signature to this assignment must correspond with the name of the
registered owner as it appears upon the face of the within Bond in every particular, without
alteration or enlargement or any change whatever.

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the
requirements of the Trustee, which requirements include membership or participation in STAMP
or such other "signature guaranty program" as may be determined by the Trustee in addition to
or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as
amended.

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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**APPENDIX
TO SERIES INDENTURE**

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.1 Appendix Definitions. The following terms shall, with respect to the Program Bonds, have the following meanings in this Appendix and the Indenture for so long as the Program Bonds remain Outstanding:

“*Administrator*” means U.S. Bank National Association, as administrator pursuant to that certain Administration Agreement by and among U.S. Bank National Association, Fannie Mae and Freddie Mac and concerning the administration of the Program, together with its successors and assigns in such capacity.

“*Annual Filing*” means the annual financial information required to be provided by the Issuer pursuant to a continuing disclosure undertaking of the Issuer pursuant to Rule 15c2-12, which information shall be provided to the GSEs pursuant to Section 5.3 hereof as and when required by Rule 15c2-12, whether or not Rule 15c2-12 applies to the Program Bonds.

“*Authorized Denominations*” means \$5,000 and integral multiples thereof and, for purposes of initial issuance and redemption of Program Bonds, \$10,000 or any integral multiple of \$10,000 in excess thereof.

“*Bond Counsel*” means nationally recognized bond counsel selected by the Issuer.

“*Bond Rating*” means the long-term credit rating (without regard to any bond insurance or any other form of credit enhancement on the Bonds) assigned to the Program Bonds or Parity Debt by each Rating Agency then providing its long-term rating therefor. If more than one rating agency provides a rating, the “Bond Rating” is the lowest such rating.

“*Certificate of Adverse Change*” means a written notice from or on behalf of the GSEs or the Issuer stating that one or more of the certificates or opinions required to be delivered by the Issuer pursuant to the Placement Agreement has been revised or withdrawn prior to the receipt by the Issuer of proceeds of the Program Bonds on the Settlement Date.

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

“*Construction Program Bond Conversion Date*” means the first day of the first month which is more than 48 months after the Settlement Date.

“*Construction Program Bond Variable Rate*” means a variable rate equal to the sum of (i) the index of the weekly index rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as The Securities Industry and Financial

Markets Association (SIFMA) Municipal Swap Index or any successor to such index plus (ii) .50% per annum.

“*Construction Program Bonds*” means bonds designated by the Issuer as Construction Program Bonds issued to finance a multifamily mortgage loan meeting the requirements of Section 3.2(a)(iii) hereof, which bonds mature less than 34 years after the Settlement Date and bear interest and have the terms set forth in Section 2.2(b) hereof. Construction Program Bonds may be either fixed rate Construction Program Bonds (which shall bear interest at the Permanent Rate on and after the Conversion Date) or Variable Rate Construction Program Bonds, which bear interest at the Construction Program Bond Variable Rate on and after the Release Date and at the Permanent Rate on and after the Construction Program Bond Conversion Date.

“*Conversion*” or “*Converting*” or “*Converted*” means the conversion or the converting of the interest rate on all or a portion of the Pre-Conversion Bonds from a Short-Term Rate to a Permanent Rate as provided herein.

“*Conversion Date*” means, with respect to all or a portion of Pre-Conversion Bonds that are converting to a Permanent Rate, the date two (2) months after the related Release Date; provided that there shall be no more than three (3) Conversion Dates.

“*Converted Bonds*” means Program Bonds that have been through the process of Conversion.

“*Debt*” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all debt of others secured by a lien on any asset of such Person, whether or not such debt is assumed by such Person, and (f) all Guarantees by such Person of debt of other Persons.

“*Escrow Fund*” means the Escrow Fund, which is created by the Series Indenture as a separate, noncommingled fund in which the Trustee will hold the Pre-Conversion Bond proceeds until the applicable Release Date or until such Pre-Conversion Bonds are redeemed.

“*Escrowed Proceeds*” means the portion of the proceeds of the Pre-Conversion Bonds that, together with the Shortfall Amount, must be set aside in the Escrow Fund pending the related Release Date.

“*Fannie Mae*” means the Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq.

“*FHA*” means the Federal Housing Administration or its successors.

“*FHA Loan*” means a multifamily mortgage loan guaranteed as to payment of principal and interest (subject to standard limitations and qualifications) by FHA, with a fixed rate and a final maturity prior to the date which is no more than 42 years after the Settlement Date.

“*Four Week T-Bill Rate*” means the interest rate for Four Week Treasury Bills (secondary market) as reported by the Federal Reserve on its website at the following internet address -<http://www.federalreserve.gov/releases/h15/update/h15upd.htm>.

“*Freddie Mac*” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States.

“*GNMA*” means the Government National Mortgage Association, a government-sponsored enterprise organized and existing under the laws of the United States.

“*GSE*” means either Fannie Mae or Freddie Mac or both, collectively, as the context may require.

“*Guarantee*” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

“*Hedge*” means any interest rate swap, interest rate cap, interest rate collar or other arrangement, contractual or otherwise, which has the effect of an interest rate swap, interest rate collar or interest rate cap or which otherwise (directly or indirectly, derivatively or synthetically) hedges interest rate risk associated with being a debtor of variable rate debt, or any agreement or other arrangement to enter into any of the above on a future date or after the occurrence of one or more events in the future.

“*HUD*” means the United States Department of Housing and Urban Development.

“*Interest Payment Date*” means, with respect to Pre-Conversion Bonds, each Release Date (but such Release Date shall be an Interest Payment Date only for that portion of Pre-Conversion Bonds with respect to which Escrowed Proceeds are subject to release on such date), each Conversion Date (but such Conversion Date shall be an Interest Payment Date only with respect to those Pre-Conversion Bonds which are to become, as of such date, Converted Bonds), and each redemption date.

“*Issue Date*” means the date each week that Four Week Treasury Bills are issued and delivered pursuant to the U.S. Treasury’s weekly auction.

“*Issuer*” means the Agency.

“*Material Event Filing*” means the material event notices required to be provided by the Issuer pursuant to a continuing disclosure undertaking of the Issuer pursuant to Rule 15c2-12, which material event notices shall be provided to the GSEs pursuant to Section 5.3 hereof as and

when required by Rule 15c2-12, whether or not Rule 15c2-12 applies to the Program Bonds.

“*MBS*” means a mortgage-backed security or securities issued by either GSE or by GNMA.

“*Multifamily Program Bond Limit*” means the amount of \$380,530,000 that has been allocated to the Issuer with respect to the Program Bonds.

“*Notice Parties*” means the Administrator, Fannie Mae, Freddie Mac and Treasury’s Financial Agent.

“*Notice Parties’ Addresses*” means the addresses of the Notice Parties set forth in Section 6.1 hereof as modified from time to time pursuant to Section 6.1 hereof.

“*Official Statement*” means an official statement or other offering document of the Issuer with respect to the Program Bonds.

“*Official Statement Supplement*” means the supplement or amendment to the official statement of the Issuer relative to the Conversion of Program Bonds to Converted Bonds.

“*Parity Debt*” means, at any given time, Debt, including the Program Bonds, that is now or hereafter Outstanding under the terms of the Indenture; provided, that such Debt is secured and is otherwise payable on a parity with the Program Bonds pursuant to the Indenture.

“*Permanent Rate*” means an interest rate per annum certified to the Trustee by the Special Permanent Rate Advisor on or prior to the Release Date, which shall be equal to the sum of (i) 3.49% plus (ii) the Spread.

“*Permanent Rate Calculation Date*” means the date on which the Permanent Rate is calculated with respect to all or a portion of the Program Bonds, which shall be, with respect to each applicable portion of the Pre-Conversion Bonds, a date acceptable to the GSEs selected by the Issuer on or prior to December 31, 2010 by delivery of a Release Certificate as provided in Section 2.3 hereof.

“*Permitted Escrow Investments*” means the investments represented by and provided pursuant to that certain Global Escrow Agreement dated as of December 1, 2009 by and among the GSEs, the Trustee and U.S. Bank National Association, as escrow agent.

“*Permitted Mortgage Loans*” means (i) loans insured by FHA, including loans under the FHA risk-sharing program, (ii) loans guaranteed by GNMA, (iii) loans guaranteed by either GSE, and (iv) loans originated pursuant to underwriting criteria agreed to by the GSEs (which criteria are provided by the GSEs in writing for use in connection with the Program Bonds) which are either newly originated or refinanced as part of a refunding of variable rate debt of the Issuer issued on or before October 19, 2009, which debt was issued to acquire and finance the holding of multifamily loans described in (i)-(iv) above on or after October 19, 2004, so long as all such loans are eligible to be financed on a tax-exempt basis under applicable federal income tax law.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

“*Placement Agreement*” means the Placement Agreement among the Issuer and the GSEs, concerning the acquisition of the Program Bonds from the Issuer.

“*Pre-Conversion Bonds*” means Program Bonds for which the interest rate has not been the subject of a Conversion.

“*Pre-Settlement Date*” means December 30, 2009.

“*Program*” means the Housing Finance Agency Initiative announced by Treasury on October 19, 2009.

“*Program Bonds*” means the 2009 Series A Bonds authorized to be issued pursuant to Section 202 of the Indenture, Section 201 of the Series Indenture and Section 2.1 of this Appendix, and includes Pre-Conversion Bonds and Converted Bonds.

“*RDA*” means the Rural Development Agency of the United States Department of Agriculture or its successors.

“*Related Documents*” means the Program Bonds, the Indenture, the Series Indenture (which includes this Appendix) any investment agreement or repurchase agreement relating to security for Parity Debt, any surety bond or other credit or liquidity support relative to Parity Debt, and any Hedge entered into with respect to Parity Debt and payable on a parity therewith, as the same may be amended or modified from time to time in accordance with their respective terms.

“*Release Date*” means such date or dates (not to exceed three (3) dates) on or prior to December 31, 2010 and which dates are acceptable to the GSEs, on which dates the requirements of Section 2.3 hereof are satisfied, including, without limitation, delivery of a Release Certificate as set forth to this Appendix as Exhibit A.

“*Rule 15c2-12*” means Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

“*Settlement Date*” means January 12, 2010.

“*Shortfall Amount*” means the difference, as of the Settlement Date, between the proceeds of the Program Bonds to be received on such Settlement Date and the initial principal amount of such Program Bonds.

“*Short-Term Rate*” means, (i) for the period from the Settlement Date to the applicable Release Date, the interest rate which produces an interest payment on such Release Date relative to the Program Bonds with respect to which Escrowed Proceeds are subject to release on such Release Date equal to Investment Earnings and (ii) with respect to Program Bonds which are not Variable Rate Construction Program Bonds, from the Release Date to the Conversion Date, an

interest rate equal to the sum of the Spread plus the lesser of (A) the Four Week T-Bill Rate as of the Business Day prior to the Release Date or (B) the Permanent Rate less the Spread. For purposes of this provision, “*Investment Earnings*” means total investment earnings on the portion of the Escrow Fund related to Program Bonds with respect to which a Release Date is occurring.

“*Special Permanent Rate Advisor*” means State Street Bank and Trust Company, and any successor or assign designated by Treasury.

“*Spread*” means (i) with respect to Program Bonds which are not Variable Rate Construction Program Bonds, additional per annum interest on the Program Bonds based upon the lowest Bond Rating of the Program Bonds effective as of the Permanent Rate Calculation Date under the Indenture by the rating agencies rating the Program Bonds, as follows:

Rating	Additional Spread
‘Aaa’/’AAA’	60 bps
‘Aa’/’AA’	75 bps
‘A’	110 bps

and, (ii) with respect to Program Bonds which are Variable Rate Construction Program Bonds, additional per annum interest on the Variable Rate Construction Program Bonds based upon the lowest Bond Rating of the Program Bonds effective as of the Permanent Rate Calculation Date under the Indenture by the rating agencies rating the Variable Rate Construction Program Bonds, as follows:

Rating	Additional Spread
‘Aaa’/’AAA’	140 bps
‘Aa’/’AA’	155 bps
‘A’	190 bps

“*Treasury*” means the United States Department of the Treasury.

“*Treasury’s Financial Agent*” means JPMorgan Chase Bank, N.A., as Treasury’s financial agent, or such other party as Treasury may appoint for such purpose from time to time.

“*VA*” means the United States Department of Veterans Administration or its successors.

“*Variable Rate Construction Program Bonds*” means bonds designated by the Issuer as Variable Rate Construction Program Bonds issued to finance a multifamily mortgage loan meeting the requirements of Section 3.2(a)(iii) hereof, which bonds mature no more than thirty-four (34) years after the Settlement Date and which bear interest and have the terms set forth herein.

“*Volume Cap*” means tax-exempt bond volume cap as described in Section 146 of the

Code.

Section 1.2 Inconsistent Defined Terms. To the extent that any defined terms contained in Section 1.1 hereof are inconsistent with any terms in the Indenture, the defined terms contained herein shall control with respect to the Program Bonds.

Section 1.3 Other Defined Terms. Other capitalized terms contained in this Appendix and not otherwise defined herein, shall have the same meanings ascribed thereto in the Indenture.

ARTICLE II

TERMS OF PROGRAM BONDS

Section 2.1 Date, Maturities and Denominations.

(a) **Program Bonds.** The Program Bonds shall be dated December 30, 2010, shall bear interest from the Settlement Date and shall mature on the dates and in the principal amounts set forth below, except as otherwise provided herein:

Maturity	Principal Amount
December 30, 2051	\$380,530,000

(b) **Denominations.** The Program Bonds shall be issued only in Authorized Denominations and each Release Date shall apply to Program Bonds in Authorized Denominations.

Section 2.2 Interest Rates.

(a) Each Pre-Conversion Bond which is not a Variable Rate Construction Program Bond shall bear interest at the Short-Term Rate from the Settlement Date to the related Conversion Date. The interest rate on some or all of the Pre-Conversion Bonds which are not Variable Rate Construction Program Bonds may be Converted on a Conversion Date to a Permanent Rate in accordance with the provisions hereof.

(b) Each Pre-Conversion Bond which is a Variable Rate Construction Program Bond shall bear interest at the Short-Term Rate from the Settlement Date to the Release Date. On and after the Release Date to the Construction Program Bond Conversion Date, the Variable Rate Construction Program Bonds shall bear interest at the Construction Program Bond Variable Rate. On and after the Construction Program Bond Conversion Date, the interest rate on the Variable Rate Construction Program Bonds shall be the Permanent Rate.

(c) Program Bonds bearing interest at the Construction Program Bond Variable Rate shall bear interest on the basis of actual days elapsed for a year of 365 or 366 days, as applicable. Program Bonds bearing interest at the Permanent Rate shall bear interest based on a 360-day year consisting of 12 30-day months.

Section 2.3 Release and Conversion.

(a) **General.** A Conversion may involve all or only a portion of the Pre-Conversion Bonds, provided that such Pre-Conversion Bonds may only be Converted in integral multiples of \$10,000. Any particular Pre-Conversion Bond may be Converted to a Permanent Rate only once. The Issuer may exercise its right of Conversion on no more than three (3) occasions and must cause each related Release Date to occur on or prior to December 31, 2010. If Pre-Conversion Bonds are Converted to Permanent Rates in part on different dates, each portion of such Program Bond may bear interest at different Permanent Rates based on their respective Conversion Dates.

(b) **Release Requirements.**

(i) On or prior to the date which is fourteen (14) days prior to a proposed Release Date, the Issuer shall notify the Trustee, the Notice Parties (at the Notice Parties' Addresses) and the Rating Agencies, pursuant to Exhibit A hereto, of (A) the proposed Release Date, (B) the proposed Conversion Date, (C) the principal amount of Pre-Conversion Bonds to be Converted on such Conversion Date, (D) the proposed Permanent Rate Calculation Date and (E) the Bond Rating anticipated to be in effect on the Release Date.

(ii) The Issuer shall deliver or cause to be delivered to the Trustee on or prior to any Release Date, the following:

(A) the certification of the Special Permanent Rate Advisor specifying, as applicable, the Permanent Rate Calculation Date and the Four Week T-Bill Rate, Spread and Permanent Rate applicable to the relevant Conversion;

(B) an Official Statement or Official Statement Supplement relative to the Program Bonds;

(C) (I) an opinion or opinions of counsel and a certificate of an authorized officer of the Issuer to the effect that nothing has come to their attention that the Official Statement or Official Statement Supplement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which there were made, not misleading and (II) a letter or letters from the counsel referenced in the foregoing clause (I) addressed to the GSEs stating that the GSEs may rely on such opinion as though it was addressed to them;

(D) confirmation by the Rating Agencies of the Bond Rating on the applicable Program Bonds after giving effect to the Release Date and related Conversion;

(E) an opinion of Bond Counsel dated as of the Release Date to the effect that the applicable Program Bonds have been duly and validly

issued and are enforceable obligations of the Issuer and that interest payable on such Program Bonds is exempt from federal income taxation under Section 103 of the Code; and

(F) a Certificate of the GSEs, evidencing (I) their consent to the Release Date and (II) that the Issuer has paid or made arrangements to pay the fees of the GSEs' counsel in connection with the Release Date.

The Trustee shall provide via e-mail and delivery by overnight mail (x) to the Notice Parties at the Notice Parties' Addresses copies of items (ii) (A) through (F) above and (y) to the Issuer and the Notice Parties at the Notice Parties' Addresses, confirmation, as set forth in Exhibit B hereto, that the interest rate of the related Program Bonds shall be Converted to the specified Permanent Rate as of the specified Conversion Date and that the related bond proceeds shall be released to the Issuer on the specified Release Date in accordance with the provisions of this Appendix.

Section 2.4 [Reserved]

Section 2.5 Taxable Bond Representation. The Issuer hereby represents and warrants that (i) it reasonably expects to have Volume Cap, to the extent necessary for the Program Bonds to be tax-exempt, on a timely basis and in a manner which shall permit the Conversion of all Program Bonds to a Permanent Rate and the release of all Escrowed Proceeds by December 31, 2010 and (ii) the Issuer shall use its best efforts to obtain such Volume Cap, if necessary. The Issuer further represents and warrants that all tax-exempt Program Bonds issued hereunder shall be exempt facility bonds financing qualified residential rental projects within the meaning of Section 142 of the Internal Revenue Code of 1986. The Issuer agrees and acknowledges that the adjustment of interest on Program Bonds from taxable status to tax-exempt status may not be accomplished through a refunding and remarketing of the Program Bonds, and the Issuer represents and warrants that the conversion of such Program Bonds to tax-exempt status will not be accomplished by such means.

Section 2.6 Special Redemptions.

(a) ***Pre-Conversion Bonds.***

(i) ***Failure to Convert.*** Any Pre-Conversion Bonds with respect to which a Release Date has not occurred prior to January 1, 2011 are subject to mandatory redemption on February 1, 2011 (or an earlier date selected by the Issuer), at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

(ii) ***Withdrawal of Closing Certificates.*** The Program Bonds are subject to mandatory redemption in whole, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, on the first Business Day at least thirty (30) days after the Settlement Date, if there is delivered by mail or by electronic means to the Trustee on or prior to the Settlement Date a Certificate of Adverse Change and the GSEs have not, prior to the date 20 days following the Settlement Date, provided the Trustee a written waiver.

(b) ***Pre-Conversion Bonds Not Meeting Minimum Rating Thresholds.*** Within ten (10) Business Days of receipt by the Trustee of notice that the Bond Rating has been withdrawn or fallen below 'A3' or 'A-', all proceeds that are held in the Escrow Fund shall be used to mandatorily redeem a corresponding amount of Program Bonds, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the redemption date. The Issuer hereby covenants to provide such notice to the Trustee promptly upon receipt by the Issuer of notice of any such withdrawal or downgrade.

(c) ***Available Moneys for Redemptions.*** With respect to the redemptions set forth in (a) and (b) above, moneys still on deposit in the Escrow Fund shall be used for any such redemption; if Escrow Fund moneys are not sufficient, then any available moneys under the Indenture shall also be used for any such redemption.

Section 2.7 Redemption Restrictions and Recycling Prohibition. Except as limited by tax law requirements, the Issuer shall apply the following exclusively to the redemption of Program Bonds: (i) all proceeds of the Program Bonds, to the extent not used to fund Permitted Mortgage Loans, refund outstanding bond issues as herein provided, pay Program Bond issuance expenses or fund related reserve accounts and (ii) a pro rata portion (calculated based on the outstanding principal amount of the Program Bonds divided by the sum of the outstanding principal amount of the Program Bonds and the outstanding principal amount of any bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds) and 100% (if no bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds are then Outstanding) of all principal prepayments and recoveries of principal received with respect to the Permitted Mortgage Loans, acquired or financed with the proceeds of the Program Bonds and any such parity bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on Program Bonds and any bonds issued in conjunction with and secured by the Trust Estate on a parity with the Program Bonds. Notwithstanding the foregoing, tax credit equity with respect to projects funded with Permitted Mortgage Loans may be used solely to redeem related bonds issued in conjunction with Program Bonds. Amounts set forth in clause (ii) are required to be applied to the redemption of Program Bonds promptly and as provided above shall not be recycled into new Permitted Mortgage Loans. Particular series of Program Bonds may be redeemed with payments of specified Permitted Mortgage Loans.

Section 2.8 Mandatory Sinking Fund Redemption. Program Bonds are subject to mandatory sinking fund redemption in the amounts and on the dates to be established by the Issuer not later than the final Release Date (provided, however, that Construction Program Bonds shall not be subject to sinking fund redemption prior to the Construction Program Bond Conversion Date). The Issuer hereby covenants to establish such sinking fund schedules as herein provided. Each such redemption shall be at a price of par plus accrued interest to the redemption date. The schedules described above shall take into account anticipated underlying Permitted Mortgage Loan amortization, and standard and customary practices of the Issuer.

Section 2.9 Optional Redemption. Program Bonds are subject to redemption at the option of the Issuer, in whole or in part, from any source of funds, on the first Business Day of

any month, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest, if any, to the redemption date.

Section 2.10 Changes Permitted Upon Conversion. In conjunction with the Conversion of Pre-Conversion Bonds, on or prior to the Release Date, the Issuer may add mandatory sinking fund redemption requirements to such Program Bonds and may agree to pay the principal of such Program Bonds prior to their stated maturity (provided, however, that Construction Program Bonds shall not be subject to sinking fund redemption prior to the Construction Program Bond Conversion Date).

Section 2.11 Redemption Notice Requirements. In addition to any other required notices under the Indenture, written notice of each redemption of Program Bonds shall be provided by the Trustee to the Notice Parties, such notice to be provided by e-mail or facsimile transmission to the Notice Parties' Addresses. Redemption of Program Bonds shall not be conditioned on or delayed for the giving of such notice, which shall be provided to the Notice Parties at the Notice Parties' Addresses at least ten (10) days in advance of the date of such redemption (or such lesser period as is required under the Indenture). All redemptions of Program Bonds shall be only in Authorized Denominations.

Section 2.12 DTC Provisions.

(a) The Trustee shall take all actions reasonably required by the Issuer, in accordance with the policies and procedures of the Depository Trust Company, New York, New York ("DTC") to assist the Issuer in the DTC aspects of the settlement process in connection with the Pre-Settlement Date, the Settlement Date, the Release Date and the Conversion Date.

(b) The Program Bonds shall initially be issued to Cede & Co., as nominee for DTC, as one fully registered Bond in the aggregate principal amount of each series of the Program Bonds. In connection with a Release Date for any of the Program Bonds, the Trustee may either accept a replacement bond certificate or make an appropriate notation thereon of the principal amount of such Program Bond certificate and the interest rate(s) to which such Bonds are being Converted and the Release Date and Conversion Date applicable thereto.

If less than all of the Pre-Conversion Bonds are the subject of a particular Release Date, the Issuer and the Trustee may arrange for the delivery of a new Program Bond certificate in an aggregate principal amount equal to the principal amount of Program Bonds for which a Release Date was established, as well as either a notation of a reduction of the principal amount of the Program Bond representing Escrowed Proceeds or the delivery of a new Bond in such reduced principal amount representing Escrowed Proceeds. If a new Program Bond at such a reduced principal amount representing Escrowed Proceeds is so delivered, it shall be exchanged for the existing Program Bond representing Escrowed Proceeds. The Issuer shall arrange for a CUSIP number applicable to each Release Date, which CUSIP number the Trustee shall also note on the Program Bond certificate.

In the event DTC determines to discontinue providing its services and a successor securities depository for all the Program Bonds is not designated, the Issuer and the Trustee shall arrange for the delivery of a single certificate for each series of the Program Bonds as fully registered bonds. Each such fully registered Program Bond shall be identified by a legend consisting of the letter “R” followed by the number of the Bond. The Program Bonds shall be numbered consecutively from 1 upwards.

Section 2.13 Indenture Trust Estate Limitations. The Issuer hereby represents and warrants that the Program Bonds are not secured on a subordinate or parity basis with any other Bonds of the Issuer secured, in whole or in part, with multifamily loans which are not Permitted Mortgage Loans. The Issuer covenants that it will not issue Bonds or other Debt senior to or on a parity with the Program Bonds which additional parity or senior Bonds or Debt is secured, in whole or in part, with multifamily loans which are not Permitted Mortgage Loans. The Issuer further covenants that (i) the sum of the Program Bonds and any parity bonds which are not Program Bonds issued and Outstanding under the Indenture shall not at any time exceed \$634,216,667 (ii) on each Release Date, Program Bonds Outstanding shall constitute not less than 30% of the aggregate amount of Program Bonds and parity bonds issued and Outstanding under the Indenture which are not Program Bonds and, (iii) following the final Release Date, the Issuer will not issue any additional parity bonds (other than parity bonds issued to refund outstanding parity bonds) under the Indenture so long as any Program Bonds remain Outstanding.

In addition, notwithstanding anything to the contrary in the Indenture the owners of a majority in principal amount of the Program Bonds shall have the exclusive right to direct the exercise of remedies under the Indenture and, following the occurrence of an Event of Default with respect to the Program Bonds and any such parity bonds, the Trustee shall take such remedial actions as are directed solely by the owners of a majority in principal amount of the Program Bonds.

ARTICLE III

PROCEEDS OF PROGRAM BONDS

Section 3.1 Escrow of Proceeds of Program Bonds.

(a) *Escrowed Proceeds.* The proceeds of the Program Bonds and the Shortfall Amount shall be retained in the Escrow Fund for application as set forth herein.

If the Trustee has received a Certificate of Adverse Change, all the proceeds of the Program Bonds, together with the Shortfall Amount, shall be retained in the Escrow Fund until either the written waiver referenced in Section 2.6(a)(ii) is delivered or the Program Bonds are redeemed as provided in such Section.

In addition, the proceeds of the Program Bonds and the Shortfall Amount shall be retained in the Escrow Fund until the requirements of Section 2.3 hereof are satisfied or until applied to the redemption of the Program Bonds pursuant hereto. The Escrowed Proceeds and the Shortfall Amount held in the Escrow Fund shall be pledged exclusively

to the repayment of the Program Bonds unless and until there is a default under the Indenture, in which case such funds will be applied as required by the Indenture. While such proceeds are held in the Escrow Fund, such proceeds may only be invested in Permitted Escrow Investments.

(b) ***Conversion and Release of Escrowed Proceeds.*** Upon the satisfaction of the requirements of Section 2.3 and to the extent provided therein, the released Escrowed Proceeds shall be transferred to such fund or account as the Issuer may direct the Trustee.

Section 3.2 Use of Proceeds of Program Bonds.

(a) ***Use of Proceeds.*** The proceeds received from the release of Escrowed Proceeds in connection with Program Bonds shall be used only to redeem Program Bonds or as follows:

(i) to acquire and finance the holding of Permitted Mortgage Loans;

(ii) to refund, as fixed rate bonds, any of the Issuer's outstanding variable rate debt (including auction rate securities) issued on or before October 19, 2009, so long as such debt, in turn, was issued to acquire and finance the holding of Permitted Mortgage Loans for projects that were initially financed on or after October 19, 2004 (proceeds used for the purpose described in this Section 3.2(b) may not exceed 30% of the principal amount of the Program Bonds, provided, however, that 'replacement refundings' where proceeds of Program Bonds are exchanged dollar-for-dollar for unexpended tax-exempt bond proceeds and/or mortgage loan prepayments shall not be considered a refunding for purposes hereof);

(iii) acquire and finance the holding of Permitted Mortgage Loans which are either (i) loans guaranteed by either GSE or (ii) loans originated pursuant to underwriting criteria agreed to by the GSEs and which are financed with Program Bonds that the Issuer elects to treat as Construction Program Bonds; and

(iv) to fund reasonably required reserves and pay costs of issuance of the Program Bonds in accordance with the requirements and limitations of applicable federal tax law.

The proceeds of the Program Bonds shall not be used for essential governmental functions within the meaning of Section 115 of the Code.

Notwithstanding anything to the contrary herein, (i) Escrowed Proceeds of Program Bonds with a maturity in excess of 34 years may only be used to fund Permitted Mortgage Loans insured by FHA, and (ii) Escrowed Proceeds of Program Bonds with a maturity of more than 32 years and 34 years or less may only be used to fund either (A) Permitted Mortgage Loans insured by FHA or (B) Permitted Mortgage Loans described in 3.2(a)(iii) above and designated Construction Program Bonds.

(b) **Taxable Bonds.** Proceeds of Program Bonds issued as taxable bonds hereunder may not be released from the Escrow Fund unless and until there is delivered to the Trustee and the GSEs the opinion of Bond Counsel required pursuant to Section 2.3(b) hereof.

ARTICLE IV

SPECIAL GSE RIGHTS

Section 4.1 Removal of Trustee. No successor Trustee under the Indenture shall be appointed under the Indenture without written notice to the Notice Parties at the Notice Parties' Addresses and without the prior written consent of the GSEs, which consent shall not be unreasonably withheld.

Section 4.2 GSEs as Third-Party Beneficiaries. Each GSE is intended to be and shall be a third-party beneficiary of this Appendix and the Indenture, and each GSE shall have the right (but not the obligation) to enforce, separately or jointly with the Trustee or cause the Trustee to enforce, the provisions of this Appendix.

ARTICLE V

COVENANTS

Section 5.1 Special Issuer Covenants. The Issuer hereby covenants that, so long as the Program Bonds are Outstanding, it shall:

- (a) if any Program Bonds are not issued on a tax-exempt basis, use its reasonable best efforts to obtain Volume Cap allocations as needed for such Program Bonds in 2010;
- (b) not permit the aggregate principal amount of the Program Bonds issued hereunder to exceed the Multifamily Program Bond Limit;
- (c) not allow the aggregate principal amount of Program Bonds to exceed the reasonable expectations requirement applicable to tax-exempt mortgage revenue bonds;
- (d) not issue new Bonds under the Indenture in a variable rate demand, adjustable rate or auction rate mode other than Program Bonds during the period such Program Bonds bear interest at the Short-Term Rate or the Construction Program Bond Variable Rate;
- (e) take all steps necessary to assure that all assets and revenues of any description pledged to the payment of the Program Bonds and all other Bonds issued under the Indenture shall be applied strictly in accordance with, and solely for the purposes and in the amounts specified and permitted by, the terms of the Indenture;

(f) not exercise any rights it may have to make voluntary withdrawals of cash or other assets from the lien of the Indenture except under the following circumstances and within the following limits:

(i) the Issuer may withdraw cash from the Indenture to pay ordinary and customary administrative and operating expenses of the Issuer, ordinary and customary operating expenses of any of the indentures of the Issuer (such as, for example, fees and payments due on an interest rate swap entered into by the Issuer) and to fund or reimburse the cost of programs sponsored by the Issuer, subject to each of the following requirements:

(A) either:

(1) the cumulative amount of such withdrawals does not exceed the cumulative withdrawals as projected to the date of such withdrawal in the cash flows most recently submitted to the rating agencies in connection with the then current long term rating of the Program Bonds; or

(2) prior to and as a condition to such withdrawal, the Issuer obtains and furnishes to the Administrator and to Treasury's Financial Agent a confirmation from each of the rating agencies maintaining ratings on the Program Bonds that the proposed withdrawal will not adversely affect such ratings; and

(B) prior to and as a condition to such withdrawal, the Issuer provides a written certification to the Administrator and to Treasury's Financial Agent specifying the amount and purpose of the withdrawal and that all requirements of this paragraph (f)(i) have been met with respect to such withdrawal.

In spite of anything to the contrary contained in this paragraph (f)(i), no withdrawals whatsoever shall be made under this paragraph (f)(i) during any period when any of the ratings on the Program Bonds are below the level of "A3" or "A-" or has been suspended or withdrawn;

(ii) the Issuer may withdraw cash or other assets from the Indenture for any purpose of the Issuer other than as set out in paragraph (f)(i) above, subject to each of the following requirements:

(A) prior to and as a condition to such withdrawal, the Issuer obtains and furnishes to the Administrator and to Treasury's Financial Agent a confirmation from each of the rating agencies maintaining ratings on the Program Bonds that the rating on the Program Bonds will be not less than "Aa2" with a rating outlook that is either "stable" or "positive" or the equivalent;

(B) the cash or other assets withdrawn from the lien of the Indenture pursuant to this paragraph (f)(ii) are retained by the Issuer within its funds and accounts or are expended to further the mission or otherwise for the benefit of the Issuer; and

(C) prior to and as a condition of such withdrawal, the Issuer provides a written certification to the Administrator and to Treasury's Financial Agent specifying the amount and purpose of the withdrawal and that all requirements of this paragraph (f)(ii) have been met with respect to such withdrawal.

(g) with respect to the purchase, origination, enforcement and servicing of Permitted Mortgage Loans, the Issuer shall:

(i) originate or cause to be originated, and, if applicable, purchased, mortgage loans and purchase, or cause to be purchased, MBS in a manner consistent with applicable state law, the Indenture and any supplements thereto, and such other related documents by which the Issuer is bound,

(ii) cause all mortgage loans to be serviced pursuant to the servicing requirements of the Issuer, GNMA, FHA, Fannie Mae and Freddie Mac, as applicable,

(iii) except as otherwise permitted by Treasury or the GSEs, diligently take all steps necessary or desirable to enforce all terms of the mortgage loans, MBS, loan program documents and all such other documents evidencing obligations to the Issuer, and

(iv) diligently take all actions consistent with sound mortgage loan origination, purchase and servicing practices and principles as may be necessary to receive and collect sufficient revenues to pay debt service when due on the Program Bonds.

(h) not issue any bonds senior in priority to the Program Bonds and the Issuer represents and warrants that the Program Bonds are at least equal in priority with respect to payment and security to the most senior Outstanding Bonds under the Indenture.

Section 5.2 Covenants Regarding Administration of Indenture and Program Bonds.

The Issuer hereby covenants, so long as the Program Bonds remain Outstanding, that it shall:

(a) not amend, supplement or otherwise modify in any material respect the Indenture, this Appendix or any other Related Document without the prior written consent of the GSEs; provided, however, that the consent of the GSEs shall not be required with respect to supplements entered into solely for the purpose of providing for the issuance of a series of Bonds pursuant to the Indenture, except as provided in Section 5.1(d) hereof. With respect to Indenture amendments, the determination of the GSEs as to the materiality of an amendment shall be controlling;

(b) not permit any funds invested under the Indenture to be invested in obligations, securities or other investments of a type not included within the categories permitted for such purposes in the Indenture;

(c) not enter into any Hedge relating to bonds issued under, or secured by revenues or other assets pledged under, the Indenture without the prior written consent of the GSEs;

(d) not permit any swap termination fees to be payable on a basis senior to or on a parity with the Program Bonds; and

(e) not permit any principal payment, principal prepayments and other recoveries of principal received with respect to that portion of any mortgage loans financed with the proceeds of Program Bonds to be recycled into new mortgage loans.

Section 5.3 Reporting Requirements.

(a) ***Books and Records; GAAP.*** The Issuer covenants to keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to affairs, operations, transactions and activities of the Issuer in accordance with generally accepted accounting principles applicable to governmental entities, consistently applied.

(b) ***Non-Public Information.*** As used in this Section, “Information” means any information described in Subsection (c) and “Non-Public Information” means any of the Information that, as of the date that such Information is due to be provided to the GSEs pursuant to subsection (c), the Issuer has not released to the general public or otherwise is not in the public domain. To the extent that any of the Information described in Subsection (c) is Non-Public Information each of the following shall apply:

(i) The Issuer may provide such Non-Public Information to the GSEs, but, subject to (ii) below, is not obligated to do so. If the Issuer elects not to provide Non-Public Information, it shall identify the categories of Information that are then Non-Public Information and so inform the GSEs of that fact at the time such information is otherwise due to be provided under Subsection (c).

(ii) If the Issuer elects not to provide Non-Public Information as stated in (i) above, but a GSE determines that the absence of any such information is a material impairment to its obligation to conduct its business in a safe and sound manner or is inconsistent with the requirements of applicable law or regulation, then the Issuer will provide such Information to that GSE at the times and as otherwise required by Subsection (c).

(iii) To the extent that the Issuer actually provides Non-Public Information pursuant to Subsection (c), the Issuer will label such information as Non-Public Information and will segregate all Non-Public Information so that a GSE which elects not to look at the Non-Public Information can do so;

(c) **Information.** The Issuer agrees to furnish to each GSE a copy of each of the following:

(i) on the date that is the earlier of (A) ninety (90) days after the end of each quarter of each fiscal year of the Issuer and (B) the day such information is first made available to the general public, the Issuer shall provide to each GSE the financial statements of the Issuer consisting of a balance sheet of the Issuer as at the end of such period, a statement of operations and a statement of cash flows of the Issuer for such period and, with respect to the report provided after the end of each fiscal year, there shall also be included a statement of the changes in net assets of the Issuer for such period. The financial statements referred to above shall be set forth in reasonable detail and shall be accompanied by, in the case of the annual statements, an audit report of the Issuer's auditor or nationally recognized independent certified public accountants stating that they have (except as noted therein) been prepared in accordance with generally accepted accounting principles consistently applied (provided that such audit report need not be submitted until one hundred eighty (180) days after the end of the relevant fiscal year);

(ii) on the date that is the earlier of (A) ninety (90) days after the end of each quarter of each fiscal year of the Issuer and (B) the day such information is first made available to the general public, the Issuer shall provide to each GSE financial statements of the Issuer specific to the Indenture pursuant to which Program Bonds are outstanding consisting of a statement of operations and a statement of cash flows under the Indenture for such period and, with respect to the report provided after the end of each fiscal year, there shall also be included a statement of the changes in net assets under the Indenture for such period. The financial statements referred to above shall be set forth in reasonable detail and shall be accompanied by, in the case of the annual statements, an audit report of the Issuer's auditor or nationally recognized independent certified public accountants stating that they have (except as noted therein) been prepared in accordance with generally accepted accounting principles consistently applied (provided that such audit report need not be submitted until one hundred eighty (180) days after the end of the relevant fiscal year);

(iii) immediately after any officer of the Issuer obtains knowledge thereof, a certificate of the Issuer setting forth the occurrence of any default or Event of Default under the Indenture, the details thereof and the action which the Issuer is taking or proposes to take with respect thereto;

(iv) quarterly, at the time each of the financial statements referenced in (a) above is provided, and otherwise at the request of a GSE, the information set forth in Schedule A hereto and a certificate of the Issuer (A) stating whether there exists on the date of such certificate any default or Event of Default under the Indenture and, if so, the details thereof and the action which the Issuer is taking or proposes to take with respect thereto and (B) setting forth a description in

reasonable detail of the amounts held in the Revenue Account and other accounts in the Indenture;

(v) simultaneously with their release to the general public, disclosure statements of any kind prepared by the Issuer which disclose such matters as quarterly or other interim financial statements relating to the Indenture, portfolio composition information regarding the Indenture such as the percentage of loans insured under FHA, HUD, RDA and VA programs and any pooled mortgage insurance program or securitization by GNMA or a GSE, or portfolio performance information detailing such matters as delinquencies, foreclosures and real estate-owned properties;

(vi) promptly upon receipt of notice by the Issuer of any such default, the occurrence of any material event of default by any counterparty to a Related Document;

(vii) at the request of a GSE, copies of any information or request for information concerning this Appendix or any of the Related Documents as and when provided to the Trustee;

(viii) promptly after the receipt or giving thereof, copies of all notices of resignation by or removal of the Trustee, which are received or given by the Issuer;

(ix) promptly after the adoption thereof, copies of any amendments to the Indenture, any of the other Related Documents (including replacement of or any new Related Document) and the Official Statement relative to the Program Bonds;

(x) within thirty (30) days of the issuance of any public issuance of indebtedness of the Issuer payable from the Revenues under the Indenture, copies of any disclosure documents distributed in connection therewith;

(xi) any Annual Filing or Material Event Filing shall be delivered to the GSEs on the day it becomes available to the general public or the Program Bondholders or would be required to become available if Rule 15c2-12 were applicable to the Program Bonds;

(xii) simultaneously with the delivery of each set of the financial statements and the annual filing referred to in clauses (i) and (xi) above and otherwise at the request of the GSEs, or with respect to (b)(iii) whenever prepared and available, (A) a copy of the most recent rating letter received relating to the Bond Rating and/or the Indenture rating, (B) a certificate of the Issuer stating that the Issuer is in compliance with all financial covenants set forth in the Indenture; and (C) a copy of the most recent cash flow certificates, financial reports and statements, and annual budget (including portfolio performance reports detailing delinquencies and foreclosure rates, and percentage of loans insured under FHA,

HUD, RDA and VA programs and any pooled mortgage insurance program, and the percentage of uninsured loans;

(xiii) immediately upon receipt by the Issuer, any rating report or other rating action relative to the Issuer, the Program Bonds or any other bonds issued under the Indenture;

(xiv) immediately upon any such transfer, notice of any extraordinary payment or transfer of funds from the Indenture;

(xv) in a timely manner, at the request of a GSE, any data or information required by a GSE for use in calculating performance under the Federal Housing Finance Agency's housing goal regulations or for use in complying with any other regulatory or legal requirement; and

(xvi) such other information, whether such information is published or unpublished, respecting the affairs, condition and/or operations, financial or otherwise, of the Issuer as a GSE may from time to time reasonably request (including, without limitation, data, including loan level data, required by the GSEs with respect to any asset management surveillance and/or disclosure requirement).

Section 5.4 Covenant Enforcement by GSEs. Only the GSEs may enforce, or cause the Trustee to enforce, the provisions of Sections 5.1, 5.2 and 5.3 hereof.

Section 5.5 Special Notices.

(a) ***Request to Withdraw Indenture Funds.*** The Trustee shall immediately deliver to the Notice Parties at the Notice Parties' Addresses notice of any request by the Issuer to withdraw funds from the Indenture.

(b) ***Events of Default.*** The Trustee shall immediately deliver to the Notice Parties at the Notice Parties' Addresses notice of any default or Event of Default under the Indenture, of which the Trustee has knowledge.

(c) ***Exercise of Remedies.*** The Trustee shall immediately deliver to the Notice Parties at the Notice Parties' Addresses notice of the exercise of any remedies under the Indenture.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Notices. Unless otherwise specified in this Appendix, all notices, requests or other communications to or upon the Notice Parties or referred to in this Appendix shall be deemed to have been given (i) in the case of notice by letter, when delivered by hand or four (4) days after the same is deposited in the mails, first class postage prepaid, and (ii) in the case of notice by telecopier or e-mail, when sent, receipt confirmed, addressed to the Notice Parties as

follows or at such other address as any of the Notice Parties may designate by written notice to the Issuer and the Trustee:

To Administrator: U.S. Bank National Association
One Federal Street, 3rd Floor
Boston, Massachusetts 02110
Attention: Structured Finance/HFA Program
E-mail: Julie.Kirby@usbank.com

To Fannie Mae: Fannie Mae
3900 Wisconsin Avenue, N.W.
Washington, D.C. 20016
Attention: Carl W. Riedy, Jr.
Vice President for Public Entities
Channel, Housing and Community
Development
E-mail: Carl_W_Riedy@fanniemae.com

and

Attention: Barbara Ann Frouman
Vice President and Deputy General
Counsel, Housing and Community
Development
E-mail: Barbara_Ann_Frouman@fanniemae.com

To Freddie Mac: Freddie Mac
1551 Park Run Drive
Mail Stop D4F
McLean, Virginia 22102
Attention: Mark D. Hanson
Vice President Mortgage Funding
E-mail: Mark_Hanson@freddiemac.com

and

Attention: Joshua L. Schonfeld
Associate General Counsel
E-mail: Joshua_Schonfeld@freddiemac.com

For all notices pursuant to Section 5.3 hereof:

E-mail: HFA_Credit_Reporting@freddiemac.com

To Treasury's
Financial Agent:

JPMorgan Chase Bank, N.A.
1 Chase Manhattan Plaza, Floor 19
New York, New York 10005
Attention: Lillian G. White
Phone - 212-552-2392
Fax - 212-552-0551
E-mail: Lillian.G.White@jpmorgan.com

with a copy to:

Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220
Attention: Fiscal Assistant Secretary
re: Housing Finance Agencies Initiative

and

Attention: Assistant General Counsel
(Banking and Finance)
re: Housing Finance Agencies Initiative

Section 6.2 Appendix to Control. To the extent that any provisions of this Appendix are inconsistent with any provisions of the Indenture or the Series Indenture under which the Program Bonds are issued, this Appendix shall control with respect to the Program Bonds.

Section 6.3 Termination. This Appendix shall continue in full force and effect so long as the Program Bonds remain Outstanding and shall terminate when Program Bonds are no longer Outstanding.

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EXHIBIT A

**NOTIFICATION OF
INTEREST RATE CONVERSION/RELEASE CERTIFICATE**

Reference is made to the Indenture, dated as of December 1, 2009 of the California Housing Finance Agency (the "Issuer"), as subsequently amended and modified, in particular by the Appendix to the Series Indenture (the "Appendix"), dated as December 1, 2009 (collectively, the "Indenture"). All capitalized terms not otherwise defined herein shall have the same meanings ascribed thereto in the Indenture.

I, _____, an authorized officer of the Issuer, in connection with Program Bonds to be Converted to a Permanent Rate pursuant to Section 2.3 of the Appendix, hereby notify the Trustee and the Notice Parties as follows:

- (i) the proposed Release Date is _____, 2010,
- (ii) the proposed Conversion Date is _____, 201[0][1],
- (iii) the principal amount of Program Bonds to be Converted to a Permanent Rate on the proposed Conversion Date set forth in clause (ii) above is \$ _____,
- (iv) the proposed Permanent Rate Calculation Date is _____, 2010,
- (v) on the Release Date, it is anticipated that the Bond Rating will be '___'/'___'; and
- (vi) the Issuer hereby covenants to deliver to the Trustee on or before the Release Date the opinion of bond counsel described in Section 2.3(b)(ii)(E) of the Appendix.

IN WITNESS WHEREOF, I have set forth my hand this _____ day of _____, 2010.

CALIFORNIA HOUSING FINANCE
AGENCY

By: _____
Name: _____
Title: _____

EXHIBIT B
INTEREST RATE
CONVERSION CERTIFICATE

Reference is made to the Indenture, dated as of December 1, 2009 of the California Housing Finance Agency (the "Issuer"), as subsequently amended and modified, in particular by the Appendix to the Series Indenture (the "Appendix"), dated as December 1, 2009 (collectively, the "Indenture"). All capitalized terms not otherwise defined herein shall have the same meanings ascribed thereto in the Indenture.

I, _____, an authorized officer of _____ (the "Trustee"), in connection with Program Bonds Converted to a Permanent Rate pursuant to Section 2.3 of the Appendix, hereby confirm as follows:

- (i) attached are the items required to be delivered pursuant to Section 2.3 of the Appendix,
- [(ii) the Converted Bonds are not Variable Rate Construction Program Bonds, and the Short-Term Rate applicable from the Release Date to the Conversion Date, will be the total of (a) the Four Week T-Bill Rate (____%) plus (b) the Spread applicable to the referenced Program Bonds as of the Release Date (____%), will be ____%,]
- [(ii) the Converted Bonds are [Variable Rate] Construction Program Bonds and the Construction Program Bond Conversion Date is _____, ____.]
- (iii) the Permanent Rate with respect to the referenced Program Bonds will be __% as of the specified Conversion Date of _____, _____,
- (iv) the CUSIP number for the referenced Program Bonds is _____,
- (v) related Program Bond proceeds will be released on the specified Release Date of _____, 2010, and
- (vi) the requirements of Section 2.13 of the Appendix are met on the date hereof.

IN WITNESS WHEREOF, I have herewith set forth my hand this _____ day of _____, 2010.

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

Schedule A

Quarterly Portfolio Performance Information

The information set forth in the table below should be delivered via email in Microsoft Excel.

Overall Population Unpaid Principal Balance (\$)

Current Loans (Loans with No Delinquency Status This Month)

Current Loans Unpaid Principal Balance (\$m):

Vintage (Year Originated)	Share of Current Book*	% With Primary Mortgage Insurance**	% With FHA or VA***
Pre-2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			

sums to 100%

*** Percent of loans within the vintage that has Primary Mortgage Insurance.*

**** % of loans in each vintage that has Government Insurance.*

Count of Missed Payments in Past 12 Month*	Share of Current Book**
None	
1	
2	
3	
> 3	

** In the past 12 months, any missed payment is counted once regardless if they are continuously missed or sporadically missed.*

*** % of Outstanding Balance of Current Loans. Sums to 100%.*

Representative FICO Score	Share of Current Book
0-580	
580-620	
620-660	
660-700	
700-740	
740+	

** The minimum across borrowers, the median score for each borrower across bureaus.*

*** % of Outstanding Balance of Current Loans. Sums to 100%.*

Delinquent Loans (Any Loan Past Due This Month)

Delinquent Loans Unpaid Principal Balance:

Vintage (Year Originated)	Share of Delinquent Book	% With Primary Mortgage Insurance	% With FHA or VA
Pre-2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			

vintage. Column sums to 100%

*** Percent of loans within the vintage that has Primary Mortgage Insurance.*

**** % of loans in each vintage that has Government Insurance.*

Delinquency Status	Share of Delinquent Book*
30	
60	
90	
120	
> 120	
Foreclosure	
Bankruptcy	
REO	

** % of Outstanding Balance of Delinquent Loans. Sums to 100%.*

Cumulative Losses

Representative FICO Score	Share of Delinquent Book
0-580	
580-620	
620-660	
660-700	
700-740	
740+	

** The minimum across borrowers, the median score for each borrower across bureaus.*

*** % of Outstanding Balance of Delinquent Loans. Sums to 100%.*

FORM OF LEGAL OPINION OF BOND COUNSEL

[Date]

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Affordable Multifamily Housing Revenue Bonds
2009 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Housing Finance Agency (the “Agency”) in connection with the issuance by the Agency of its Affordable Multifamily Housing Revenue Bonds, 2009 Series A, in the aggregate principal amount of \$380,530,000 (the “2009 Series A Bonds”), issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an Indenture, dated as of December 1, 2009, by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the Series Indenture, dated as of December 1, 2009, by and between the Agency and the Trustee (collectively, the “Indenture”). The Affordable Multifamily Housing Revenue Bonds (the “Bonds”) are authorized to be issued for the purposes, among others, of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, opinions of counsel to the Agency, the Trustee, certificates of the Agency, the Trustee, and others as to certain factual matters, and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions set forth herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We disclaim any

obligation to update this letter. We call attention to the fact that the rights and obligations under the 2009 Series A Bonds, the Indenture and the various Loan Documents, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated December 18, 2009, relating to the 2009 Series A Bonds or any other offering materials relating to the 2009 Series A Bonds and express herein no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.
2. The 2009 Series A Bonds have been duly authorized and constitute the valid and binding special limited obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, including amounts on deposit in the Escrow Fund.
3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues, all proceeds of the sale of Bonds, and all Accounts (other than Rebatable Arbitrage and any fund containing remarketing proceeds) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.
4. The 2009 Series A Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency to the extent provided in the Indenture, or a pledge of the faith and credit of the State of California or any such political subdivision. 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 the 2009 Series A Bonds.
5. Interest on the 2009 Series A Bonds is includable in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2009 Series A Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2009 Series A Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

FORM OF CONTINUING DISCLOSURE AGREEMENT

MASTER CONTINUING DISCLOSURE AGREEMENT

between

CALIFORNIA HOUSING FINANCE AGENCY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of December 1, 2009

relating to

CALIFORNIA HOUSING FINANCE AGENCY
AFFORDABLE MULTIFAMILY HOUSING REVENUE BONDS

MASTER CONTINUING DISCLOSURE AGREEMENT

This Master Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of December 1, 2009, by and between the CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and a political subdivision of the State of California (the “Issuer”) and U.S. BANK NATIONAL ASSOCIATION, as Trustee (the “Trustee”) under that certain Indenture, dated as of December 1, 2009, as amended and supplemented by one or more Series Indentures or Supplemental Indentures (the “Indenture”), between the Issuer and the Trustee. The Issuer and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and any other bonds issued under the Indenture to which the Issuer has elected to make this Disclosure Agreement applicable (collectively, the “Bonds”), and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning the ownership of any Bonds, including persons holding such Bonds through nominees, depositories or other intermediaries.

“Disclosure Representative” shall mean the Director of Financing of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Major Obligated Borrower” means a Borrower whose Loan or Loans have an aggregate outstanding principal balance which equals or exceeds twenty percent (20%) of the aggregate outstanding principal balance of all the Loans pledged under the Indenture.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required by the terms of the Rule to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“Supplemental Disclosure Agreement” shall mean any supplemental disclosure agreement entered into between the Issuer and the Trustee supplementing this Disclosure Agreement.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer’s Fiscal Year (which currently is June 30), commencing with the report for the 2009-2010 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Dissemination Agent is other than the Trustee) and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer and the Dissemination Agent (if the Dissemination Agent is other than the Trustee) to determine if the Issuer is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Agreement.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the immediately preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to government entities; provided that if the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in appropriate form;

(b) a description of the Bonds issued by the Issuer and outstanding as of the date of such report;

(c) amounts in the Bond Reserve Account and amounts on deposit in any Loan Reserve Accounts related to the Bonds;

(d) a schedule of Bond redemptions and the source of funds for such redemptions;

(e) the status of the Issuer's Loan portfolio, including the interest rates on the Loans, the principal amount of Loans to be made, purchased or otherwise acquired, the types of such Loans and the principal amount of the current Loan portfolio;

(f) information regarding principal prepayments with respect to the Loans;
and

(g) a summary of Loan delinquencies (not including delinquencies in Mortgage-Backed Securities or Lender Loans) including the percentage of Loans that are 30 days, 60 days, 90 days or 120 days delinquent or in foreclosure.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) modifications to rights of Bondholders;
- (4) optional, contingent or unscheduled bond calls;
- (5) defeasance;

- (6) rating changes;
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
- (8) unscheduled draws on the Bond Reserve Account reflecting financial difficulties;
- (9) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (10) substitution of any Credit Provider or any failure by any Credit Provider to perform; or
- (11) release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day (or as soon as reasonably possible thereafter) of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Issuer's Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Trustee and the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event is material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event is material under applicable federal securities laws, the Issuer shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee and Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event is not material under applicable federal securities laws, the Issuer shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee and Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall as soon as possible file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Major Obligated Borrowers. The Issuer shall, for the benefit of the Holders and Beneficial Owners of the Bonds, require that each Borrower provide the Issuer, and

the Issuer shall then forward to the MSRB, on an annual basis, not later than 180 days after the end of the fiscal year of the related Development or Developments during which such Borrower is at any time a Major Obligated Borrower, certain financial and operating data concerning such related Development or Developments, including (a) if produced in the usual course of business, audited financial statements for the immediately preceding fiscal year prepared in accordance with Generally Accepted Accounting Principles, or, if not so produced in the usual course of business, unaudited financial statements for the immediately preceding fiscal year prepared in accordance with Generally Accepted Accounting Principles and (b) levels of occupancy.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon legal defeasance under Section 1201 of the Indenture, prior redemption or payment in full of all of the Bonds. If such termination occurs before the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee, upon notice from the Issuer, if acceptable to the Trustee, shall be the Dissemination Agent. The initial Dissemination Agent shall be the Issuer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Trustee may amend this Disclosure Agreement (and, to the extent that any such amendment does not materially change or increase its obligations hereunder, the Trustee shall agree to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in

the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

In addition to the foregoing provisions of this Section permitting amendments to this Disclosure Agreement, the Issuer at any time may elect to make the provisions hereof applicable to any Series of Bonds, issued under the Indenture, either by election in the applicable Series Indenture or by execution of a supplement hereto; and upon request of the Issuer the Trustee shall execute any such supplement.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article 11 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Trustee and Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful

misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: California Housing Finance Agency
Attention: Bruce D. Gilbertson
Director of Financing
1415 L Street, Suite 500
Sacramento, CA 95814
Telephone: (916) 322-7234
Telecopy: (916) 322-1464
E-Mail: bgilbertson@calhfa.ca.gov

and

California Housing Finance Agency
Attention: Financing Division
1415 L Street, Suite 500
Sacramento, CA 95814
Telephone: (916) 322-1485
Telecopy: (916) 322-1464
E-Mail: financing@calhfa.ca.gov

To the Trustee: U.S. Bank National Association
One California Street, Suite 1000
Attention: Corporate Trust Services
San Francisco, CA 94111
Telephone/Fax: 415-273-4561/273-4591

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, this Disclosure Agreement has been executed on behalf of the Issuer and the Trustee by their duly authorized representatives as of the date first written above.

CALIFORNIA HOUSING FINANCE AGENCY

By
Director of Financing

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By
Authorized Signatory

EXHIBIT A

[FORM OF] NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

[To be modified as appropriate for other Series]

Name of Issuer: California Housing Finance Agency

Name of Bond Issue: Affordable Multifamily Housing Revenue Bonds

Date of Issuance:

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by _____ of the Series Indenture, relating to such Bonds, between the Issuer and the Trustee. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. BANK NATIONAL ASSOCIATION, as
Trustee,
on behalf of California Housing Finance Agency

cc: California Housing Finance Agency

SUPPLEMENTAL CONTINUING DISCLOSURE AGREEMENT

This Supplemental Continuing Disclosure Agreement (this “Supplemental Disclosure Agreement”), dated as of December 1, 2009, supplementing the Master Continuing Disclosure Agreement, dated as of December 1, 2009 (the “Disclosure Agreement”), between the CALIFORNIA HOUSING FINANCE AGENCY (the “Issuer”) and U.S. BANK NATIONAL ASSOCIATION (the “Trustee”), is being executed by the Issuer and the Trustee in connection with the issuance of \$380,530,000 California Housing Finance Agency Affordable Multifamily Housing Revenue Bonds, 2009 Series A (the “2009 Series A Bonds”). The 2009 Series A are being issued pursuant to the Indenture, dated as of December 1, 2009, as supplemented by the Series Indenture executed in connection with the issuance of the 2009 Series A Bonds, dated as of December 1, 2009, between the Issuer and the Trustee (collectively, the “Indenture”).

The Issuer and the Trustee covenant and agree as follows:

SECTION 1. Definitions. Unless otherwise defined herein, or the context otherwise requires, capitalized terms used in this Supplemental Disclosure Agreement shall have the meanings ascribed thereto in the Disclosure Agreement or, if not defined in the Disclosure Agreement, in the Indenture.

SECTION 2. Purpose of the Supplemental Disclosure Agreement; Application of Disclosure Agreement. This Supplemental Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Holders and Beneficial Owners of the 2009 Series A Bonds. All terms and provisions of the Disclosure Agreement are hereby made applicable to the 2009 Series A Bonds described herein.

SECTION 3. Ratification of Disclosure Agreement. As supplemented hereby, the Disclosure Agreement is in all respects confirmed, and the Disclosure Agreement, all agreements supplemental thereto and this Supplemental Disclosure Agreement shall be read, taken and considered as one instrument.

SECTION 4. Counterparts. This Supplemental Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Supplemental Disclosure Agreement has been executed on behalf of the Issuer and the Trustee by their duly authorized representatives as of the date first written above.

CALIFORNIA HOUSING FINANCE
AGENCY

By: _____
Director of Financing

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

OFFICIAL STATEMENT PART 2

\$380,530,000

California Housing Finance Agency Affordable Multifamily Housing Revenue Bonds 2009 Series A

This Part 2 of this Official Statement (“Official Statement”) provides certain information concerning the Agency, the security for the 2009 Series A Bonds, and certain financing programs of the Agency. It contains only a part of the information to be provided by the Agency in connection with the issuance of certain Series of its Bonds. The terms of the Series of Bonds being issued, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions, and any other terms or information relating thereto are set forth in Part 1 of this Official Statement with respect to such Series. Additional information concerning the Agency is contained in Part 1 of this Official Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Official Statement and is subject in all respects to the information contained therein.

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STATEMENT PART 2
of the
CALIFORNIA HOUSING FINANCE AGENCY
relating to
Affordable Multifamily Housing Revenue Bonds

INTRODUCTION

The purpose of this Part 2 of this Official Statement, which includes the cover page and the appendices hereto, is to set forth certain information concerning the Agency and the Bonds in connection with the issuance of certain Series of Bonds by the Agency. Each Series of Bonds is issued pursuant to the Act, the General Indenture and a related Series Indenture. All capitalized terms used in this Part 2 and not otherwise defined shall have the respective meanings ascribed thereto in Part 1 of this Official Statement.

All references in this Official Statement to the Act, the General Indenture, and any Series Indenture are qualified in their entirety by reference to each such document, copies of which are available from the Agency, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the General Indenture, the applicable Series Indenture and this Official Statement.

THE AGENCY

Powers

The Agency was created in 1975 by the Act as a public instrumentality and a political subdivision of the State of California (the "State") within the Business, Transportation and Housing Agency, for the primary purpose of meeting the housing needs of persons and families of low or moderate income. The Agency is authorized to issue its bonds, notes and other obligations for a variety of purposes, including (1) making development loans, construction loans, mortgage loans and property improvement loans to qualified borrowers to finance housing developments and other residential structures; (2) purchasing such loans through qualified mortgage lenders; and (3) making loans to qualified mortgage lenders under terms and conditions requiring the proceeds thereof to be used for certain loans.

The Agency may also provide consulting and technical services in connection with the financing of housing developments and may act as a State representative in receiving and allocating federal housing subsidies.

The Act currently provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of \$13,150,000,000, excluding refunding issues and certain taxable securities. In addition, the Act creates (1) the Supplementary Bond Security Account, the equity balance of which as of June 30, 2009 was \$25,516,216 and which has been or may be utilized to secure payment of the principal of and interest and sinking fund payments on Agency bonds and notes; and (2) the California Housing Loan Insurance Fund (the "Insurance Fund"). Amounts on deposit in the Insurance Fund have been or may be used by the Agency to insure certain loans and bonds. Amounts on deposit in the Insurance Fund are not held under the Indenture.

Management

The Agency is administered by the Board, which consists of 11 voting members when all positions are filled. The State Treasurer, the Secretary of the Business, Transportation and Housing Agency, and the Director of the Department of Housing and Community Development, or their designees, are voting ex officio members. Six members are appointed by the Governor and confirmed by the Senate. One member is appointed by the Speaker of the Assembly. One member is appointed by the Senate Rules Committee. All such appointments are for six-year terms. In addition, the Act provides that the Director of the Department of Finance, the Director of the Governor's Office of Planning and Research, and the Executive Director of the Agency shall serve as non-voting ex officio members of the Board. The Chairperson of the Board is selected by the Governor from among his appointees. Members of the Board are:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
<i>Voting Board Members^{†, ††}</i>		
Peter N. Carey ^{††}	September 26, 2013	President/Chief Executive Officer, Self-Help Enterprises
Michael A. Gunning	September 26, 2015	Vice President, Personal Insurance Federation of California
Paul C. Hudson	March 6, 2015	Chairman/CEO, Broadway Federal Bank
Jonathan C. Hunter	November 18, 2013	Managing Director, Region II Corporation for Supportive Housing
Barbara Macri-Ortiz ^{†††}	September 26, 2015	Attorney
Jack Shine	September 26, 2013	Chairman, American Beauty Development Co.
Ruben A. Smith	September 26, 2013	Partner, Adorno Yoss Alvarado & Smith
Bill Lockyer	*	State Treasurer
Dale E. Bonner	*	Secretary, Business, Transportation and Housing Agency
Lynn Jacobs	*	Director, Department of Housing and Community Development
<i>Non-Voting Board Members</i>		
[position vacant]	*	Executive Director, California Housing Finance Agency
Michael Genest ^{††††}	*	Director, Department of Finance
Cynthia Bryant	*	Director, Governor's Office of Planning and Research

[†] There is currently one vacancy on the Board to be filled by appointment by the Governor and confirmation by the Senate.

^{††} John A. Courson resigned as Chairperson of the Board as of July 25, 2008. Peter N. Carey is currently serving as Acting Board Chair.

^{†††} Subject to confirmation by the Senate.

^{††††} Michael Genest has announced his intention to resign as Director upon appointment of a new Director. Ana Matosantos, currently Chief Deputy Director, is expected to be appointed Director effective December 31, 2009.

* *ex officio*.

Organization and Staff

The Agency is organized into the following divisions under the Executive Director: Homeownership Programs, Multifamily Programs, Mortgage Insurance Services, Financing, Fiscal Services, Office of General Counsel, Legislative, Marketing, Administration, Information Technology and Asset Management.

The Homeownership Programs Division is responsible for directing and administering all of the Agency's single family mortgage purchase and loan programs. The Homeownership Programs Division has a staff of 43 persons.

The Multifamily Programs Division is responsible for underwriting all multifamily direct loans, preparing documentation for loan closings and monitoring the construction of developments financed by direct loans from the Agency. The Multifamily Programs Division has a staff of 34 persons, including loan underwriters, architects and construction inspectors.

Mortgage Insurance Services is responsible for providing a program of loan insurance for mortgage loans to finance single family housing and portfolio management. Mortgage Insurance Services has a staff of 34 persons.

The Financing Division is responsible for all of the Agency's financing activities, including the supervision of note and bond sales, issuances and redemptions, cash flow analyses of the Agency's obligations and the investment of the Agency's funds. The Financing Division has a staff of 14 persons.

The Fiscal Services Division is overseen by the Agency's Comptroller and is responsible for accounting activities, fiscal operations, in-house servicing of loans, and preparation of Agency financial statements. The Fiscal Services Division has a staff of 74 persons.

The Office of General Counsel is responsible for all legal matters that affect the Agency, including review of all contracts and legislation and supervision of loan closings for multifamily developments. The Office of General Counsel also provides legal advice to the Agency's Board of Directors. The office is headed by a General Counsel and an Assistant Chief Counsel, and has 10 staff attorneys and 10 other staff members.

The Legislative Division is responsible for monitoring, tracking, and lobbying legislation impacting the housing arena, both on the State and Federal level. The Legislative Division has a staff of 3 persons.

The Marketing Division is responsible for developing and implementing the Agency's marketing programs and for managing all public information activities such as preparation of the annual report and press releases. The Marketing Division has a staff of 8 persons.

The Administration Division is responsible for directing and administering the Agency's personnel, training, and business services, and preparing the annual budget of the Agency. The Administration Division has a staff of 22 persons.

The Information Technology Division has responsibility for developing, implementing and maintaining the IT infrastructure and application systems supporting the Agency. The Information Technology Division has a staff of 19 persons.

The Asset Management Division is responsible for monitoring the financial and physical status of the Agency's multifamily loan portfolio of 518 projects, as well as occupancy compliance for Section 8 and low income units. The Asset Management Division has a staff of 34 persons.

The Agency's senior staff are listed below.

The position of Executive Director is currently vacant. On December 12, 2008, the Board of Directors of the Agency adopted a resolution delegating to the current Chief Deputy Director powers and authority of the Executive Director to direct and administer the day-to-day operations and activities of the Agency, subject to supervision of the Board. This delegation will expire automatically when a successor Executive Director has been appointed by the Governor and has taken office.

L. Steven Spears, *Chief Deputy Director* since December 2006. B.S., Southern Adventist University; M.B.A., University of Tennessee, Knoxville; J.D., University of the Pacific, McGeorge School of Law. Previously: Special Consultant to CalHFA Executive Director (January 2006); Managing Director, The SAER Group – Kahl/Pownall Companies (2003-2005); Managing Director, The SAER Group – Metropolitan West Securities (1998-2003); California Deputy State Treasurer – Public Finance (1995-1998); Legal Counsel to State Board of Equalization Member, Matthew K. Fong (1991-1995); Senior Consultant to Rebecca A. Morgan – California State Senate (1990-1991); Senior Manager, KPMG Peat Marwick (1985-1990). As described in the preceding paragraph, Mr. Spears is currently exercising the powers and authority of the Executive Director to direct and administer the day-to-day operations and activities of the Agency.

Margaret Alvarez, *Director of Asset Management* since March 1996. B.A., California State University, Chico. Previously: Asset Management Specialist, Federal Home Loan Mortgage Corporation (1994-1996); Senior Asset Manager, FWC Realty Services Corporation (1987-1993); Property Manager, American Development Corporation (1986-1987); Property Manager, Far West Management Corporation (1980-1986).

Robert L. Deaner II, *Director of Multifamily Programs* since September 2007. BBA, Accounting, Western Michigan University, Kalamazoo. Previously: Vice President and Relationship Manager for US Bank (2006-2007); Pacific National Bank and CW Capital, Vice President, Affordable and Market Rate Housing (2004-2006); Key Bank Real Estate Capital, Vice President, National Multifamily Affordable Housing, (1999-2004); various positions in the affordable housing lending industry (1985-1999).

Kenneth H. Giebel, *Director of Marketing* since September 2002. B.S. and M.B.A., University of Santa Clara. Previously: Senior Marketing Manager at the California Lottery (1996-2002); various marketing positions for private sector corporations and advertising agencies.

Bruce D. Gilbertson, *Director of Financing* since July 2004. B.S., California State University, Sacramento. Previously: Comptroller from October 1996 until October 2004; Financing Officer from January 1994 until September 1996; Mortgage Loan Accounting Administrator from February 1988 until December 1993; held various accounting positions with the California State Department of Transportation (1978-1988).

Michael S. Howland, *Chief Information Officer* since February 2005. B.S., San Diego State University. Previously: Assistant Deputy Director, CIO, Office of Technology and Innovation, Department of Managed Health Care (2001-2005); Deputy Director, Program Planning and Performance Division, California Department of Social Services (2000); Deputy Director, CIO, Information Systems Division, California Department of Social Services (1991-1999); Division Chief, Automated Administration Division, Administration Branch, Employment Development Department (1987-1991); also worked as a consultant in the private sector (2000).

Timothy Hsu, *Financing Risk Manager* since January 2005. B.A. Wesleyan University. Previously: Vice President at a major Wall Street investment bank (2003-2004); Financing Officer (2002); Senior Consultant at a leading quantitative consultancy (1995-2001). He earned the Chartered Financial Analyst designation in 2007, and he earned the Financial Risk Manager designation in 2008.

Thomas C. Hughes, *General Counsel* since February 2001. B.A., State University of New York; J.D., University of the Pacific, McGeorge School of Law. Previously: private practice, Kronick, Moskovitz, Tiedemann & Girard, Sacramento (1982-2001); private practice, Iwama & Castro, Sacramento (1978-1982).

Howard Iwata, *Director of Administration* since January 2009. B.A., Political Science, U.C. Berkeley. Previously: Bureau Chief, State Controller's Office (2005-2008); Assistant Executive Director, San Francisco Bay Conservation and Development Commission (1997-2005); Division Administrative Officer, Department of Fish and Game (1991-1997); and various administrative positions for a variety of State agencies (1980-1991).

Charles K. McManus, *Director of Mortgage Insurance* since December 2006. B.A. Harvard University; M.B.A. Harvard Graduate School of Business Administration. Previously: Acting Director of Mortgage Insurance for CalHFA (May 2006); Owner McManus Financial Services (2005 to 2006); SVP Branch Operations for Home American Mortgage (2005); VP Retail Mortgage Production for Ohio Savings Bank FSB (2003-2004); SVP National Account for NCS (2002 -2003); VP Real Estate for American Invsco (2001-2002); SVP Variable Annuities for Annuity Investors Life Insurance (1995-2000); Various mortgage banking and consulting positions (1991-1994); Chief Operating Officer of Mortgage Guaranty Insurance Corporation (1980-1991); SVP Marketing of Verex Mortgage Insurance (1975-1980).

Diane Richardson, *Director of State Legislation* since January 1999. Previously: Deputy Legislative Secretary for Governor Wilson (1998); Director of Legislation for the California Environmental Protection Agency (1997); Deputy Director for Legislation and other positions, Office of Planning and Research (1983-1996); Legislative Aide, California State Assembly (1981-1983).

The position of Comptroller is currently vacant. Howard Iwata, Director of Administration is currently fulfilling the day-to-day duties of the Comptroller as Acting Director of Fiscal Services.

The position of Director of Homeownership Programs is currently vacant. The function of the Director of Homeownership Programs is being performed by an experienced person under contract to the Agency. This position must ultimately be filled by appointment by the Governor.

The Agency's principal office is located at 1415 L Street, Suite 500, Sacramento, California 95814, (916) 322-3991.

SECURITY FOR THE 2009 SERIES A BONDS

The 2009 Series A Bonds are special, limited obligations of the Agency, payable out of the Revenues and assets pledged under the Indenture. The Secured Obligations (which include the payment when due of principal of and interest on the 2009 Series A Bonds) are secured by a pledge of and first lien on the following specific revenues and assets of the Agency (the "trust estate"):

(1) All of the rights, title and interest of the Agency in, to and under the Loans financed pursuant to the Indenture, including mortgage insurance proceeds, and the Deeds of Trust and other security documents securing such Loans;

(2) All of the Revenues derived by the Agency, directly or indirectly, from or related to the Loans or otherwise;

(3) All proceeds of the sale of Bonds (other than Non-Parity Bonds) until applied as provided in the Indenture;

(4) All Accounts (other than Rebutable Arbitrage and any fund containing remarketing proceeds) established pursuant to the Indenture, and the moneys and securities therein; and

(5) All property which is by the express provisions of the Indenture required to be subjected to the lien hereof; and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof, by the Agency or by anyone on its behalf, and the Trustee is hereby authorized to receive the same at any time as additional security thereunder;

in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

Under the Indenture, the Agency covenants not to create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues or other security for the Secured Obligations, prior to or on a parity with the lien of the Indenture, except for additional Series of Bonds which may be issued from time to time on a parity with the 2009 Series A Bonds and any other Bonds and Secured Obligations previously issued. See "Additional Bonds" below.

The pledge and security interest of the Indenture in the trust estate are subject to the power of the Agency to direct the release of Revenues free and clear of such pledge and security interest if the Agency delivers to the Trustee a certificate complying with the requirements of the Indenture. See “Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account.”

Upon the occurrence and continuation of an Event of Default under the Indenture, the Trustee has available to it various remedies, including those provided by the Indenture. See “Summary of Certain Provisions of the Indenture — Remedies.” A failure by the Agency to pay scheduled debt service on its general obligations (other than the Bonds) when due is *not* an Event of Default under the Indenture. See “Summary of Certain Provisions of the Indenture — Events of Default.”

The Bonds are special, limited obligations of the Agency, payable solely from the Revenues and other amounts pledged under the Indenture. The Bonds are not a debt of the State or of any other political subdivision of the State (other than the Agency, to the extent provided in the Indenture), and neither the State nor any other political subdivision of the State will be liable for the payment of the Bonds. 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 the 2009 Series A Bonds. The Agency has no taxing power.

Loans

Each Borrower Loan shall, among other things, (1) be evidenced by a Note and secured by a Deed of Trust which shall constitute and create a lien of any priority (subject to permitted encumbrances acceptable to the Agency) on the real property or interest therein of the multifamily rental housing development with respect to which the Loan is made (each, a “Development”); (2) be the subject of a title insurance policy in the full amount of the Loan insuring that the Deed of Trust constitutes and creates a lien of any priority (subject to permitted encumbrances acceptable to the Agency) on the real property or interest therein of such Development; and (3) be made to a Borrower who is eligible under the Act.

The Indenture does not require any restriction on the Borrower’s ability to prepay its Loan in whole or in part at any time.

No Loan may be financed from moneys attributable to Loan Principal Prepayments if such Loan has a final principal maturity date beyond the final Principal Installment Date of the Series of Bonds to which such Loan Principal Prepayments are attributable unless such financing has no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on Bonds Outstanding at the time such Loan is financed, or unless after such financing Revenues then pledged under the Indenture will be sufficient to pay Principal Installments and interest on Bonds Outstanding when due. See “Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account.”

Certain Factors Affecting the Loans

In the event of the failure of a Borrower to make the required payments under its Loan Documents, the Agency may institute foreclosure or other recovery proceedings. The Agency cannot assure that the amount received in a foreclosure or other recovery proceeding will be sufficient to pay principal of and interest on the allocable portion of the Bonds.

Pursuant to Section 142(d) of the Code, at least 20% (or, at the election of the Agency, 40%) of the units in each Development financed by certain Loans must be occupied, or held available for occupancy, on a continuous basis by individuals or families whose income does not exceed 50% (or, if the Agency elects to set aside 40% of the units as described above, 60%) of area median income, as adjusted for family size. (Compliance with the income limitations is measured by reference to “very low income,” which income standards are determined by HUD.)

Pursuant to Section 51335 of the Act, at least 20% of the units in each Development financed by a Loan must be available for occupancy on a priority basis by “lower income households.” Not less than half of such reserved units must be available for occupancy on a priority basis by “very low income households.” Compliance with such income limitations is made by reference to the income limitations established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937.

A default by a Borrower in its obligations under the documents evidencing or securing its Loan, including the obligation to comply with the requirements of the Act or Section 142(d), may result in acceleration of the Loan and redemption of a portion of the Bonds.

Reserve Accounts

Under the General Indenture, the Bond Reserve Account Requirement is initially, \$0, and thereafter, such amount as may be specified in a Series Indenture or Supplemental Indenture, determined by dollar amount, formula or otherwise. No Loan Reserve Account Requirement or Bond Reserve Account Requirement is established in the 2009 Series A Series Indenture in respect of the 2009 Series A Bonds.

Additional Bonds

Under the Indenture, the Agency covenants not to create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues, the trust estate or other security for the Bonds prior to or on a parity with the lien of the Indenture, except that, subject to any additional terms or conditions as may be set forth in any Series Indenture or Supplemental Indenture, any Series of additional Series of Bonds may be issued from time to time pursuant to a Series Indenture, or Non-Parity Bonds may be converted to parity status pursuant to a supplement or amendment to the Series Indenture or Supplemental Indenture pursuant to which such Bonds were designated as Non-Parity Bonds, subsequent to the issuance of the initial Series of Bonds under the Indenture, on a parity with Bonds previously issued, and secured by an equal charge and lien on the Revenues or other security for the Bonds and payable equally and ratably from the Accounts established and created pursuant to the Indenture. Additionally, the Agency may enter into an agreement with a

Credit Provider pursuant to which payments from the Agency may be secured on a parity with the Bonds.

No Series of additional Series of Bonds shall be issued, nor shall any Non-Parity Bonds be converted to parity status under the Indenture, subsequent to the issuance of the initial Series of Bonds unless

(1) the Principal Amount of the additional Series of Bonds then to be issued, together with the Principal Amount of the Bonds and other obligations of the Agency theretofore issued, will not exceed in aggregate Principal Amount any limitation thereon imposed by law;

(2) at the time of the issuance and delivery of the additional Series of Bonds, other than Refunding Bonds, and the application of the proceeds thereof, there shall be no deficiency in any Accounts created under the Indenture and the amount in the Bond Reserve Account shall not be less than the Bond Reserve Account Requirement and the amount in each Loan Reserve Account shall be not less than its Loan Reserve Account Requirement;

(3) the Agency shall have delivered to the Trustee a current Cash Flow Statement reflecting the issuance of such Series of Bonds;

(4) the Agency shall have received, from each Rating Agency, evidence that the issuance of such Series will not result in the reduction, suspension or withdrawal of the rating then assigned to any of the Series then having Bonds Outstanding; and

(5) any terms, conditions, provisions or limitations on the issuance of a Series of Bonds under the Indenture contained in any prior Series Indenture or Supplemental Indenture, as the same may be amended from time to time, have been satisfied.

In the Indenture, the Agency expressly reserves the right to adopt one or more general or special bond resolutions or to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations so long as the same are not a charge or lien prohibited as described in the first paragraph under this caption "Additional Bonds." The Agency expressly reserves the right to authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness (including Non-Parity Bonds issued under the Indenture, to which the requirements of these provisions shall not apply) which as to principal or interest, or both, (1) are payable from Revenues after and subordinate to the payment from Revenues of the Secured Obligations, or (2) are payable from moneys which are not Revenues as such term is defined in the Indenture.

GENERAL INFORMATION CONCERNING THE MULTIFAMILY PROGRAM TO BE FINANCED BY THE 2009 SERIES A BONDS

Loan Processing

This section describes the Agency's past practices for financing loans under its programs. The procedures described below are intended to provide a general description only and are subject to change by the Agency.

The Agency review process generally begins with the submission by a developer of an application accompanied by supporting materials and exhibits, including, but not limited to, an income loan analysis prepared by the developer or its consultant, providing an estimate of anticipated income generated from rents that can be substantiated in the market area where the proposed units will be built, acquired or rehabilitated; area and zoning maps together with applicable evidence of zoning compliance; a market study, which for developments with more than 20 units must be prepared by an independent third party; evidence of site control; information concerning the previous experience of each member of the development team; and a site plan.

Members of the Agency's staff review the suitability of the site for a development, if applicable, environmental considerations, the extent of need for rental housing in the community and the experience of the prospective developer with rental Developments. This evaluation includes an inspection of site characteristics, surrounding land uses, availability of public transportation and utility systems, access to supporting public facilities and employment opportunities within the region, and the proximity of the site to recreation, health care, social amenities, shopping and educational facilities. Local planning requirements are reviewed to establish the extent of compliance of the proposed development with existing zoning regulations. The Agency reviews current rent levels, vacancy rates and the extent of waiting lists for other comparable rental properties within the market area. Subsequently, based upon this evaluation, the staff of the Agency determines the suitability of the project concept. A concept meeting is then conducted among the developer, the development team and the Agency to discuss the economic, management and physical characteristics of the project and the Agency's processing and technical requirements.

Based upon the site evaluation, the loan application and the concept meeting, the staff of the Agency determines the suitability and feasibility of the project concept.

If the Agency and the developer agree to proceed with processing, the developer is required to supplement the application package with additional specific information pertinent to the Development in order to permit the Agency to examine the feasibility assumptions in detail. The loan application package generally includes preliminary design drawings and specifications, site survey, management plan, marketing plan, marketing expense budget, operating expense budget, affirmative action plan and environmental site assessment.

In general, Agency staff reviews the developer's architectural plans for basic elements of the Development. The staff also updates the economic feasibility of the development based on the latest and most relevant information available at this stage of processing. The Agency

determines economic feasibility of a Development on the basis of rent levels as they exist at the time of commitment.

At the time Agency staff determines that (i) the plans and specifications are completed through the preliminary stage, (ii) operating expense projections have been refined, (iii) development costs have been reviewed, (iv) the appraisal supports project value, and (v) there is a commitment of other lender financing, if applicable, the project is brought before the Board of Directors or Agency Senior Staff (depending upon the dollar amount of the Loan) for a final commitment (the "Final Commitment"). Upon approval by the Board, the Agency evidences its Final Commitment in a letter to the developer setting forth the terms of the Final Commitment, including, as applicable, loan term, fees, construction loan amount, acquisition cost, rehabilitation cost, permanent loan amount, loan closing requirements, cash equity requirements and affirmative marketing plan requests. Between the issuance of the Final Commitment and the loan closing, the developer prepares final working drawings which are reviewed by the Agency and any appropriate governmental units. Upon all conditions of the Final Commitment being satisfied, the loan is closed.

OTHER PROGRAMS OF THE AGENCY

The Agency is currently operating the financing programs described below. Information relating to obligations issued and obligations outstanding with respect to the other financing programs of the Agency is available upon request from the Agency by a request in writing at the address of the Agency shown herein.

Multifamily Programs

General. The Agency has a long and successful history of underwriting loans for multifamily housing developments. As of October 31, 2009, the Agency had lent a total of approximately \$2.480 billion to fund loans for 518 multifamily developments which, in the aggregate, include 41,185 living units. Of this amount, approximately \$797.5 million was lent for 212 projects (totaling 16,274 units) for which there are HAP Payments contracts with HUD pursuant to Section 8. The balance of such amount, \$1.682 billion, was lent for 306 non-Section 8 projects totaling 24,911 units.

As of November 1, 2009, the Agency owns 149 HUD Section 236 loans with an aggregate unpaid principal balance of approximately \$52.9 million. The Agency purchased these loans in 2001 in order to enhance the ability of the Agency to assist affordable housing sponsors to purchase their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds II. Proceeds of Multifamily Housing Revenue Bonds II provide for the construction and/or permanent financing of loans insured by FHA or that underlie a mortgage-backed security for multifamily housing developments. The Multifamily Housing Revenue Bonds II are general obligations of the Agency. The Agency has

not issued bonds under the Multifamily Housing Revenue Bonds II Indenture since 1996 and currently does not expect to issue bonds thereunder.

Multifamily Housing Revenue Bonds III Indenture. Proceeds of bonds issued under the Indenture provide for the construction and/or permanent financing of uninsured loans, loans insured by FHA, or loans that underlie a mortgage-backed security for multifamily housing developments. The Multifamily Housing Revenue Bonds III are general obligations of the Agency.

Homeownership Program

The Home Mortgage Purchase Program provides funds for the Agency to purchase eligible mortgage loans, and mortgage-backed securities backed by such mortgage loans, secured by first mortgage liens on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lenders through the issuance of Home Mortgage Revenue Bonds and Single Family Mortgage Bonds II. Home Mortgage Revenue Bonds and Single Family Mortgage Bonds II are separately secured from each other. Certain of the subordinate Single Family Mortgage Bonds II are general obligations of the Agency. Mortgage loans purchased under this program (other than certain of such mortgage loans underlying mortgage-backed securities) will be insured either by FHA, the Insurance Fund, the VA or a private mortgage guaranty insurance policy covering a loss of up to 50% of the outstanding principal amount of the mortgage loans.

Certain programs of the Agency financed by its Housing Program Bonds provide, to low and moderate income home buyers who are eligible under the Agency's Home Mortgage Purchase Program, downpayment assistance in the form of deferred payment second-lien loans at below-market interest rates to be applied to the purchase of newly constructed and existing, moderately priced, single family homes. The Housing Program Bonds are general obligations of the Agency.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are brief summaries, which do not purport to be comprehensive, of certain provisions of the Indenture.

Certain Defined Terms

"Account" means an account or fund created by or pursuant to the Indenture.

"Accreted Value" means, on any particular date of calculation with respect to any particular Bond the interest on which is not payable at least semiannually (except for an initial period not to exceed one year), an amount equal to the original reoffering price of such Bond compounded on each Interest Payment Date or Principal Installment Date for Bonds of the same Series at the Original Issue Yield for such Bond, less interest paid, as of the Interest Payment Date or Principal Installment Date next preceding such date of calculation.

“*Acquired Development*” means a Development constructed, owned, operated or administered by the Agency by reason of the Agency’s obtaining possession thereof when the Borrower Loan with respect thereto is a Defaulted Loan.

“*Acquired Development Expense Requirement*” means such amount of money as may, from time to time, be determined by an Officer’s Certificate to be necessary for the payment or as a reserve for the payment of any costs and expenses incurred in connection with all Acquired Developments.

“*Acquired Development Receipts*” means all moneys received by the Agency in connection with Acquired Developments.

“*Bond*” means any bond or bonds, as the case may be, authorized under and issued pursuant to, the General Indenture.

“*Bond Reserve Account Requirement*” means, (i) initially, \$0, and (ii), thereafter, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for all Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each Rating Agency has confirmed that such lesser amount will not adversely affect the then-existing rating of the Bonds by such Rating Agency. The Trustee may rely upon a certificate from an Authorized Officer of the Agency which states the Bond Reserve Account Requirement as of the date of said certificate.

“*Borrower*” means the owner of a Development and the direct or indirect obligor on a Borrower Loan.

“*Borrower Loan*” means a loan made, purchased or otherwise acquired with the proceeds of Bonds (other than Non-Parity Bonds) or with the proceeds of a Lender Loan for the construction or permanent financing of a development, and for which the obligation to repay is evidenced by a Note and secured by a Deed of Trust.

“*Business Day*” means any day other than (i) a Saturday, a Sunday or another day on which banking institutions in the State of California are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed and (iii) with respect to any Series of Bonds, a day upon which commercial banks are authorized or obligated by law or executive order to be closed in the city in which demands for payment are to be presented to any Credit Provider for such Series of Bonds.

“*Capitalized Interest*” means interest to be paid or reserved from the proceeds of the issuance of Bonds.

“*Cash Flow Statement*” means an Officer’s Certificate giving effect to an action proposed to be taken under the Indenture and demonstrating in the current and each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that (x) pledged assets expected to be on deposit in the Accounts maintained under the Indenture, exclusive of rebatable amounts, in each such Fiscal Year will be at least equal to amounts required under the Indenture to be on deposit in such Accounts for the payment of the principal and redemption price of, and interest on,

Bonds Outstanding when due (excluding Non-Parity Bonds), all obligations to any Credit Provider and all other expenses to be paid from amounts held under the Indenture and for the funding of the Bond Reserve Account and any Loan Reserve Accounts to their respective requirements, except that, to the extent specified in a Series Indenture, an Account established in such Series Indenture shall not be taken into account when preparing the Cash Flow Statement; and (y) and the aggregate of the amounts on deposit in all Accounts under the Indenture (excluding Rebatable Arbitrage), plus the aggregate principal balances of all Loans and Mortgage-Backed Securities, shall at least equal the sum of the aggregate principal amount of the Bonds Outstanding plus accrued interest.

“*Costs of Issuance*” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of Bonds.

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

“*Credit Facility*” means any supplemental credit support or liquidity support for a Series of Bonds (other than Non-Parity Bonds).

“*Credit Provider*” means any person, firm or entity designated in a Series Indenture or Supplemental Indenture as providing a Credit Facility.

“*Deed of Trust*” means a deed of trust or other instrument which constitutes a lien on real property and improvements thereon and secures the obligation to repay a Borrower Loan.

“*Defaulted Loan*” means any Loan described in an Officer’s Certificate and stated to be in default in accordance with its terms.

“*Development*” means a multifamily rental housing development financed by a Loan made, purchased or otherwise acquired with the proceeds of Bonds (other than Non-Parity Bonds).

“*Escrow Payments*” means any payments made with respect to any Borrower Loan in order to obtain or maintain loan insurance, any subsidy and any fire or other hazard insurance and any payments required to be made with respect to any Borrower Loan for reserves or escrows for operating expenses or replacements or for taxes or other governmental charges or similar charges to be paid by a Borrower and required to be escrowed pending their application.

“*FHA*” means the Federal Housing Administration of HUD or any successor agency of the United States of America.

“*Fiduciaries*” means the Trustee and any Paying Agents and any other person identified as such by a Series Indenture.

“*Fiscal Year*” means any fiscal year (or other comparable period) of the Agency.

“*HUD*” means the United States Department of Housing and Urban Development or its successor.

“*Interest Requirement*” means, as of any particular date of calculation and with respect to any particular Series of Bonds Outstanding on such date of calculation, an amount equal to the sum of (1) any previously unpaid interest then due on Outstanding Bonds of such Series (including any amount required to be reimbursed to any Credit Provider for payment of such interest), plus (2) an amount equal to the interest due and payable on Outstanding Bonds of such Series on the next succeeding Interest Payment Date; provided that Non-Parity Bonds shall be excluded from the calculation of the Interest Requirement. For purposes of this definition, any assumptions made in the calculation of interest in connection with the issuance of Bonds bearing interest at a variable rate shall be as set forth in the Series Indenture.

“*Investment Obligation*” means any of the following which at the time are lawful investments under the laws of the State for the moneys held under the Indenture then proposed to be invested therein: (1) direct general obligations of the United States of America or of the State, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, any federal agency of the United States of America, or the State; (2) 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 the Central Bank for Cooperatives and 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, bonds, debentures and other obligations of Fannie Mae or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and interest, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended, except, in each case, securities evidencing ownership interests in specified portions of the interest on or principal of such obligations; (3) commercial paper rated within the highest short-term Rating Category of each Rating Agency and issued by corporations (a) organized and operating within the United States; and (b) having total assets in excess of five hundred million dollars (\$500,000,000); (4) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the highest short-term rating and the highest two Rating Categories by each Rating Agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System, and negotiable certificates of deposits issued by a nationally or state chartered bank or savings and loan association which are insured by federal deposit insurance, or which are issued by an institution the general obligations of which are rated within the highest short-term rating and the highest two Rating Categories by each Rating Agency; (5) repurchase agreements or reverse repurchase agreements, with nationally recognized broker dealers which are agreements for the purchase or sale of Investment Obligations pursuant to which the seller or buyer agrees to repurchase or sell back such securities on or before a specified date and for a specified amount, which seller or buyer has outstanding long-term indebtedness which are rated within the highest two Rating Categories by each Rating Agency; (6) investment agreements with corporations, financial institutions or national associations within the United States the general obligations of which (or,

if payment of such investment agreement is guaranteed, the general obligations of the guarantor) are rated within the two highest Rating Categories by each Rating Agency; (7) interest bearing accounts in State or national banks or other financial institutions having principal offices in the State (including those of the Trustee or its affiliates) which are issued by an institution the general obligations of which are rated within the highest short-term rating and the highest two Rating Categories by each Rating Agency; (8) interests in any short term investment fund (including those of the Trustee or its affiliates) restricted to investment in obligations described in any of clauses (1) through (5) of this definition, which are rated within the highest two Rating Categories by each Rating Agency; (9) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act if each Rating Agency has confirmed that investment therein, in and of itself, will not adversely affect the then-existing rating on the Bonds; (10) other investment securities acceptable to each Credit Provider which will not cause the rating on any Bonds to be reduced or withdrawn; or (11) any investments authorized in a Series Indenture authorizing Bonds, as long as the related Bonds are rated by each Rating Agency.

“*Lender*” means a financial institution which borrows money from the Agency in order to make, purchase or otherwise acquire a Borrower Loan.

“*Lender Loan*” means a loan made by the Agency to a Lender to finance a Borrower Loan.

“*Loan Expenses*” means the cost of real estate taxes, appraisal fees, insurance fees, legal fees and any other expenses which may be required to maintain the priority of the Agency’s lien, to protect or enforce the Agency’s rights, or to maintain in full force and effect or realize the benefits of any insurance or guarantee, on or with respect to any Loan.

“*Loan Principal Prepayments*” means any amounts, other than Risk Sharing Reimbursements, received by the Agency or the Trustee representing recovery of the Principal Amount of any Loan (exclusive of amounts representing regularly scheduled principal payments) as a result of (1) any voluntary prepayment of all or part of the Principal Amount of a Loan, including any prepayment, fee, premium or other such additional charge; (2) the sale, assignment or other disposition of a Loan (including assignment of a Loan to collect upon any insurance); (3) the acceleration of a Loan (for default or any other cause) or the foreclosure or sale under a Deed of Trust or other proceedings taken in the event of default of such Loan; and (4) compensation for losses incurred with respect to such Loan from the proceeds of condemnation, title insurance or hazard insurance.

“*Loan Reserve Account Requirement*” means, with respect to any Series of Bonds, as of any particular date of calculation, the amount specified for such date in the Series Indenture providing for issuance of such Series of Bonds, which Requirement, as to any Series of Bonds, may be satisfied by a letter of credit, surety bond or other facility if so provided in the Series Indenture providing for such Series.

“*Mortgage-Backed Security*” means a pass-through certificate, mortgage participation certificate or other mortgage-backed security issued by or in the name of, and guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association or the Government National Mortgage Association

or, in each case, any successor federally sponsored association or agency, registered or recorded in book-entry form in the name of the Trustee or the Agency, and backed by or representing an undivided interest in one or more Borrower Loans, or a participation interest in any of the foregoing types of securities.

“*Non-Parity Bonds*” means Bonds so identified in a Series Indenture or in a Supplemental Indenture prior to or concurrently with the first use of the proceeds of such Bonds to finance a Loan, which Bonds shall be secured and payable separately from all parity Bonds and other Secured Obligations under the General Indenture.

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

“*Original Issue Yield*” means, with respect to any particular Bond, the original issue yield to maturity of such Bond from the initial date of delivery of such Bond, calculated on the basis of semiannual compounding on the Interest Payment Dates and Principal Installment Dates for Bonds of the same Series.

“*Principal Amount*” means on any particular date of calculation (1) with respect to any particular Bonds (other than Non-Parity Bonds), the sum of (a) the principal amount on such date of calculation of such Bonds not having an Accreted Value, plus (b) the Accreted Value on such date of calculation of such Bonds having an Accreted Value, and (2) with respect to any Loan, the principal amount of such Loan on such date of calculation.

“*Principal Balance*” means, with respect to each Loan, the unpaid principal balance thereof.

“*Principal Installment*” means, as of any particular date of calculation with respect to any particular Series of Bonds Outstanding on such date of calculation and with respect to any particular future date, an amount equal to the sum of (1) the Principal Amount of Outstanding Bonds of such Series which mature on such future date, reduced by the aggregate Principal Amount of Outstanding Bonds of such Series which would at or before such future date cease to be Outstanding by reason of the application of Sinking Fund Installments at or before such future date, and (2) the amount of any Sinking Fund Installment payable on such Series on such future date; provided that Non-Parity Bonds shall be excluded from the calculation of Principal Installments.

“*Principal Installment Date*” means, with respect to any particular Series of Bonds (other than Non-Parity Bonds), any date on which a Principal Installment with respect to such Series is required to be made.

“*Principal Requirement*” means, as of any particular date of calculation, and with respect to any particular Series of Bonds Outstanding on such date of calculation, an amount equal to the sum of (1) any previously unpaid Principal Installment of such Series then due (including any amount required to be reimbursed to any Credit Provider for payment of such Principal Installment), and (2) any Principal Installment of such Series due on the next succeeding Principal Installment Date(s) for such Series during the period of twelve months from such date of calculation; provided that Non-Parity Bonds shall be excluded from the calculation of the Principal Requirement.

“*Rating Category*” means one of the general rating categories of a Rating Agency (in the case of long-term securities only, without regard to any refinement or graduation of such rating category by numerical or symbolic modifier or otherwise).

“*Revenues*” means all amounts received by the Agency or the Trustee (1) as or representing payment or recovery of the principal of or interest on any Loan, including, without limiting the generality of the foregoing, scheduled payments of principal and interest on any Loan and paid from any source (including both timely and delinquent payments and any late charges and Loan Principal Prepayments), (2) any fees paid with respect to any Loan and expressly designated for deposit under the Indenture, (3) amounts paid under any Deed of Trust or other Loan Document as damages or reimbursement of expenses or otherwise, (4) all Acquired Development Receipts, (5) all amounts required by any Series Indenture to be deposited in the Revenue Account for the payment of Bonds (other than Non-Parity Bonds), and (6) all interest, profits or other income derived from the investment of amounts in any Account; but “*Revenues*” shall not include (a) Escrow Payments, (b) any amounts representing reimbursement to the Agency of advances of principal or interest or expenses incurred by the Agency in connection with the collection or recovery of principal of, or interest on, or other amounts due under, any Loan, (c) the proceeds of hazard insurance to the extent used to repair or rebuild a damaged Development (d) servicing fees, insurance premiums, closing fees, finance charges, administrative fees, commitment fees or other similar fees, premiums or charges imposed by the Agency (e) any amounts pledged to secure Non-Parity Bonds.

“*Risk Sharing Act*” means Section 542(c) of the Housing and Community Development Act of 1992, as may be amended from time to time, and any regulations issued thereunder, including 24 CFR Part 266.

“*Risk Sharing Insurance Payments*” means amounts paid by HUD under the Risk Sharing Act representing initial claim payments (less any delinquent mortgage insurance premiums, late charges and interest or other amounts as may be assessed by HUD) in connection with an insurance claim with respect to a Loan.

“*Risk Sharing Reimbursement*” means moneys which, under the regulations applicable to the loan insurance provided pursuant to the Risk Sharing Act, are required to be paid to HUD following HUD’s payment of an insurance claim with respect to a Loan, including but not limited to: (a) that portion of an initial claim payment by HUD in excess of the amount necessary to retire Bonds which financed or are deemed by the Agency to have financed the related Loan; (b) Loan payments by a Borrower after payment of an insurance claim by HUD with respect to such Loan, up to an amount equal to that amount due to HUD; and (c) that portion of the proceeds from the foreclosure of the related Loan equal to the amount due to HUD.

“*Secured Obligations*” means (i) the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and outstanding under the Indenture, according to their tenor; and the performance and observance of all the covenants and conditions therein; and (ii) the payment and performance of all obligations of the Agency to all Credit Providers pursuant to any documents executed by the Agency in connection with the issuance of the Bonds

or with any liquidity or credit support provided by the Credit Providers; provided, however, that Non-Parity Bonds shall not constitute Secured Obligations.

“*Series*” or “*Series of Bonds*” means all Bonds of like designation authenticated and delivered on original issuance at the same time pursuant to a Series Indenture and any Bond or Bonds thereafter delivered in lieu of or as substitution for any of such Bonds pursuant to the General Indenture.

“*Series Indenture*” means any Supplemental Indenture authorizing the issuance of a Series of Bonds and entered into between the Agency and the Trustee in accordance with the General Indenture.

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

“*State*” means the State of California.

“*Supplemental Indenture*” means any indenture entered into between the Agency and the Trustee amending or supplementing the General Indenture in accordance with the provisions of the General Indenture.

“*Tax Certificate*” means each Tax Certificate dated the date of issuance and delivery of a Series of Bonds (if and to the extent interest on such Series is intended to be excluded from gross income for federal tax purposes), executed and delivered by the Agency, as amended, supplemented or otherwise modified from time to time.

Establishment and Application of Accounts

The General Indenture creates and establishes the Revenue Account, Bond Account, Bond Reserve Account, Redemption Account, and Acquired Development Account. In addition, the General Indenture provides for the creation and establishment of Program Accounts and Loan Reserve Accounts for each Series. The Trustee is authorized under the General Indenture to establish and create such other funds and accounts as may be deemed necessary or advisable by the Agency.

Revenue Account. All Revenues shall be deposited in the Revenue Account upon receipt, except that Loan Principal Prepayments shall be credited to the Redemption Account or under certain circumstances to the Program Account; income earned on amounts in the Bond Reserve Account will be credited to the Revenue Account, subject to the provisions of the Act in effect at the time; income earned on amounts in a Program Account may, upon the request of the Agency in an Officer’s Certificate, be retained in such Program Account; Acquired Development Receipts shall be credited in the Acquired Development Account; Risk Sharing Insurance Payments shall be credited to the Redemption Account; and an amount of interest received with respect to an Investment Obligation equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Obligation shall be credited to the Account from which such accrued interest was paid. Notwithstanding the preceding sentence, the Agency may transfer Revenues directly to any

investment agreement provided for credit to an Investment Obligation held in the name of the Agency and the Trustee or otherwise use such Revenues to purchase any other Investment Obligation to be held in trust for the benefit of the holders of all Secured Obligations. On or before each Interest Payment Date, the Trustee shall, out of the moneys then held in the Revenue Account, credit the following Accounts or make the following payments, but only to the extent moneys in the Revenue Account are then available and only within the limitations hereinafter indicated with respect thereto and only after the required payment within such limitation into every Account prior in order in the following enumeration:

(1) To the Bond Account, to the extent necessary to increase the amount therein so that it equals the sum on such day of (a) the Interest Requirements for all Series having Bonds then Outstanding (when added to amounts to be charged to the Program Accounts to pay Capitalized Interest) and (b) the Principal Requirements for all Series having Bonds then Outstanding;

(2) To the Bond Reserve Account, to the extent necessary to increase the amount therein to the Bond Reserve Account Requirement;

(3) To pay any Trustee, Paying Agent and Credit Provider fees and charges then due and payable, any Agency administrative fees then due and payable, and any fees and expenses of any tender agent, remarketing agent or other fiduciary in connection with the Bonds, and, as directed by an Officer's Certificate, to make the Required Rebate Deposit pursuant to any Tax Certificate;

(4) To each Loan Reserve Account, to the extent necessary to increase the amount therein to of the Loan Reserve Account Requirement for the Series for which such Account was created (and if the amount available is less than the amount needed, the amount transferred to each such account shall be in proportion to the Principal Amount of the Series for which such Account was established);

(5) To the Redemption Account to the extent necessary to increase the sum of amounts in the Program Accounts (including the aggregate Principal Balance of all Loans), the Bond Reserve Accounts, the Loan Reserve Accounts, the Bond Account (to the extent to be used to pay Principal Installments) and the Redemption Account, plus the present value (discounted at the Bond yield of the respective Series) of any additional Revenues pledged by the Agency under any Series Indentures, to an amount equal to any amount required by any agreement between the Agency and any Credit Provider; provided, however, that if and to the extent requested by the Agency in an Officer's Certificate, any amount to be credited under this paragraph shall be credited to one or more Program Accounts as the Agency may select; and

(6) If requested by the Agency upon delivery of a current Cash Flow Statement, to the Agency, and subject to any additional terms or conditions as may be set forth in any Series Indenture or Supplemental Indenture, free and clear of the lien of the Indenture, or to the Redemption Account, as directed by the Agency.

Bond Account. The Trustee shall charge the Bond Account, on or prior to each Interest Payment Date, an amount equal to the unpaid Principal Installments and interest due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of such interest and Principal Installments when due or to reimburse any Credit Provider which has advanced funds to pay such interest and/or Principal Installments. The Trustee is hereby authorized to withdraw funds from the Bond Account and transmit funds to the Paying Agents in order to make such payments.

When the amount in the Bond Account is greater than the amount required therein, any excess amount shall either be retained in such account or, upon the request of the Agency in an Officer's Certificate, be credited to the Revenue Account.

In the event that the amount credited to the Bond Account on or before any Interest Payment Date is insufficient to pay the interest and Principal Installments on the Bonds due on such Interest Payment Date, the Trustee shall credit to the Bond Account the amount of such deficiency, after the Revenue Account charges described above, by charging the following Accounts in the following order of priority:

- (1) the Revenue Account;
- (2) the Redemption Account, except that no such charge to the Redemption Account shall be made from moneys to be used to effect a redemption for which notice of redemption has been provided or with respect to Bonds which are no longer Outstanding under the Indenture;
- (3) the Program Account if and to the extent requested by the Agency in an Officer's Certificate;
- (4) the Loan Reserve Account, to the extent provided in the Indenture; and
- (5) the Bond Reserve Account, to the extent provided in the Indenture.

Bond Reserve Account. If at any time there shall not be a sufficient amount in the Bond Account to pay interest or Principal Installments then coming due on the Bonds, and in the event that the amount credited from any other Accounts in accordance with the Indenture is not sufficient to make up such deficiency, the Trustee shall charge the Bond Reserve Account and credit the Bond Account the amount of the deficiency then remaining. The Trustee shall immediately notify the Agency in writing of any such charge of the Bond Reserve Account.

From time to time, when the amount in the Bond Reserve Account is greater than the Bond Reserve Account Requirement, any excess shall either be retained in such Account or, upon the request of the Agency in an Officer's Certificate, be credited to the Redemption Account or the Revenue Account, as the Agency may request.

The amount of available coverage provided under any letter of credit, surety bond or other facility attributable to the Bond Reserve Account shall be included in calculating the amount credited to such Account, except for purposes as described in clause (6) above under

“Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account.”

Loan Reserve Account. If, for a Series of Bonds with respect to which a Loan Reserve Account has been established, at any time there shall not be a sufficient amount credited to the Bond Account to pay interest or Principal Installments then becoming due on the Bonds of such Series, and in the event that the amount credited from any other Accounts (except the Bond Reserve Account) in accordance with the Indenture is not sufficient to make up such deficiency, the Trustee shall charge the Loan Reserve Account for such Series and credit the Bond Account the amount of the deficiency then remaining. The Trustee shall immediately notify the Agency in writing of any such charge of any Loan Reserve Account.

The amount of coverage provided under any letter of credit, surety bond or other facility on deposit in any Loan Reserve Account shall be included in calculating the amount credited to such Account, except for purposes as described in clause (6) above under “Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account.”

Redemption Account. Bonds are to be purchased or redeemed by the Trustee with moneys credited to the Redemption Account upon receipt by the Trustee of an Officer’s Certificate (which Officer’s Certificate shall be delivered within ten days after receipt by the Agency of any moneys representing Risk Sharing Insurance Payments, or such longer or shorter period as may be appropriate in order for the Agency to comply with the Risk Sharing Act) determining or certifying the following:

- (1) The Series to be purchased or redeemed;
- (2) The maturities and tenors within such Series from which Bonds are to be purchased or redeemed;
- (3) The Principal Amount of Bonds within such maturities and tenors to be purchased or redeemed;
- (4) If any of the Bonds to be purchased or redeemed are Term Bonds, the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined are to be reduced, provided that the aggregate amount of such reductions in Sinking Fund Installments shall equal the aggregate Principal Amount of Term Bonds to be purchased or redeemed;
- (5) That upon purchase or redemption of Bonds pursuant to the determinations made under the provisions of clauses (1) through (4) above (other than pursuant to Sinking Fund Installments), there shall be either no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on the Bonds Outstanding (and to reimburse any Credit Provider for advances made to pay such Principal Installments and/or interest) or unless after such purchase or redemption Revenues then pledged under the Indenture will be sufficient to pay the Secured Obligations when due; and

(6) The amount and source of funding for any Risk Sharing Reimbursement that may be required to be repaid to HUD.

Notwithstanding the preceding paragraph, the Trustee shall purchase or redeem Bonds with any moneys that have been credited to the Redemption Account for a period exceeding six months. The Trustee shall determine the amount of any particular Series, maturity and tenor of Bonds to be so purchased or redeemed as nearly as practicable (given the authorized denominations of each Series) so that moneys derived from the proceeds of any particular Series of Bonds or from the use or investment thereof shall be used to redeem such Series of Bonds and so that the same proportion of the amount Outstanding of each maturity of such Series of Bonds shall be selected for redemption. The Trustee shall promptly notify the Agency in writing of the Bonds or portions thereof selected for redemption.

Any Risk Sharing Insurance Payments that are not applied within thirty (30) days after receipt by the Agency (or such longer or shorter period as may be required pursuant to the Risk Sharing Act) to the redemption of Bonds shall be deemed to be Risk Sharing Reimbursements and shall then be withdrawn from the lien of the Indenture and applied at the direction of an Officer's Certificate in accordance with the Risk Sharing Act.

Acquired Development Account. Upon receipt of an Officer's Certificate in the form required by the Indenture, the Trustee shall charge the Acquired Development Account and pay the costs or expenses incurred in connection with an Acquired Development as specified in such certificate. Payments from the Acquired Development Account shall be made upon filing with the Trustee of an Officer's Certificate stating, with respect to each payment, (1) the item number of the payment, (2) the Acquired Development with respect to which payment is being made, (3) the name of the person to whom payment is to be made, (4) the amount to be paid, and (5) that the amount of such payment, when added to the amount of all previous payments made with respect to the specified Acquired Development during the current period for which an Acquired Development Expense Requirement has been established by the Agency for that Acquired Development, does not exceed such Acquired Development Expense Requirement.

When the amount of the Acquired Development Account is greater than the Acquired Development Expense Requirement, the excess amount shall be charged to the such Account and credited to the revenue Account.

Program Account. Unless such Bonds are issued as Non-Parity Bonds pursuant to the Indenture or are issued as refunding bonds pursuant under the Indenture, the Agency shall establish with respect to each Series of Bonds a separate trust Account or Accounts to be held by the Trustee designated "_____ Program Account" (inserting therein the Series designation of such Bonds). Except as otherwise provided in the Indenture, moneys in the Program Accounts shall be used solely for the financing of Loans (including accrued interest thereon), redemption of Bonds by operation of the Redemption Account, payment of Costs of Issuance to the extent provided by the applicable Series Indenture, and payment of Capitalized Interest on the Bonds to the extent provided by the applicable Series Indenture. The income realized from the investment or deposit of moneys attributable to a subaccount of the Program Account shall be credited to the Revenue Account unless retained in any

such subaccount at the request of the Agency in an Officer's Certificate or unless so provided in the related Series Indenture.

Any Loan financed by application of amounts in any Program Account shall be deemed to have been financed by application of amounts relating to the Series of Bonds for which such Account was established or shall be deemed to have been financed proportionately by application of amounts relating to more than one Series to the extent that such Loan has been financed by application of amounts in more than one Program Account.

In the event that there are amounts remaining in a Program Account on the date three years after the date of issuance of the Bonds of the Series for which any such Account was established, or such earlier or later date as may be provided in the Indenture or in the applicable Series Indenture, the Trustee shall transfer to the Redemption Account any Bond proceeds in such Program Account (excluding amounts reserved for the payment of Capitalized Interest and Costs of Issuance, unless otherwise directed by the Agency) not reserved for the financing of Loans; and shall also transfer to the Redemption Account any amount remaining on deposit in such Program Account which had been deposited to pay Capitalized Interest and will not be required for such purpose; provided, however, that such date of transfer may be extended to such date as may be specified in an Officer's Certificate (i) if such Officer's Certificate includes a current Cash Flow Statement and (ii) if such Officer's Certificate is accompanied by a Counsel's Opinion to the effect that such extension will not adversely effect the exclusion of interest on the Bonds from gross income for federal income tax purposes (in the case of Bonds the interest on which is intended to be so excluded) or the exemption of interest on the Bonds from State of California personal income taxes.

Loan Principal Prepayments

Loan Principal Prepayments shall be credited to the Redemption Account, unless the Agency files with the Trustee an Officer's Certificate, including a Cash Flow Statement, directing the Trustee to credit all or any specified portion of such Loan Principal Prepayments to a Program Account and stating that after such crediting, Revenues to be derived from Loans then pledged under the Indenture together with Revenues to be derived from the investment of moneys in the Accounts will be sufficient to pay Principal Installments and interest on Bonds Outstanding when due.

No Loan shall be financed from moneys attributable to Loan Principal Prepayments if such Loan has a final principal maturity date beyond the final Principal Installment Date of the Series of Bonds to which such Loan Principal Prepayments are attributable unless the Agency files with the Trustee an Officer's Certificate, including a Cash Flow Statement, stating that such financing has no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on Bonds Outstanding at the time such Loan is financed or unless after such financing Revenues then pledged under the Indenture will be sufficient to pay Principal Installments and interest on Bonds Outstanding when due.

Investment of Funds

Moneys attributable to each of the Accounts, on instructions confirmed in writing by the Agency, shall be invested by the Trustee in Investment Obligations; *provided, however*, that moneys attributable to the Revenue Account and the Program Account may be invested in Investment Obligations in the name of the Agency and held in trust for the benefit of the holders of all Secured Obligations.

Covenants

No Loan shall be financed by the Agency from the proceeds of Bonds unless it complies with the terms, conditions, provisions and limitations specified by the Series Indenture or Supplemental Indenture with respect to such Loan and the related Borrower, Development and Loan Documents and any terms, conditions, provisions or limitations contained in any prior Series Indenture or Supplemental Indenture, as the same may be amended from time to time.

The Agency may consent to a modification of, or modify, the rate or rates of interest on, or the amount or time of payment of any installment of principal of or interest on, any Loan or the security for or any terms or provisions of any Note or Deed of Trust unless such modification materially adversely affects the ability of the Agency to pay the Principal Installments and interest on the Bonds Outstanding when due or to realize the benefits of any applicable insurance.

In the event that a Loan becomes a Defaulted Loan, the Agency shall promptly identify such Loan to the Trustee and state the principal amount then due on the Loan and any other information reasonably requested by the Trustee, all as more fully described in the Indenture. The Agency shall take all steps, actions and proceedings reasonably necessary to recover the balance due and to become due on a Defaulted Loan or to realize the benefit of any insurance of such Loan or guarantee thereof, including but not limited to the prompt filing of notices of default, claims payment and extensions for filing claims with HUD pursuant to the Risk Sharing Act. Any Series Indenture may provide for the disposition of particular Defaulted Loans (including their assignment to FHA) in connection with the realization of the benefits of any insurance.

The Agency may not sell or otherwise transfer a Loan unless either

(A) such sale or transfer has no material adverse impact on the ability of the Agency to pay Principal Installments of and interest on the Bonds (and to reimburse any Credit Provider for advances made to pay such Principal Installments and/or interest) when due or

(B) after such sale or transfer Revenues then pledged under the Indenture will be sufficient to pay all Secured Obligations when due.

The Agency may exchange any Borrower Loan for a Mortgage-Backed Security relating to such Loan.

Upon the occurrence of an Event of Default under the Indenture and upon written request of the Trustee or of the Holders of not less than twenty-five percent (25%) in Principal Amount of the Outstanding Bonds (excluding Non-Parity Bonds), the Agency shall assign and deliver any or all of the Loans held by the Agency to the Trustee; provided, however, if the Trustee and the Bondholders are restored to their positions in accordance with the Indenture, the Trustee shall assign and deliver such Loans back to the Agency.

The Agency has covenanted to keep and maintain proper books of record and account in which complete and accurate entries will be made of all its transactions relating to the Bonds, the Loans and the Accounts. The Indenture requires that such books be open for inspection at reasonable times by the Trustee, any Credit Provider and any Holders of not less than five percent (5%) in Principal Amount of Bonds (excluding Non-Parity Bonds) then Outstanding.

Additional Obligations

No obligation of the Agency shall be created or issued by the Agency which is secured by a charge or lien prior to or on a parity with the lien of the Indenture on the Revenues or other security for the Bonds other than additional parity Bonds or Non-Parity Bonds converted to parity status under the Indenture.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds, nor shall any Non-Parity Bonds be converted to parity status, under the Indenture unless, among other things, the conditions described above under “Security for the Bonds — Additional Bonds” are satisfied.

Amendments

A Series Indenture or Supplemental Indenture may be entered into by the Agency and the Trustee without the consent of any Credit Provider or the owners of the Bonds to:

- (1) Provide for the issuance of a Series of Bonds and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed which are not contrary to or inconsistent with the Indenture;
- (2) Close the Indenture against, or provide limitations and restrictions in addition to those contained in the Indenture on, the issuance of future Bonds or of other notes, bonds, obligations or evidences of indebtedness;
- (3) Add to the covenants or agreements of the Agency contained in the Indenture to be observed by the Agency, which are not materially adverse to the interests of the Bondholders or any of the Credit Providers;
- (4) Add to the limitations or restrictions contained in the Indenture or surrender any right, power or privilege reserved to or conferred upon the Agency, provided that such actions are not inconsistent with the provisions of the Indenture;

(5) Surrender any right, power or privilege reserved to or conferred upon the Agency in the General Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(6) Confirm any pledge under and the subjection to any lien or pledge created or to be created by the Indenture of Revenues or any other moneys, securities or funds;

(7) Appoint a successor Fiduciary;

(8) Cure any ambiguity, supply any omission, or cure any defect or inconsistent provision in the Indenture;

(9) Insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not materially adverse to the interests of the Bondholders or any Credit Provider;

(10) Provide for the issuance of bearer Bonds or coupon Bonds, registrable as to principal, subject to any applicable requirements of law;

(11) Provide for the issuance of book-entry form Bonds or to modify the provisions with respect thereto;

(12) Modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect or under any state securities registration or "blue sky" law;

(13) Make any other change which does not materially adversely affect the interests of the Bondholders or any Credit Providers; or

(14) Make any other change in the Indenture, including any change otherwise requiring the consent of the Bondholders under the Indenture, if such change affects only Bonds which are subject to mandatory or optional tender for purchase and if

(i) with respect to Bonds subject to mandatory tender, such change is effective as of a date for such mandatory tender, and

(ii) with respect to Bonds subject to tender at the option of the holders thereof, notice of such change is given to such holders at least thirty (30) days before the effective date thereof.

Any other modification or amendment of the Indenture and of the rights and obligations of the Agency and of the Holders of the Bonds, in any particular, may be made by a Supplemental Indenture with the written consent of each Credit Provider and the Holders of at least fifty percent (50%) in Principal Amount of the Bonds Outstanding at the

time such consent is given; *provided, however*, that (i) if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds for amendment purposes under the Indenture and (ii) if so provided by the applicable Series Indenture, the consent of the Credit Provider for a Series of Bonds shall be deemed to be the consent of the holders of one-hundred percent (100%) in Principal Amount of the Bonds Outstanding of such Series; and *provided, further*, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages of Bonds the consent of the Holder of which is required to effect any such modification or amendment, or permit the creation of a lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien of the Indenture, or deprive the holders of the Bonds of the lien created by the Indenture upon such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding. Nothing under this subheading shall be interpreted as prohibiting the Agency from modifying or amending the terms of any Bond with the consent of the Holder of such Bond if such modification or amendment has no material adverse effect on the interests of any Credit Provider or of any other Bondholder.

Events of Default

Each of the following shall constitute an Event of Default under the Indenture:

(i) if interest on any of the Bonds shall not be paid when due, or any Principal Installment or redemption premium, if any, of any of the Bonds shall become due on any date, and shall not be paid when due, whether at maturity or upon call for redemption; or

(ii) if a default shall be made in the observance or performance of any covenant, contract or other provision contained in the Bonds or the Indenture and such default shall continue for a period of ninety (90) days after written notice to the Agency from the Holders of at least twenty-five percent (25%) of the Principal Amount of the Bonds Outstanding at such time or from the Trustee specifying such default and requiring the same to be remedied; or

(iii) if there shall have been entered an order or decree, by a court having jurisdiction in the premises, for relief against the Agency in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Agency or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such order or decree shall have continued unstayed and in effect for a period of sixty (60) consecutive days; or

(iv) if there shall have been instituted or commenced by the Agency a voluntary case under any applicable bankruptcy, insolvency, receivership or other similar law now or hereafter in effect, or the Agency shall have consented to the entry of an order for relief against it in any involuntary case under any such law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Agency or of any substantial part of its property, or the Agency shall have made an assignment for the benefit of creditors, or failed generally to pay its debts as they become due, or admitted in writing such failure, or shall have taken any action in the furtherance of any such action; or

(v) if the State has limited or altered the rights of the Agency pursuant to the Act, as amended to the date of the Indenture, to fulfill the terms of any agreements made with the Holders of Bonds or in any way impaired the rights and remedies of Holders of Bonds prior to the time such Bonds, together with the interest thereon and 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.

Remedies

Upon the occurrence and continuation of any Event of Default under the Indenture, the Trustee shall give notice of such Event of Default to each Credit Provider. After notice to the Agency, and, the Trustee may, subject to any additional terms or conditions as may be set forth in an Series Indenture or Supplemental Indenture and upon the written request of any Credit Provider or of the Holders of not less than twenty-five percent (25%) in Principal Amount of the Bonds then Outstanding the Trustee must, proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights:

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

(2) by bringing suit upon the Bonds;

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

(4) by realizing or causing to be realized through sale or otherwise upon the security pledged under the Indenture; and

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

(6) by declaring all Bonds immediately 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 percent (25%) in Principal Amount of the Outstanding Bonds, to annul such declaration and its consequences; provided that a Credit Provider may request acceleration only if the Credit Facility will be available for payment of principal of and interest on the Bonds as accelerated, and may prevent acceleration only if the Credit Facility will be available for payment of principal of and interest on the Bonds as regularly scheduled; provided that interest shall cease to accrue on the date of such declaration; and provided further that an acceleration of the Bonds as a result of an Event of Default described in subsection (ii) under the heading "Event of Default" shall require the written consent of the Holders of not less than fifty percent (50%) in Principal Amount of the Outstanding Bonds.

No Holder of any Bond shall have the right to institute any proceedings for any remedy under the Indenture unless:

(i) following the occurrence of an Event of Default the Trustee, after being requested in writing to institute such proceedings by any Credit Provider or by the Holders of not less than twenty-five percent (25%) in Principal Amount of the Bonds then Outstanding, and after having been offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time or

(ii) such Holder obtains the previous consent of the Trustee and such proceeding is brought for the ratable benefit of all Holders of all Bonds.

Subject to the terms of the Indenture, in the event that at any time the moneys credited to the Bond Account and any other funds held by the Agency or Fiduciaries available for the payment of interest or principal or Redemption Price then due with respect to Bonds shall be insufficient for such payment, such moneys and funds (other than funds held for the payment or redemption of particular Bonds as provided in the Indenture) shall be applied as follows:

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order in which they become due and payable, and, if the amount available shall not be sufficient to pay in full all the Bonds so due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on

such date, to the persons entitled thereto, without any discrimination or preference, or to reimburse any Credit Provider for amounts advanced for payment thereof.

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

Right to Direct Proceedings

Upon the occurrence of an Event of Default under the Indenture, the Holders of a majority in Principal Amount of the Bonds then Outstanding, subject to the limitations described in the first paragraph under “Remedies” above, by an instrument in writing executed and delivered to the Trustee, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; *provided, however*, that such direction shall not be otherwise than in accordance with the provisions of law and shall not involve the Trustee in personal liability or be unjustly prejudicial to Bondholders not parties to such direction.

Defeasance

Bonds for the payment or redemption of which

(i) moneys or specified securities of the United States Government, any federal agency or the State have been deposited with the Trustee in an amount together with interest paid thereon sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, or

(ii) the Credit Provider for such Bonds shall have consented to such redemption and shall have agreed to advance amounts sufficient to provide the amount described in the preceding clause (i)

shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for giving notice of such redemption.

The Trustee

U.S. Bank National Association is appointed as Trustee under the Indenture for the purpose of receiving all moneys which the Agency is required to deposit with the Trustee, to hold in trust, allocate, use and apply the same as provided in the Indenture and otherwise to

hold all the offices and to perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

The Agency may remove the Trustee upon 30 days' prior written notice at any time, unless an Event of Default shall have occurred and be continuing under the Indenture, and shall remove the Trustee if requested to do so by an instrument in writing signed by the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding or if the Trustee becomes ineligible under the Indenture. The Trustee may at any time resign, as provided in the Indenture, and upon such resignation the Agency shall appoint a successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall not become effective until acceptance of appointment by the successor Trustee and each Credit Provider has been transferred to such successor Trustee. Any Trustee shall be a bank or trust company, having trust powers, doing business and having an office in California, having capital and surplus aggregating at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority.

STATE PLEDGE

In accordance with Section 51373 of the Act, the Agency has included the following pledge and agreement of the State in the Indenture:

The State pledges with the Holders of any Bonds issued under the Indenture that the State will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with the Holders or in any way impair the rights and remedies of such Holders until such Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

LEGALITY FOR INVESTMENT

Under the Act, the Bonds are legal investments for all public officers and public bodies of the State or its political subdivisions, all municipalities and municipal subdivisions, all insurance companies or banks, savings and loan associations, building and loan associations, trust companies, savings banks, savings associations and investment companies, and administrators, guardians, conservators, executors, trustees and other fiduciaries, and may be used as security for public deposits.