

**NEW ISSUE — BOOK-ENTRY ONLY**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, (i) interest on the 2009 Series A-1 Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the “Code”); (ii) under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (a) interest on the 2009 Series A-2 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (b) under the Code, interest on the 2009 Series A-2 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax; and (iii) under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of California. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency in connection with the 2009 Series A-2 Bonds, and Bond Counsel has assumed compliance by the Agency with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2009 Series A-2 Bonds from gross income under Section 103 of the Code. See “Tax Matters.”*



**\$1,016,440,000**

**CALIFORNIA HOUSING FINANCE AGENCY**

**Residential Mortgage Revenue Bonds, 2009 Series A (Program Bonds)**

**\$900,000,000 2009 Series A-1**

**\$116,440,000 2009 Series A-2**

**THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE ANY  
OFFERED BOND ON OR AFTER ITS RELEASE DATE (AS DEFINED HEREIN)**

**Maturity Date:** December 30, 2041

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

The interest rate, interest payment dates and denominations of the Offered Bonds are as herein described.

DTC will hold the Offered Bonds in book-entry form. Purchasers will not receive certificates representing their interests in the Offered Bonds. Interest on and principal of the Offered Bonds are payable on behalf of the Agency by U.S. Bank National Association, as Trustee under the Indenture, to DTC. So long as DTC or its nominee remains the registered owner of the Offered Bonds, disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the Beneficial Owners of the Offered Bonds is the responsibility of DTC Participants and Indirect Participants. See “The Offered Bonds — DTC and Book-Entry.”

*The Offered Bonds are special limited obligations of the Agency, payable solely from the revenues, assets and properties pledged therefor under the Indenture. The Agency has no taxing power. The Offered Bonds shall not be deemed to constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency as provided in the Indenture.*

*In addition, each Offered Bond prior to its Release Date is secured by amounts on deposit in the within-described 2009 Series A Escrow Fund.*

The Offered Bonds are subject to redemption prior to maturity as described herein.

The Offered Bonds are offered when, as and if issued, subject to approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Agency, and certain other conditions.

December 18, 2009

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No person has been authorized by the Agency to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency. 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 Offered 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 that 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**

**CALIFORNIA HOUSING FINANCE AGENCY**

**Residential Mortgage 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 Offered Bonds. It contains only a part of the information to be provided by the Agency in connection with the issuance and sale of the Offered Bonds. Additional information concerning the Agency and the Offered Bonds 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**  
**of the**  
**California Housing Finance Agency**  
**relating to**  
**\$1,016,440,000**  
**RESIDENTIAL MORTGAGE REVENUE BONDS, 2009 SERIES A**  
**\$900,000,000 2009 Series A-1**  
**\$116,440,000 2009 Series A-2**

**INTRODUCTION**

This Official Statement consists of Part 1 and Part 2 and provides information concerning the California Housing Finance Agency (the “Agency”) and its Residential Mortgage Revenue Bonds, 2009 Series A, which consist of two subseries, designated Residential Mortgage Revenue Bonds, 2009 Series A-1 (the “2009 Series A-1 Bonds”) and Residential Mortgage Revenue Bonds, 2009 Series A-2 (the “2009 Series A-2 Bonds”; together with the 2009 Series A-1 Bonds, the “Offered Bonds”).

**THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE ANY OFFERED BOND ON OR AFTER ITS RELEASE DATE (AS SUCH TERM IS DEFINED IN APPENDIX A TO THIS PART 1).**

The Agency is issuing the Offered Bonds 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”) (the “Resolution”), an Indenture, dated as of December 1, 2009, as amended (the “General Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), and the 2009 Series A Series Indenture (including the supplement thereto attached hereto as Appendix A to this Part 1 — “Additional Terms of the Offered Bonds”), dated as of December 1, 2009 (the “2009 Series A Series Indenture”), by and between the Agency and the Trustee. For so long as the Offered Bonds are Outstanding, the provisions described in Appendix A to this Part 1 — “Additional Terms of the Offered Bonds” shall control in the event of any conflict between such provisions and any provision of the General Indenture or the remainder of the 2009 Series A Series Indenture. All bonds outstanding under the General Indenture (including additional bonds that may hereafter be issued) are herein called “Bonds.” Each series of Bonds is issued pursuant to a Series Indenture. The General Indenture, collectively with all Series Indentures, is herein called the “Indenture.” The Offered Bonds are the first series of Bonds issued under the Indenture. Capitalized terms used in this Official Statement and not otherwise defined have the respective meanings ascribed thereto in the Indenture. See Part 2 of this Official Statement under “Summary of Certain Provisions of the General Indenture — Certain Defined Terms” and Appendix A to this Part 1 — “Additional Terms of the Offered Bonds.”

Bonds may be issued for any lawful authorized purpose, including but not limited to (i) the purchase of Mortgage Loans or Mortgage-Backed Securities, (ii) the making of deposits into Funds established under the Indenture, or (iii) the refunding of bonds or other obligations issued by the Agency or another issuer.

On the date of issuance of the Offered Bonds, an amount equal to the principal amount of the Offered Bonds will be deposited in the 2009 Series A Escrow Fund (see “2009 Series A Escrow Fund”). Such amounts will remain on deposit therein until the Release Date with respect to the related Offered Bonds or until applied to the redemption of such Offered Bonds. The Agency from its general unrestricted funds will pay the costs of issuance in connection with the issuance of the Offered Bonds.

**The Offered Bonds are special limited obligations of the Agency, payable solely from the revenues, assets and properties pledged therefor under the Indenture. The Agency has no taxing power. The Offered Bonds shall not be deemed to constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency as provided in the Indenture.**

The Agency has covenanted in the General Indenture to furnish to the Trustee, within 120 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, a statement of the Agency's revenues, expenses and changes in net assets during the previous period.

Descriptions of the Agency, the Offered Bonds and the Indenture are included in 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 Offered 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.

## **2009 SERIES A ESCROW FUND**

In connection with the issuance of the Offered Bonds, an account has been established under the Indenture (the "2009 Series A Escrow Fund") into which all of the proceeds of the Offered Bonds will be deposited on their date of issuance. On each Release Date with respect to Offered Bonds, an amount equal to the principal amount of such Offered Bonds will be withdrawn from the 2009 Series A Escrow Fund and will be applied as described in Appendix A to this Part 1 — "Additional Terms of the Offered Bonds." Any amounts remaining on deposit in the 2009 Series A Escrow Fund on January 1, 2011 will be applied to pay the redemption price of, and accrued interest on, the Offered Bonds for which no Release Date has occurred.

Moneys on deposit in the 2009 Series A Escrow Fund will be invested as described in Appendix A to this Part 1 — "Additional Terms of the Offered Bonds."

Offered Bond proceeds on deposit in the 2009 Series A Escrow Fund are permitted to be used solely as described under this heading and are not a source of payment for any amounts due under the Indenture, including payments with respect to other Bonds.

## **THE OFFERED BONDS**

### **General Description**

For a description of Offered Bonds prior to their related Release Date, including the interest rate, denominations, and terms, see Appendix A to this Part 1 — "Additional Terms of the Offered Bonds."

No transfer or exchange of any Offered Bond will be required to be made during the 15 days preceding each Interest Payment Date or with respect to an Offered Bond for which notice of its redemption has been given.

The Offered Bonds are being issued 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 Offered Bonds. See "The Offered Bonds — DTC and Book-Entry." U.S. Bank National Association is the Trustee.

### **Redemption**

Offered Bonds, prior to their related Release Date, are subject to redemption as described in Appendix A to this Part 1 — "Additional Terms of the Offered Bonds."

### **General Provisions as to Purchase or Redemption of Bonds**

Pursuant to the General Indenture, the Trustee may at any time purchase Bonds:

- (i) that are subject to Sinking Fund Requirements on the next date such payments are scheduled, upon direction of any Authorized Officer, from moneys on deposit in the Revenue Fund prior to being transferred to the Principal Account in satisfaction of such Sinking Fund

Requirements, at a price, *except* as described below, not to exceed the Redemption Price (plus accrued interest to the date of redemption, if any) that would be payable on the next redemption date; no such purchase may be made, *however*, by the Trustee after the giving of notice of redemption by the Trustee; and

(ii) from moneys on deposit in the Special Redemption Account and the Optional Redemption Account, upon direction of any Authorized Officer, at a price, *except* as described below, not to exceed the Redemption Price (plus accrued interest to the date of redemption, if any) that would be payable on the next redemption date; no such purchase may be made, *however*, after the giving of notice by the Trustee that such Bonds are subject to redemption, *except* (a) from moneys other than moneys set aside for such redemption or (b) if such purchase is from the party that has received such notice.

Subject to applicable law, notwithstanding the maximum purchase price set forth in (i) and (ii) above, if at any time the investment earnings on the moneys available for such purchase shall be less than the interest accruing on the Bonds to be redeemed, then the Trustee may pay a purchase price for any such Bond in excess of the Redemption Price that would be payable on the next redemption date to the Owner of such Bond under the applicable Series Indenture, if an Authorized Officer certifies to the Trustee that the amount paid in excess of said Redemption Price is less than the interest that is to accrue on said Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date.

### **Selection of Bonds for Redemption**

The Trustee will select the Bonds or portions of Bonds to be redeemed or purchased in accordance with the General Indenture and the applicable Series Indenture. *Except* as otherwise stated in the Series Indenture authorizing a Series of Bonds with respect to all or any part of the Series of Bonds authorized thereunder, moneys will, upon direction by an Agency Request to the Trustee, be applied by the Trustee to the purchase or the redemption of Bonds selected from among the Series (and subseries, if applicable), maturities, and interest rates on the basis specified by the Agency in such Agency Request accompanied by a Cash Flow Certificate or Cash Flow Statement. (See “Redemption” with respect to the Offered Bonds.) *Except* as otherwise provided in a Series Indenture, the Agency Request relating to each redemption of Bonds will be filed with the Trustee at least 30 days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Trustee. The 2009 Series A Series Indenture provides that so long as all of the Offered Bonds are registered in the name of Cede & Co., as nominee of DTC, notice of redemption of Offered Bonds will be delivered by the Agency to the Trustee at least 45 days prior to the date fixed for redemption (or such lesser number of days acceptable to the Trustee).

*Except* as otherwise provided in a Series Indenture, if less than all of the Bonds of one Series (and subseries, if applicable) and one maturity bearing the same interest rate (and otherwise of like tenor) are called for redemption, the particular Bonds of such Series (and subseries, if applicable) and maturity bearing the same interest rate (and otherwise of like tenor) to be redeemed will be selected not later than 20 days prior to the date fixed for redemption in such manner as directed by the Agency pursuant to an Agency Request or, if no such direction is received by the Trustee, by lot or in such manner as the Trustee in its discretion may determine; *provided, however*, that the portion of Bonds of any such maturity and Series (and subseries, if applicable) to be redeemed will be in the minimum principal amount or an integral multiple thereof established for such Bonds in the applicable Series Indenture, and that in selecting Bonds for redemption, the Trustee will treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by said minimum principal amount. (See “The Offered Bonds — Redemption.”)

### **Notice of Redemption**

Unless otherwise provided in the applicable Series Indenture or waived by the Bondowner, notice of any redemption will be mailed at least 3 days but no more than 90 days prior to the date set for redemption to the registered Owners of Bonds to be redeemed at their addresses as they appear in the registration books kept by the Bond Registrar. In the case of redemption that is conditioned on the occurrence of certain events, the notice of redemption will set forth, among other things, the conditions precedent to the redemption. Once a redemption notice is sent in accordance with the provisions of the Indenture, any such notice shall be effective with respect to an

Offered Bond to be redeemed whether or not received by the Bondowner thereof. The 2009 Series A Series Indenture provides that so long as all of the Offered Bonds are immobilized in the custody of DTC, (i) notice of redemption of Offered Bonds will be delivered by the Agency to the Trustee at least 45 days prior to the date set for redemption (or such lesser number of days acceptable to the Trustee), (ii) the Trustee will select the particular Offered Bonds of a maturity bearing the same interest rate and of the same subseries to be redeemed not later than 40 days prior to the date fixed for redemption (or such lesser number of days acceptable to the Trustee), and (iii) notice of redemption of Offered Bonds will be delivered by the Trustee to DTC at least 20 days but not more than 60 days prior to the date set for redemption. *DTC is responsible for notifying Direct Participants, and Direct Participants and Indirect Participants are responsible for notifying Beneficial Owners. Neither the Trustee nor the Agency is responsible for sending notices to Beneficial Owners or for the consequences of any action or inaction by the Agency as a result of the response or failure to respond by DTC or its nominee as Bondowner.* (“Direct Participants,” “Indirect Participants,” and “Beneficial Owners” are defined under the heading “DTC and Book-Entry.”)

### **DTC and Book-Entry**

*General.* The Offered Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered 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 Offered Bonds are immobilized in the custody of DTC, references to holders or owners of the Offered 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 Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee (“Cede”), or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate will be issued for each maturity of each subseries thereof set forth in Appendix A to this Part 1 in the aggregate principal amount of each 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.

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered 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 Offered 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 Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of the Offered Bonds with DTC and their registration in the name of Cede or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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 Offered Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

Neither DTC nor Cede (nor any other DTC nominee) will consent or vote with respect to the Offered Bonds unless authorized by a Direct Participant in accordance with DTC's 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's consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Offered Bonds will be made to Cede, 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 principal and interest to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Agency, 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 OFFERED 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 OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED 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 OF THE OFFERED BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

DTC may discontinue providing its services as securities depository with respect to the Offered Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a

successor securities depository is not obtained, Offered Bond certificates are required to be printed and delivered as described in the Indenture.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be required to be printed and delivered as described in the Indenture.

In the event that the book-entry system with respect to the Offered 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 Offered Bonds other than DTC or its nominee at the expense of such registered owners. Interest on such Offered Bonds 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 Offered Bond will be payable to the registered owner thereof upon surrender of such Offered 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 Offered 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 Offered Bonds may be exchanged by the registered owners thereof in person or by duly authorized attorney. Any Offered 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 Offered Bonds to be exchanged or transferred. No transfer or exchange of any Offered Bond shall be required to be made during the 15 days next preceding each Interest Payment Date or with respect to an Offered Bond for which notice of redemption has been given. Upon such exchange or transfer, a new Offered 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**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency (expected to be delivered in substantially the form set forth in Appendix B to this Part 1), (i) interest on the 2009 Series A-1 Bonds is included in gross income for Federal income tax purposes pursuant to the Code; (ii) under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (a) interest on the 2009 Series A-2 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (b) under the Code, interest on the 2009 Series A-2 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax; and (iii) under existing statutes, interest on the Offered Bonds is exempt from personal income taxes imposed by the State of California. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency in connection with the 2009 Series A-2 Bonds, and Bond Counsel has assumed compliance by the Agency with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2009 Series A-2 Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason.

Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2009 Series A-2 Bonds, or under state and local tax law.

Although Bond Counsel will render its opinion that interest on the 2009 Series A-2 Bonds is excluded from gross income for federal income tax purposes and that interest on the Offered Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, such Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Code establishes certain requirements that must be met subsequent to the issuance of the 2009 Series A-2 Bonds in order that interest thereon be and remain excluded from gross income under the Code. These requirements include, but are not limited to, requirements relating to use and expenditures of gross proceeds of the 2009 Series A-2 Bonds, yield and other restrictions on investment of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2009 Series A-2 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency has adopted documents with respect to its program that establish procedures under which, if followed, such requirements can be met. The Agency has covenanted in the Indenture to at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the 2009 Series A-2 Bonds shall not be included in gross income for Federal income tax purposes under the Code. Bond Counsel has relied upon such covenant and has assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Indenture and such documents. In rendering its opinion, Bond Counsel also has relied on certain representations, certification of fact, and statements of the reasonable expectations made by the Agency and others in connection with the 2009 Series A-2 Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2009 Series A-2 Bonds may adversely affect the value of, or the tax status of interest on, the 2009 Series A-2 Bonds.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2009 Series A-2 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the Agency or the Beneficial Owners regarding the tax-exempt status of the 2009 Series A-2 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2009 Series A-2 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2009 Series A-2 Bonds, and may cause the Agency or the Beneficial Owners to incur significant expense.

Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2009 Series A-2 Bonds under federal law or the tax-exempt status of interest on the Offered Bonds under state law and could affect the market price or marketability of the Offered Bonds.

Prospective purchasers of the Offered Bonds should consult their own tax advisors regarding the foregoing matters.

#### *IRS Circular 230 Disclosure*

The advice under the caption, "TAX MATTERS", concerning certain income tax consequences of the acquisition, ownership and disposition of the 2009 Series A-1 Bonds, was written to support the marketing of the

2009 Series A-1 Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the 2009 Series A-1 Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Agency is not intended to be used, and cannot be used by any Bondowner, for the purpose of avoiding penalties that may be imposed on the Bondowner under the Code, and (ii) the Bondowner should seek advice based on the Bondholder's particular circumstances from an independent tax advisor.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and delivery of the Offered Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Agency. The proposed form of legal opinion of Bond Counsel to be delivered upon delivery of the Offered Bonds undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement or other offering material relating to the Offered Bonds and expresses therein no opinion with respect thereto.

## **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 Offered Bonds or contesting the validity of the Offered Bonds, the Indenture or other proceedings of the Agency taken with respect to the authorization, issuance or sale of the Offered Bonds, or the pledge or application of any money under the Indenture, or the existence or powers of the Agency to issue the Offered Bonds.

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 Offered Bonds when due.

## **LEGALITY FOR INVESTMENT**

Under the Act, the Offered Bonds are legal investments for all public officers and public bodies of the State of California 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.

## **CONTINUING DISCLOSURE**

At the request of the purchasers of the Offered Bonds, the Agency will covenant for the benefit of the Holders and Beneficial Owners (each as defined in Appendix C to this Part 1) of the Offered Bonds to provide certain financial information and operating data relating to the Agency by not later than 180 days following the end of each of the Agency's Fiscal Years (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material events will be filed by the Trustee on behalf of the Agency with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in Appendix C to this Part 1 —"Summary of Certain Provisions of the Continuing Disclosure Agreement."

## MISCELLANEOUS

The agreements of the Agency with the owners of the Offered 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 Offered 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.

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

**ADDITIONAL TERMS OF THE OFFERED BONDS**

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## 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 A 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.

“*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 2009 Series A 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.

“*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. Interest Payment Dates for each Converted Bond shall be as set forth in an Agency Request delivered to the Trustee on or prior to the related Release Date, provided that no Interest Payment Date for a Converted Bond may be later than the fifteenth day of the month in which such Interest Payment Date occurs.

“*Issuer*” means the Agency.

“*Market Bond Ratio Requirement*” means the requirement that the Issuer issue and deliver Market Bonds in conjunction with and as a condition to each Release Date, the principal amount of such Market Bonds being not less than 2/3rds of the principal amount of Pre-Conversion Bonds the proceeds of which are proposed to be released on such Release Date.

“*Market Bonds*” means serial bonds and/or term bonds sold by the Issuer to public or private investors in accordance with standard bond underwriting practices and that are issued under the Indenture in order to satisfy the conditions to the release of proceeds of some or all of the Program Bonds.

“*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.

“*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 either the Program Bonds or the Market 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 on which Market Bonds are priced, provided that a bond purchase agreement must be executed with respect to the Market Bonds on such date for such Permanent Rate to be effective.

“*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.

“*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.

“*Primarily Single Family Indenture*” means an existing indenture having underlying single family mortgage loans and MBS constituting at least 70% of the underlying portfolio of mortgage loans held under the Indenture; said calculation to include underlying mortgage loans originated and anticipated to be originated in connection with the Program Bonds and to be calculated on the relevant calculation date.

“*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 209 of the Indenture, Section 2.01 of the Series Indenture and Section 2.1 of this Appendix A, 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 A), 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 proceeds of the related Market Bonds are delivered to the Trustee and the other requirements hereunder are satisfied, including, without limitation, delivery of the Market Bond Ratio Requirement Compliance Certificate attached to this Appendix A as Exhibit B.

“*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) 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.

“*Single Family Program Bond Limit*” means the amount of \$1,244,251,031 that has been allocated to the Issuer with respect to the Program Bonds.

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

“*Spread*” means additional per annum interest on the Program Bonds based upon the lowest Bond Rating effective as of the Permanent Rate Calculation Date to the Program Bonds under the Indenture by the rating agencies rating the Program Bonds, as follows:

<b>Rating</b>	<b>Additional Spread</b>
‘Aaa’/‘AAA’	60 bps
‘Aa’/‘AA’	75 bps
‘A’	110 bps
‘Baa’/‘BBB’	225 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.

“*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 defined 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 A 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, 2009, 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:

<b>Subseries</b>	<b>Maturity</b>	<b>Principal Amount</b>
2009 Series A-1	December 30, 2041	\$900,000,000
2009 Series A-2	December 30, 2041	\$116,440,000

(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.** Each Pre-Conversion 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 may be Converted on a Conversion Date to a Permanent Rate in accordance with the provisions hereof. Interest shall be payable on each Interest Payment Date. From and after the Release Date, the Program Bonds shall bear interest on the basis of a 360-day year consisting of 12 30-day months. *Notwithstanding* anything else herein or in the Indenture to the contrary, in no event shall the interest rate on the Program Bonds exceed the lesser of (a) 12% per annum and (b) the maximum rate permitted by law.

### **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 a Permanent Rate Calculation Date.*

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

(B) On the Permanent Rate Calculation Date, the Issuer shall deliver to the Trustee, with copies to the Notice Parties, (I) a copy of the executed bond purchase agreement delivered with respect to the Market Bonds, and (II) the Preliminary Official Statement with respect to the Market Bonds (with the final Official Statement to be provided as soon as it is available).

(ii) *On or Prior to a Release Date.* 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 the Permanent Rate Calculation Date and the Four Week T-Bill Rate, Spread and Permanent Rate applicable to the relevant Conversion;

(B) the Official Statement for the Market Bonds and the 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 Supplement or Official Statement relating to the Program Bonds 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;

(F) net proceeds of the Market Bonds, which proceeds (together with any amounts deducted from proceeds for underwriting fees and expenses) shall be in an amount not less than two-thirds (2/3) of the applicable portion of the principal amount of the Program Bonds being Converted;

(G) a certificate of the Issuer, attached as Exhibit B to this Appendix A, specifying (I) the principal amount of the related Program Bonds to be Converted, (II) the related Market Bonds and their maturity dates, interest rates and principal amounts, (III) the amount of the proceeds of the Market Bonds, and the amounts to be released from the Escrow Fund in connection with such Conversion, (IV) the applicable Conversion Date, (V) the Release Date and (VI) the principal amount of the Pre-Conversion Bonds which will not be Converted as part of the related Conversion; and

(H) 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 (H) above and (y) to the Issuer and the Notice Parties at the Notice Parties' Addresses, confirmation, as set forth in Exhibit C to this Appendix A, 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 A. The foregoing are in addition to, and not in lieu of, the requirements relating to the issuance of additional Bonds under the Indenture with respect to the Market Bonds.

#### **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 qualified mortgage bonds within the meaning of Section 143 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 'Baa3' or 'BBB-', all proceeds that are held in the Escrow Fund shall be used to mandatorily redeem a corresponding amount of Pre-Conversion 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 acquire mortgage loans or MBS, refund outstanding bond issues as herein provided, pay Program Bond issuance expenses or fund related reserve accounts and (ii) so long as any Market Bonds remain Outstanding, at least 60%, and after no Market Bonds remain Outstanding, 100%, of all principal prepayments and recoveries of principal received with respect to the mortgage loans or MBS acquired or financed with the proceeds of the Program Bonds and the Market Bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on Program Bonds, Market Bonds or other bonds issued in conjunction with and secured by the Trust Estate on a parity with the 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 mortgage loans or MBS.

**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. The Issuer hereby covenants to establish such sinking fund schedules as herein provided and deliver such sinking fund schedule to the Trustee in an Agency Request. 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 mortgage loan amortization, and standard and customary practices of the Issuer in connection with combined serial bond and term bond issuances.

**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, may agree to pay the principal of such Program Bonds prior to their stated maturity and may issue additional Market Bonds (whether or not as part of the same federal tax financing plan), which Market Bonds may mature before or after the Program Bonds or be redeemed before or after the Program Bonds.

**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.

## **Section 2.13. Market Bond Requirements.**

(a) **General.** The Issuer is required to issue Market Bonds under the Indenture in connection with the Program Bonds in order to cause the release of Escrowed Proceeds of Program Bonds as described herein. All Market Bonds must be issued by December 31, 2010. The Issuer hereby represents and warrants that it reasonably expects to issue Market Bonds on or before December 31, 2010 in a principal amount which will satisfy the Market Bond Ratio Requirement. The Issuer further represents and warrants that it reasonably expects to meet all other requirements contained herein relative to the release of Escrowed Proceeds of all Program Bonds issued hereunder.

(b) **Amortization.** The Issuer shall not issue Market Bonds with ‘super sinkers,’ planned amortization classes or other priority allocation class rights unless such

provisions retain for application to the redemption of the Program Bonds at least the portion of any prepayments or other recoveries of principal relative to mortgage loans funded or MBS purchased with proceeds of the Program Bonds specified in Section 2.7 hereof.

(c) ***Mortgage Loan Prepayments.*** Prepayments received on the underlying mortgage loans financed with proceeds of the Program Bonds and the related Market Bonds, if any, shall be applied to redemption of such Program Bonds pursuant to Section 2.7 hereof.

### 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 single family loans or single-family MBS which are either newly originated or refinanced, so long as all such loans are eligible to be financed on a tax-exempt basis under applicable federal income tax law (“eligible loans”);

(ii) to refund, as fixed rate bonds, any of the Issuer's variable rate debt (including, but not limited to, auction rate securities issued and outstanding on or prior to October 19, 2009 or refund an issue that did so, so long as such debt was, in turn, issued to acquire and finance the holding of eligible loans; the use of proceeds for such a refunding purpose shall be limited to 30% of the net proceeds of the Program Bonds); the restrictions on refundings herein shall not apply to either (A) the use of proceeds to repay 'warehouse credit lines' used to acquire mortgage loans and MBS or (B) 'replacement refundings' where proceeds of Program Bonds are exchanged dollar-for-dollar for unexpended tax-exempt bond proceeds and/or mortgage loan prepayments so long as all proceeds of related Market Bonds are exchanged first for such purpose; and

(iii) 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 or qualified veterans mortgage bonds under Section 143 of the Code, or by Section 501(c)(3) organizations.

(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 A 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 A.

## 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 to be tax-exempt on their applicable Release Date;

(b) not permit the aggregate principal amount of the Program Bonds issued hereunder to exceed the Single Family Program Bond Limit;

(c) not allow the aggregate principal amount of Market Bonds and 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;

(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 “Baa3” or “BBB-“ 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 “Aaa” 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 mortgage loans and MBS, 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 A 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;

(e) comply with the provisions of Section 2.7(ii) hereof; and

(f) not permit the Indenture to fail to meet the definition of a “Primarily Single Family Indenture.”

**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 to this Appendix A 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 Fund 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 A 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 A, all notices, requests or other communications to or upon the Notice Parties or referred to in this Appendix A 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, 3<sup>rd</sup> 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 A are inconsistent with any provisions of the Indenture or the Series Indenture under which the Program Bonds are issued, this Appendix A shall control with respect to the Program Bonds.

**Section 6.3. Termination.** This Appendix A 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**

Reference is made to the Residential Mortgage Revenue Bonds General Indenture, dated as of December 1, 2009, of the California Housing Finance Agency (the "Issuer"), as subsequently amended and modified, in particular by Appendix A (the "Appendix") to the 2009 Series A Series Indenture, dated as of 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],
- (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, and
- (v) on the Release Date, it is anticipated that the Bond Rating will be '\_\_\_'/'\_\_\_'.

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

CALIFORNIA HOUSING FINANCE AGENCY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## EXHIBIT B

### MARKET BOND RATIO REQUIREMENT COMPLIANCE CERTIFICATE

Reference is made to the Residential Mortgage Revenue Bonds General Indenture, dated as of December 1, 2009, of the California Housing Finance Agency (the "Issuer"), as subsequently amended and modified, in particular by Appendix A (the "Appendix") to the 2009 Series A Series Indenture, dated as of 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 the issuance of certain Market Bonds, hereby certify and direct as follows:

- (i) \$\_\_\_\_\_ principal amount of Market Bonds are to be issued on \_\_\_\_\_, 2010, net proceeds of which will be deposited with the Trustee on [date] in the amount of \$\_\_\_\_\_ (attached hereto are the bond purchase agreement and Official Statement relative to such Market Bonds),
- (ii) the above-referenced Market Bonds have the maturity dates, interest rates and principal amounts set forth in the attached Official Statement,
- (iii) the release amount pursuant to the Market Bond Ratio Requirement is \$\_\_\_\_\_,
- (iv) the principal amount of the related Program Bonds to be Converted is \$\_\_\_\_\_,
- (v) the Release Date for the related Program Bonds is \_\_\_\_\_,
- (vi) including this Release Date, the Issuer has not established more than three (3) Release Dates in 2010,
- (vii) the Conversion Date for the related Program Bonds is \_\_\_\_\_,
- (viii) the principal amount of the remaining Pre-Conversion Bonds is \_\_\_\_\_, and
- (ix) the released Escrowed Proceeds shall be transferred to the \_\_\_\_\_ [insert name of applicable fund or account].

IN WITNESS WHEREOF, I have herewith set forth my hand to this Certificate this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

CALIFORNIA HOUSING FINANCE  
AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C**

**INTEREST RATE  
CONVERSION CERTIFICATE**

Reference is made to the Residential Mortgage Revenue Bonds General Indenture, dated as of December 1, 2009, of the California Housing Finance Agency (the "Issuer"), as subsequently amended and modified, in particular by Appendix A (the "Appendix") to the 2009 Series A Series Indenture, dated as of 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 U.S. Bank National Association (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 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 \_\_\_\_%;
- (iii) the Permanent Rate with respect to the referenced Program Bonds will be \_\_% as of the specified Conversion Date of \_\_\_\_\_, 2010,
- (iv) the CUSIP number for the referenced Program Bonds is \_\_\_\_\_, and
- (v) related Program Bond proceeds will be released on the specified Release Date of \_\_\_\_\_, 2010.

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

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## 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%.

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**PROPOSED FORM OF LEGAL OPINION**

*Upon the delivery of the Offered Bonds, Bond Counsel proposes to issue an approving opinion in substantially the following form:*

California Housing Finance Agency  
Sacramento, California

We have acted as Bond Counsel to the California Housing Finance Agency (the “Agency”), and in such capacity we have examined a record of proceedings in connection with the issuance by the Agency of its Residential Mortgage Revenue Bonds, 2009 Series A-1, in the aggregate principal amount of \$900,000,000 (the “2009 Series A-1 Bonds”), and its Residential Mortgage Revenue Bonds, 2009 Series A-2, in the aggregate principal amount of \$116,440,000 (the “2009 Series A-2 Bonds”; together with the 2009 Series A-1 Bonds, the “Bonds”).

The Bonds are issued under and pursuant to (i) Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), (ii) the Residential Mortgage Revenue Bonds 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”), and (iii) the related Residential Mortgage Revenue Bonds Series Indenture, dated as of December 1, 2009 (the “Series Indenture”; together with the General Indenture, the “Indenture”), by and between the Agency and the Trustee. The Bonds are dated, mature on the dates in the principal amounts, bear interest, if any, and are payable as provided in the Series Indenture. The Bonds are subject to redemption prior to maturity in whole or in part, as provided in the Indenture. In rendering this opinion, we have assumed that the United States Department of the Treasury (“Treasury”) pays for the Bonds pursuant to the provisions of the Settlement Agreement, dated as of December 18, 2009 (the “Settlement Agreement”), among the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, Treasury, the Agency and U.S. Bank National Association, on the Settlement Date (as such term is defined in the Settlement Agreement). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance of the 2009 Series A-2 Bonds in order that interest on the 2009 Series A-2 Bonds be and remain excluded from gross income under the Code. These requirements include, but are not limited to, requirements relating to use and expenditures of gross proceeds of the 2009 Series A-2 Bonds, yield and other restrictions on investment of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2009 Series A-2 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency has adopted documents with respect to its program (the “Program Documents”) that establish procedures under which, if followed, such requirements can be met. The Agency has covenanted in the Indenture to at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the 2009 Series A-2 Bonds shall not be included in gross income for Federal income tax purposes under the Code. We have relied upon such covenant and have assumed compliance by the Agency with and enforcement by the Agency of the provisions of the Indenture and the Program Documents. In rendering this opinion, we also have relied on certain representations, certification of fact, and statements of the reasonable expectations made by the Agency and others in connection with the 2009 Series A-2 Bonds.

We are of the opinion that:

(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 Bonds have been duly authorized and constitute valid and binding special obligations of the Agency, payable solely from the Revenues and other assets pledged therefor under the Indenture which shall have been lawfully appropriated therefor.

(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, of the rights, title, and interest of the Agency in, to, and under the Mortgage Loans and Mortgage-Backed Securities, all of the Revenues, all proceeds of the sale of Bonds, and all Funds and Accounts (other than the Rebate Fund) 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 Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency, to the extent provided in the Indenture. 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 Bonds.

(5) Interest on the 2009 Series A-1 Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

(6) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants referred to herein, (i) interest on the 2009 Series A-2 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (ii) under the Code, interest on the 2009 Series A-2 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations and is not included in the adjusted current earnings of corporations for purposes of the alternative minimum tax.

(7) Under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

We express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2009 Series A-2 Bonds, or under state and local tax law. We undertake no responsibility for the accuracy, completeness, or fairness of any official statement or other offering materials relating to the Bonds and express herein no opinion relating thereto.

We have assumed, without undertaking to verify, the genuineness of all 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 therein, and the due and legal execution thereof by, and the validity against, any parties other than the Agency.

In rendering this opinion, we are advising you that the rights and obligations under the Bonds and the Indenture and their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance, or other laws affecting creditors' rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), to the exercise of judicial discretion in appropriate cases, and to limitations on legal remedies. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver, or severability provisions contained in the documents described herein.

Very truly yours,

**SUMMARY OF CERTAIN PROVISIONS OF THE  
CONTINUING DISCLOSURE AGREEMENT**

*Certain provisions of the Continuing Disclosure Agreement between the Agency and the Trustee with respect to the Offered Bonds (the “Disclosure Agreement”) not previously discussed in this Official Statement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Disclosure Agreement.*

The Disclosure Agreement is being executed and delivered by the Agency and the Trustee for the benefit of the Holders and Beneficial Owners of the Offered Bonds (the “Subject Bonds”).

**Certain Definitions**

Defined terms used in the Disclosure Agreement and not otherwise defined therein have the meanings set forth in the Indenture.

“Annual Report” means any Annual Report provided by the Agency pursuant to, and as described in, the Disclosure Agreement.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Subject Bonds, including persons holding such Bonds through nominees or depositories.

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

“Dissemination Agent” means the Agency, acting in its capacity as Dissemination Agent under the Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Trustee a written acceptance of such designation.

“Holders” means either the registered owners of the Subject Bonds or, if the Subject Bonds are registered in the name of a recognized depository, any applicable participant in its depository system.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the function of the MSRB contemplated by the Disclosure Agreement.

“Listed Event” means any of the events listed below under the heading “Reporting of Significant Event.”

“Rule” means 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.

**Provision of Annual Reports**

The Dissemination Agent will, not later than 180 days after the end of the Agency’s Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of the Disclosure Agreement. The audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date. If the Agency’s fiscal year changes, it will give notice of such change in the same manner as for a Listed Event.

The Dissemination Agent will file a report with the Trustee certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided.

Not later than 15 Business Days prior to the date specified above for providing the Annual Report, the Dissemination Agent will provide the Annual Report to the Trustee, in the manner described in the Disclosure Agreement. If by the date specified above for providing the Annual Report to the MSRB, the Trustee has not received a copy of the Annual Report, the Trustee is required to contact the Dissemination Agent to determine if the Agency is in compliance with the Disclosure Agreement. If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by such date, the Trustee must send a notice to the MSRB indicating that the Annual Report has not been filed and when the Dissemination Agent anticipates it will file the Annual Report.

### **Content of Annual Reports**

The Agency's Annual Report shall contain or include by reference the following:

- (a) the audited financial statements of the Agency for the Fiscal Year ended on the previous June 30, prepared in accordance with generally accepted accounting principles applicable to governmental entities; provided that if the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Disclosure Agreement, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;
- (b) a description of the Bonds issued by the Agency and outstanding as of the date of such report;
- (c) amounts in the Debt Reserve Fund, amounts in the Loan Loss Fund and amounts in the Supplementary Reserve Fund;
- (d) a schedule of Bond redemptions and the sources of funds for such redemptions;
- (e) the status of the Agency's Mortgage-Backed Securities portfolio, including the interest rates on the Mortgage-Backed Securities, the principal amount of Mortgage-Backed Securities purchased and the principal amount of the current Mortgage-Backed Securities portfolio;
- (f) the status of the Agency's Mortgage Loan portfolio, including the interest rates on the Mortgage Loans, the principal amount of Mortgage Loans to be made, the principal amount of Mortgage Loans purchased, the principal amount of conditionally approved Mortgage Loans and the principal amount of the current Mortgage Loan portfolio;
- (g) information regarding primary, pool and special hazard insurance coverage with respect to the Mortgage Loans;
- (h) and a summary of Mortgage Loan delinquencies, 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 Agency or related public entities, either (1) available to the public on the MSRB internet web site or (2) filed with the Securities and Exchange Commission.

No mortgagor would be an obligated person (as defined in the Rule) for whom financial information or operating data would be presented in the final official statement relating to the Subject Bonds had such mortgagor been known at the time of the offering of the Subject Bonds.

### **Reporting of Significant Events**

The Agency will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Subject 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) defeasances;
- (6) rating changes;
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of such Bonds;
- (8) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform;
- (11) release, substitution or sale of property securing repayment of such Bonds.

The Trustee will, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Agency's Disclosure Representative, inform such person of the event, and request that the Agency promptly notify the Trustee in writing whether or not to report the event.

Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency will as soon as possible determine if such event is material under applicable federal securities laws. If the Agency determines that knowledge of the occurrence of a Listed Event is material, the Agency will promptly notify the Trustee in writing and instruct the Trustee to report the event in accordance with the Disclosure Agreement. If in response to a request from the Trustee the Agency determines that the event is not material, the Agency will so notify the Trustee in writing and instruct the Trustee not to report the occurrence. Notwithstanding the foregoing, notice of a Bond call or a defeasance need not be given any earlier than when the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

#### **Transmission of Information and Notices.**

Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

#### **Amendment of Disclosure Agreement**

The Agency and the Trustee may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the date the Annual Report is to be filed, the contents of the Annual Report or the reporting of Listed Events, such amendment or waiver 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 Subject Bonds;
- (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 Subject 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 Subject 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 Subject Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the Agency will describe such amendment in the next Annual Report, and include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Agency. If the amendment relates to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made will 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.

### **Default**

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

### **Termination of Reporting Obligation**

The Agency's obligations under the Disclosure Agreement terminate upon legal defeasance under the Indenture, prior redemption or payment in full of all of the Subject Bonds.

# CALIFORNIA HOUSING FINANCE AGENCY

## OFFICIAL STATEMENT PART 2 Relating to Residential Mortgage Revenue Bonds

This Part 2 of this Official Statement provides certain information concerning the Agency and the Series of Bonds being issued. It contains only a part of the information to be provided by the Agency in connection with such Series of 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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**OFFICIAL STATEMENT PART 2**  
**of the**  
**CALIFORNIA HOUSING FINANCE AGENCY**  
**relating to**  
**Residential Mortgage 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 General Indenture, 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 to provide insurance with respect to mortgage loans held by the Agency; 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> <sup>†, ††</sup>		
Peter N. Carey <sup>††</sup>	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 <sup>†††</sup>	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 <sup>††††</sup>	*	Director, Department of Finance
Cynthia Bryant	*	Director, Governor's Office of Planning and Research

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

## **SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL INDENTURE**

The following is a summary of certain provisions of the General Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the General Indenture, to which reference is made and copies of which are available from the Trustee or the Agency. For so long as the Offered Bonds are Outstanding, the provisions described in Appendix A to Part 1 — “Additional Terms of the Offered Bonds” shall control in the event of any conflict between such provisions and any provision of the General Indenture or the remainder of the 2009 Series A Series Indenture.

### **Certain Defined Terms**

The following are definitions in summary form of some of the terms contained in the General Indenture and used therein:

“Agency Request” means a written request or direction of the Agency signed by an Authorized Officer.

“Amortized Value” means (i) for securities purchased at par, par; and (ii) for securities purchased at a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity on such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (a) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (b) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

“Appreciated Amount” means with respect to a Deferred Interest Bond, (i) as of any date of computation with respect to any Deferred Interest Bond up to the date, if any, set forth in the Series Indenture authorizing such Deferred Interest Bond as the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, an amount equal to the initial principal amount of such Deferred Interest Bond plus the interest accrued on such Deferred Interest Bond from the date of original issuance of such Deferred Interest Bond to the applicable interest payment date next preceding the date of computation or the date of computation if an applicable interest payment date, such increased amount to accrue at the rate per annum set forth

in the Series Indenture authorizing such Deferred Interest Bonds, compounded on each applicable interest payment date, plus, if such date of computation shall not be an applicable interest payment date, a portion of the difference between the Appreciated Amount as of the immediately preceding applicable interest payment date (or the date of original issuance if the date of computation is prior to the first applicable interest payment date succeeding the date of original issuance) and the Appreciated Amount as of the immediately succeeding applicable interest payment date, calculated based upon an assumption that Appreciated Amount accrues in equal daily amounts on the basis set forth in the Series Indenture authorizing such Deferred Interest Bonds; and (ii) as of any date of computation on and after the date, if any, set forth in the Series Indenture authorizing such Deferred Interest Bond as of the date on which such Deferred Interest Bond shall commence to bear interest payable thereafter on applicable interest payment dates, the Appreciated Amount as of such current interest payment commencement date.

For the purposes of actions, requests, notifications, consents or directions of Bondowners under the General Indenture, the calculation of the Appreciated Amount shall be as of the applicable interest payment dates preceding such date of calculation (unless such date of calculation shall be an applicable interest payment date, in which case, as of the date of calculation).

“Bond Counsel’s Opinion” means an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of state and local debt issuance.

“Cash Flow Certificate” means a certificate of the Agency signed by an Authorized Officer to the effect that the action proposed to be taken is consistent with the assumptions as set forth in the Cash Flow Statement last filed with the Trustee.

“Code” means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Costs of Issuance” means all items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale, issuance and remarketing of the Bonds, as certified by an Authorized Officer.

“Debt Reserve Requirement” means, 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 Debt Reserve Requirement as of the date of said certificate.

“Deferred Interest Bond” means any Bond designated as such by the Series Indenture authorizing the issuance of such Bond.

“Expenses” means any moneys required by the Agency to pay the expenses of the Trustee and any expenses which the Agency may lawfully pay, except as limited with respect to any Series of Bonds by the applicable Series Indenture. Expenses deposited in any Fiscal Year to the credit of the Expense Fund shall not exceed the aggregate of all such amounts set forth for all Series of Bonds in the respective Series Indentures.

“Fiscal Year” means the year beginning on the first day of July and ending on the last day of June in the next succeeding year.

“Government Obligations” means obligations of the United States of America (including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury) or obligations the principal of and interest on which are guaranteed by the United States of America.

“Insurance Proceeds” means payments received with respect to the Mortgage Loans, Underlying Mortgage Loans or Mortgage-Backed Securities under any insurance policy or guarantee or under any fidelity bond, to the extent not applied to the repair or restoration of any mortgaged premises.

“Investment Obligations” means, to the extent authorized by law for investment of moneys of the Agency at the time of such investment, (i)(A) Government Obligations or (B) obligations rated in either of the two highest rating categories of each Rating Agency of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of Government Obligations; (ii)(A) bonds, debentures or other obligations issued by Federal Home Loan Banks, Tennessee Valley Authority, Federal Farm Credit System Obligations, World Bank, International Bank for Reconstruction and Development and Inter-American Development Bank; or (B) bonds, debentures or other obligations issued by Fannie Mae and Federal Home Loan Mortgage Corporation (*excluding* mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans); (iii) obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America, in each case rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, “deposits” shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by any of the obligations described in (i) above having a market value (exclusive of accrued interest) not less than the uninsured amount of such deposit or (b)(1) unsecured or (2) secured to the extent, if any, required by the Agency and, in both (1) and (2), made with an institution whose unsecured debt securities are rated in either of the two highest rating categories and the highest short-term rating category (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (v) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution whose unsecured debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (vi) investment agreements, secured or unsecured as required by the Agency, with any institution whose debt securities are rated in either of the two highest rating categories (or the highest rating of short-term obligations if the investment is a short-term obligation) by each Rating Agency; (vii) direct and general obligations of or obligations unconditionally guaranteed by the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged, and certificates of participation in obligations of the State which obligations may be subject to annual appropriations, which obligations are rated in either of the two highest rating categories by each Rating Agency; (viii) direct and general obligations of or obligations unconditionally guaranteed by any state, municipality or political subdivision or Agency thereof, which obligations are rated in either of the two highest rating categories by each Rating Agency; (ix) bonds, debentures, or other obligations issued by any bank, trust company, national banking association, insurance company, corporation, government or governmental entity (foreign or domestic), *provided* that such bonds, debentures or other obligations are (a) payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the payment of public and private debts, and (b) rated in either of the two highest rating categories by each Rating Agency; (x) commercial paper (having original maturities of not more than 365 days) rated in the highest rating category by each Rating Agency; (xi) money market funds which invest in Government Obligations and which funds have been rated in the highest rating category by each Rating Agency; (xii) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act or any successor fund thereto if each Rating Agency has confirmed that investment therein, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency; or (xiii) any investments authorized in a Series Indenture authorizing Bonds, as long as the related Bonds are rated by each Rating Agency. *Provided*, that it is expressly understood that the definition of Investment Obligations shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the General Indenture by a Supplemental Indenture or an Authorized Officer’s Determination, thus permitting investments with different characteristics from those permitted which the Board of Directors or the Executive Director of the Agency deems from time to time to be in the interests of the Agency to include as Investment Obligations if at the time of inclusion such inclusion will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating assigned to them by each Rating Agency. For purposes of this definition, “institution” means an individual, partnership, corporation, trust or unincorporated organization, or a governmental Agency, instrumentality, program, account, fund, political subdivision or corporation thereof.

“Liquidation Proceeds” means amounts (*except* Insurance Proceeds) received in connection with the liquidation of a defaulted Mortgage Loan, whether through foreclosure, trustee’s sale, repurchase by a Mortgage Lender, or otherwise.

“Loan Loss Requirement” means, as of any particular date of calculation, an amount equal to the aggregate of all amounts established for the Series of Bonds Outstanding in the Series Indentures authorizing the issuance of such Bonds, or a lesser amount if each of the Rating Agencies 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 Loan Loss Requirement as of the date of said certificate.

“Mortgage-Backed Securities” means obligations representing undivided beneficial ownership interests (and any other interest therein allowed by the Act) in mortgage loans, which obligations are issued by or guaranteed by the Government National Mortgage Association, Fannie Mae, Federal Home Loan Mortgage Corporation or, to the extent set forth in a Series Indenture, a Supplemental Indenture, or an Authorized Officer’s Determination, (i) any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase mortgage loans and (ii) any financial institution provided each of the Rating Agencies has confirmed that acquisition of such mortgage-backed securities will not adversely affect its then-existing rating of the Bonds. Unless otherwise provided in a Series Indenture, a Supplemental Indenture, or an Authorized Officer’s Determination, “Mortgage-Backed Securities” does not include any mortgage-backed securities that are not financed from moneys on deposit in the Acquisition Fund.

“Mortgage Loan” means (i) any loan (not including an Underlying Mortgage Loan) financed with amounts deposited in the Funds and Accounts (other than Funds and Accounts so specified in a Series Indenture) and pledged under the General Indenture by the Agency in accordance with the Act, evidenced by a mortgage note and secured by a mortgage (or, with respect to loans related to cooperative dwelling units, evidenced by a promissory note and secured by a lien upon the related shares of stock in the cooperative housing corporation and the proprietary lease related to the financed premises), and (ii) any evidence of an ownership interest in such loans.

“Outstanding Bonds” means, as of any date, all Bonds theretofore authenticated and delivered by the Trustee under the Indenture, *except*:

- (a) any Bond, following its maturity date, if sufficient moneys or Government Obligations are held in trust for the owner of such Bond by the Trustee on such maturity date to pay the principal amount of and accrued interest on such Bond;
- (b) any Bond canceled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity;
- (c) any Bond deemed paid in accordance with the redemption provisions of the General Indenture;
- (d) any Bond deemed paid in accordance with the defeasance provisions of the General Indenture; and
- (e) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the General Indenture, unless proof satisfactory to the Trustee is presented that any Bond for which a Bond in lieu thereof or in substitution therefor shall have been authenticated and delivered is held by a bona fide purchaser, as that term is defined in the Uniform Commercial Code-Investment Securities of the State (Sections 8101-8116 of the California Commercial Code), as amended (or any similar successor provision), in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

“Pledged Property” means the proceeds of the sale of the Bonds, Revenues and all other moneys in all Funds (except the Rebate Fund) and Accounts established under the General Indenture, including the investments, if any, thereof, and the earnings, if any, thereon until applied in accordance with the terms of the General Indenture; and all right, title and interest of the Agency in and to the Mortgage Loans and the Mortgaged-Backed Securities, and related notes, *but excluding* Mortgage Loan and Mortgage-Backed Securities accrued interest not purchased by the Agency; *except* that the pledge of assets or property in a Series Indenture may be limited in purpose and time, as set forth in said Series Indenture.

“principal” means (a) as such term references the principal amount of a Deferred Interest Bond or Deferred Interest Bonds, the Appreciated Amount thereof, and (b) as such term references the principal amount of any other Bond or Bonds, the principal amount at maturity of such Bond or Bonds.

“Principal Prepayment” means any payment by a Mortgagor or other recovery of principal of a Mortgage Loan which is not applied to a scheduled installment of principal or interest on a Mortgage Loan and the portion of any Insurance Proceeds, Liquidation Proceeds or other payments representing such principal amounts, including from the sale of a Mortgage Loan, and any amounts received in connection with a Mortgage-Backed Security that reflect a receipt described in this definition that is received in connection with Underlying Mortgage Loans.

“Rating Agency” means each nationally recognized securities rating agency that is maintaining the rating on the Bonds at the request of the Agency.

“Revenues” means all moneys received by or on behalf of the Agency or Trustee representing (i) principal and interest payments on the Mortgage Loans or Mortgage-Backed Securities including all Principal Prepayments representing the same and all prepayment premiums or penalties received by or on behalf of the Agency in respect to the Mortgage Loans or Mortgage-Backed Securities, (ii) interest earnings, amortization of discount, and gain, all as received as cash on the investment of amounts in any Account or Fund, (iii) amounts transferred to the Revenue Fund in accordance with the General Indenture, (iv) amounts transferred to the Special Redemption Account from the Debt Reserve Fund or the Loan Loss Fund, and (v) amounts deposited in the Revenue Fund pursuant to the General Indenture.

“Serial Bonds” means the Bonds which are not Term Bonds.

“Series Program Determinations” means determinations by the Agency relating to Mortgage Loans, Underlying Mortgage Loans, and Mortgage-Backed Securities and certain other matters required in connection with a Series of Bonds under the Program to be set forth (or provided to be determined at certain specified times in the future) in a Series Indenture (or, if each Rating Agency has confirmed that doing so will not adversely affect the then-existing rating of the Bonds by such Rating Agency, pursuant to an Agency Request) and shall include the following: (i) whether Mortgage Loans or Mortgage-Backed Securities are to be financed by such Bonds and the types of Mortgage-Backed Securities, if any, (ii) whether each Mortgage Loan and each Underlying Mortgage Loan shall be secured by a first lien mortgage, a subordinate lien mortgage or a combination; (iii) whether each Mortgage Loan and each Underlying Mortgage Loan shall have approximately equal monthly payments or shall be a graduated payment mortgage loan or have a fixed or variable rate of interest; (iv) the maximum term to maturity of each Mortgage Loan and each Underlying Mortgage Loan; (v) whether each residence to which each Mortgage Loan and each Underlying Mortgage Loan relates shall be a principal residence; (vi) required primary mortgage insurance, if any, and the levels of coverage thereof; (vii) limitations, if any, applicable to purchasers of Mortgage Loans and each Underlying Mortgage Loan relating to planned unit developments, and/or cooperatives or condominiums, geographic concentration, and type of principal and interest characteristics; (viii) Supplemental Mortgage Coverage, if any; (ix) provisions relating to Principal Prepayments, including application thereof for redemption or financing new Mortgage Loans or Mortgage-Backed Securities; (x) maximum Expenses for such Series; (xi) restrictions, if any, on the applications of the proceeds of the voluntary sale of Mortgage Loans and Mortgage-Backed Securities, if any; and (xii) any other provision deemed advisable by the Agency not in conflict with the General Indenture.

“Sinking Fund Requirement” means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of the Term Bonds, except as such Requirement shall have been previously reduced by the principal amount of such Term Bonds with respect to which such Sinking Fund

Requirement is payable which are to be purchased or redeemed (except out of Sinking Fund Requirements). Sinking Fund Requirements may be established as fixed dollar amounts or as method(s) of calculation thereof.

“Supplemental Mortgage Coverage” or “SMC” means the coverage, if any, of loss from Mortgage Loan or Underlying Mortgage Loan defaults provided in a Series Indenture which supplements any primary mortgage insurance.

“Term Bonds” means the Bonds with respect to which Sinking Fund Requirements have been established.

“Underlying Mortgage Loan” means a mortgage loan underlying any Mortgage-Backed Securities.

### **Payment Due or Acts to be Performed on Weekends and Holidays**

If the date for making any payment of principal or premium, if any, or interest or the last date for performance of any act or the exercising of any right, as provided in the General Indenture, shall be a legal holiday or a day on which banking institutions in the city where the Trustee is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or not a day on which such banking institutions are authorized by law to remain closed, unless otherwise provided in a Series Indenture, with the same force and effect as if done on the nominal date provided in the General Indenture.

### **General Indenture to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds issued under the General Indenture by those who shall own the same from time to time, the General Indenture shall be deemed to be and shall constitute a contract among the Agency and the owners of the Bonds. The pledges made in the General Indenture and the covenants and agreements set forth in the General Indenture to be performed by the Agency shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, without regard to the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the General Indenture or by a Series Indenture.

### **Special Obligation; Pledge of the Indenture**

The Bonds are special obligations of the Agency payable solely from and secured by the Pledged Property. The Agency has no taxing power. The Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision of the State, other than the Agency, or a pledge of the faith and credit of the State, but shall be payable solely from the Pledged Property. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision of the State to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

### **Issuance of Bonds**

The Bonds shall be executed substantially in the form and manner set forth in the General Indenture and shall be deposited with the Trustee for authentication, but before Bonds shall be authenticated and delivered by the Trustee, there shall be on file with the Trustee the following:

- (a) a copy, duly certified by an Authorized Officer, of the General Indenture and the Series Indenture for such Series of Bonds;
- (b) a Bond Counsel’s Opinion stating in the opinion of such counsel that the General Indenture and the applicable Series Indenture have been duly authorized, executed and delivered by, and are valid and binding obligations of, the Agency;

(c) a Cash Flow Statement, if required by the General Indenture, conforming to the requirements of the General Indenture;

(d) a request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Officer, to authenticate and deliver said Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor; and

(e) evidence that the issuance of said Bonds will not adversely affect the then-existing ratings of any of the Bonds by any Rating Agency.

Simultaneously with the delivery of the Bonds, the Trustee shall deposit or credit the proceeds of said Bonds into the applicable Series Bond Proceeds Account of the Bond Proceeds Fund. Unless otherwise provided in the applicable Series Indenture the Trustee shall apply such proceeds, together with any other available funds, as follows:

(i) an amount shall be transferred to and deposited to the credit of the Debt Reserve Fund such that the amount on deposit in such Fund will at least equal the Debt Reserve Requirement;

(ii) an amount shall be transferred to and deposited to the credit of the Loan Loss Fund such that the amount on deposit in such Fund will at least equal the Loan Loss Requirement;

(iii) the total amount of such proceeds designated by the Agency as accrued interest and capitalized interest shall be deposited to the credit of the Revenue Fund;

(iv) an amount equal to pay the Costs of Issuance for such Bonds shall be transferred to and deposited to the credit of the Series Account in the Costs of Issuance Fund established for such Series;

(v) an amount to the extent set forth in the applicable Series Indenture shall be transferred to and deposited in the Expense Fund;

(vi) an amount to be transferred to and deposited into any Fund or Account not referred to in clauses (i)-(v) above or (vii) below as provided in the applicable Series Indenture; and

(vii) the balance of such moneys shall be transferred to and deposited to the credit of the Acquisition Account in the Acquisition Fund established for such Series.

## **Refunding Bonds**

Refunding Bonds of the Agency may be issued under and secured by the General Indenture for the purpose of providing funds, with any other available funds, for (i) redeeming (or purchasing in lieu of redemption) prior to their maturity or maturities, or retiring at their maturity or maturities, all or any part of the Outstanding Bonds of any Series, including the payment of any redemption premium (or premium, to the extent permitted by law, included in the purchase price if purchased in lieu of redemption), (ii) making any required deposits to the Debt Reserve Fund and the Loan Loss Fund, (iii) if deemed necessary by the Agency, for paying the interest to accrue on the refunding Bonds or refunded Bonds to the date fixed for their redemption (or purchase) and (iv) any expenses in connection with such refunding. Before any Bonds shall be issued under the provisions of this paragraph, the Agency shall execute a Series Indenture authorizing the issuance of such Series of Bonds, fixing the amount and the details thereof and describing the Bonds to be refunded. Except as may otherwise be provided in the applicable Series Indenture and *except* as to any differences in the maturities thereof or interest payment dates or the rate or rates of interest or the provisions for redemption, such refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of the General Indenture as all other Bonds issued under the General Indenture.

Prior to or simultaneously with the authentication and delivery of such refunding Bonds by the Trustee to or upon the order of the purchasers thereof there shall be filed with the Trustee the following:

(a) a copy, duly certified by an Authorized Officer, of the Indenture and the Series Indenture for such Series of refunding Bonds;

(b) a Bond Counsel's Opinion stating in the opinion of such counsel that the General Indenture and the applicable Series Indenture have been duly authorized, executed, and delivered by, and are valid and binding obligations of, the Agency;

(c) a Cash Flow Statement, if required by the General Indenture, conforming to the requirements of the General Indenture;

(d) a certificate of an Authorized Officer stating that the proceeds (excluding accrued interest but including any premium) of such refunding Bonds, together with any moneys to be withdrawn from the Debt Service Fund by the Trustee and any other moneys which have been made available to the Trustee for such purposes, or the principal of and the interest on the investment of such proceeds or any such moneys, will be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable on or prior to the date of their payment or redemption, the expenses in connection with such refunding and to make any required deposits to the Debt Reserve Fund and the Loan Loss Fund and specifying transfers, if any, from the Series Acquisition Accounts applicable to the Series of Bonds to be refunded and the refunding Bonds;

(e) if all or part of the refunded Bonds are to be redeemed prior to maturity, irrevocable instructions from an Authorized Officer of the Agency to the Trustee to redeem the applicable Bonds;

(f) a request and authorization to the Trustee on behalf of the Agency, signed by an Authorized Officer, to authenticate and deliver Bonds to the purchaser or purchasers therein identified upon payment to the Trustee for the account of the Agency of the purchase price therefor;

(g) evidence that the issuance of said Bonds will not adversely affect the then-existing rating of any of the Bonds by any Rating Agency.

### **Issuance of Additional Obligations**

The Agency may issue any obligations which are payable from or secured by a lien on and pledge of the Pledged Property, so long as such lien and pledge shall be in all respects subordinate to the lien and pledge created by the General Indenture.

### **Bonds No Longer Outstanding**

Bonds shall no longer be treated as Outstanding (a) if they have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given by the Agency to the Trustee and (b) with respect to which the Trustee holds money or Government Obligations sufficient to pay the Principal and Redemption Price of and interest on such on their respective interest payment, stated maturity or prescribed redemption dates.

## **Funds and Accounts**

The following Funds and Accounts are created and designated as set forth below:

Bond Proceeds Fund	Redemption Fund
Series Bond Proceeds Accounts	Special Redemption Account
Acquisition Fund	Optional Redemption Account
Series Acquisition Accounts	Expense Fund
Costs of Issuance Fund	Debt Reserve Fund
Series Costs of Issuance Accounts	Loan Loss Fund
Revenue Fund	General Fund
Debt Service Fund	Principal Prepayment Fund
Interest Account	Series Principal Prepayment Accounts
Principal Account	Rebate Fund
	Supplementary Reserve Fund

Additional Funds and Accounts (including for the purpose of depositing amounts required to be rebated to the United States, *i.e.*, a Rebate Account within the Rebate Fund) may be created and designated in Series Indentures.

### **Bond Proceeds Fund—Series Bond Proceeds Accounts**

Upon the issuance of a Series of Bonds, the Trustee shall establish a Series Account within the Bond Proceeds Fund applicable to such Series of Bonds and may deposit amounts received in connection with the issuance of such Bonds into such Account and thereupon apply such proceeds at the times and in the amounts set forth in the Series Indenture authorizing the issuance of such Bonds.

### **Acquisition Fund—Series Acquisition Accounts**

Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Acquisition Account (which may relate to more than one Series of Bonds) within the Acquisition Fund applicable solely to such Series of Bonds. Moneys in the Acquisition Fund shall be applied by the Trustee to finance the acquisition of Mortgage Loans and/or Mortgage-Backed Securities (the characteristics of which conform to the applicable Series Program Determinations) upon Agency Request or as otherwise provided in the Series Indenture. The Trustee shall transfer from any Series Acquisition Account to the Special Redemption Account any amount specified by the Agency from time to time in any Agency Request for the purpose of redeeming or purchasing Bonds of the Series for which such Series Acquisition Account was established unless otherwise provided in the applicable Series Indenture.

The Trustee shall transfer any amount representing Principal Prepayments deposited in a Series Acquisition Account to the Principal Prepayment Fund, upon an Agency Request in the amount and at the time(s) stated in such Agency Request.

Moneys held for the credit of the Acquisition Fund shall be transferred to the Interest or Principal Account, in that order, pursuant to the General Indenture.

### **Costs of Issuance Fund—Series Costs of Issuance Accounts**

Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Account within the Costs of Issuance Fund applicable to such Series of Bonds and shall transfer amounts from the Bond Proceeds Fund received in connection with the issuance of such Bonds into such Account in the amount set forth in the applicable Series Indenture authorizing the issuance thereof. In addition, the Agency may deposit other amounts available therefor in such Account. Moneys held in a Series Account in the Costs of Issuance Fund shall be disbursed to pay the Costs of Issuance related to the applicable Series of Bonds upon a requisition, signed by an Authorized Officer of the Agency, identifying generally the nature and amount of

such Costs of Issuance. Upon Agency Request any amount remaining in a Series Costs of Issuance Account shall be transferred to the Revenue Fund and treated as Revenues, to the Acquisition Fund or to the Special Redemption Account of the Redemption Fund.

### **Revenue Fund; Application of Revenues**

All Revenues shall be deposited in the Revenue Fund as received by the Trustee.

No later than one month following the deposit of Principal Prepayments into the Revenue Fund, the Trustee shall transfer Revenues in an amount equal to and representing such Principal Prepayments received to the Principal Prepayment Fund.

At any time, upon Agency Request, the Trustee shall apply amounts in the Revenue Fund to pay for accrued interest in connection with the Trustee's purchase of Investment Obligations for deposit in any Fund or Account maintained under the Indenture and to pay accrued interest with respect to the financing of Mortgage Loans and Mortgage-Backed Securities.

Upon deposit in the Revenue Fund, the Trustee shall transfer to the credit of the applicable Series Acquisition Account amounts equal to the amounts expended from such Account to pay accrued interest with respect to the financings of Mortgage Loans from amounts on deposit in such Account.

The Trustee shall transfer Revenues in the Revenue Fund in the amounts specified in an Agency Request, on the dates therein specified, to the credit of the Funds and Accounts in, and in the priority of, clauses (1) - (9) below:

- (1) To any Account in the Rebate Fund, the amount(s), if any, specified by the Agency;
- (2) Principal payments, including Principal Prepayments, of Mortgage Loans and Mortgage-Backed Securities in an amount equal to the amounts required by the Code to be applied to pay principal of Bonds shall be transferred to the Principal Account or the Special Redemption Account, as directed by the Agency;
- (3) To the Interest Account, in the amount necessary to pay interest due on the next succeeding debt service payment date on the Bonds;
- (4) To the Principal Account, in the amount necessary, after taking into account the amount transferred pursuant to clause (2) and the amount applied to the purchase of Bonds at the times, in the manner and for the purposes set forth in the General Indenture, to pay principal due on the next succeeding debt service payment date on the Bonds;
- (5) To the credit of the Debt Reserve Fund, an amount sufficient to cause the amount on deposit in and credited to said Fund to equal the Debt Reserve Requirement;
- (6) To the credit of the Expense Fund, an amount of Expenses specified in the Agency Request which shall not exceed the remainder of (i) the product of (A) the maximum amount of Expenses which may be deposited in the Expense Fund during the then-current Fiscal Year and (B) the fraction whose numerator is the number of days from the beginning of such Fiscal Year to the next succeeding debt service payment date on the Bonds and whose denominator is 365 or 366, whichever represents the number of days in such Fiscal Year, less (ii) the aggregate amount of Expenses previously deposited into the Expense Fund during such Fiscal Year. In no event in any Fiscal Year can the amount deposited on any date, when aggregated with amounts already deposited during such Fiscal Year, cause the aggregate amount deposited in any Fiscal Year to exceed the maximum amount of Expenses which may be deposited in the Expense Fund in a Fiscal Year;

(7) To the credit of the Loan Loss Fund, an amount sufficient to cause the amount on deposit in and credited to said Fund to equal the Loan Loss Requirement;

(8) To the credit of the Expense Fund, the amount of Agency Expenses specified in an Agency Request accompanied by a Cash Flow Certificate but only to the maximum allowable pursuant to the Series Indenture in such Fiscal Year; and

(9) To the General Fund, the balance.

Revenues in the Revenue Fund shall be applied to the purchase of Bonds at the times, in the manner and for the purposes set forth in the General Indenture.

#### **Debt Service Fund—Interest Account**

The Trustee shall, on each interest payment date, withdraw from the Interest Account and remit by such method of transfer acceptable to the Agency, to each owner of Bonds the amounts required for paying the interest on Bonds as such interest becomes due and payable.

#### **Debt Service Fund—Principal Account**

The Trustee shall, on each principal payment date, set aside in the Principal Account the amounts required for paying the principal of all Bonds as such principal becomes due and payable.

Amounts on deposit in the Revenue Fund prior to being deposited to the credit of the Principal Account in satisfaction of Sinking Fund Requirements shall be applied as applicable to the purchase of Term Bonds of each Series then Outstanding subject to Sinking Fund Requirements on the next date such payments are scheduled as provided in this paragraph. The Trustee, upon direction of an Authorized Officer, shall endeavor to purchase the Term Bonds or portions of Term Bonds of each Series stated to mature on the next maturity date or to be redeemed pursuant to Sinking Fund Requirements for Term Bonds of such Series then Outstanding at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date to the owners of such Term Bonds under the provisions of the applicable Series Indenture if such Term Bonds or portions of Term Bonds under the provisions of the applicable Series Indenture should be called for redemption on such date. *Provided, however,* that subject to applicable law, notwithstanding the maximum purchase price set forth in the preceding sentence, if at any time the investment earnings on the moneys in the Revenue Fund equal to the Sinking Fund Requirements for the next date such payments are scheduled shall be less than the interest accruing on the Bonds to be redeemed on such date from such Sinking Fund Requirement, then the Trustee may pay a purchase price for any such Bond in excess of the Redemption Price which would be payable on the next redemption date to the owner of such Bond under the provisions of the applicable Series Indenture, if an Authorized Officer certifies to the Trustee that the amount paid in excess of said Redemption Price is expected to be less than the interest which is expected to accrue on said Bond less any investment earnings on such available moneys for the period from the settlement date of the proposed purchase to the redemption date. The Trustee shall pay the interest accrued on such Term Bonds or portions of Term Bonds to the date of settlement therefor from the Revenue Fund or the Interest Account of the Debt Service Fund. Notwithstanding the foregoing, no such purchase shall be made by the Trustee after the giving of notice of redemption by the Trustee.

Any purchase or redemption of Bonds shall be made pursuant to the provisions of Article III of the General Indenture. Upon the retirement of any Term Bonds by purchase or redemption pursuant to the provisions of the General Indenture, the Trustee shall file with the Agency a statement identifying such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds shall be paid by the Trustee from the Expense Fund or from any other moneys available therefor.

Moneys held for the credit of the Principal Account shall be transferred to the Interest Account pursuant to the General Indenture.

## **Redemption Fund**

The Trustee shall apply all moneys deposited to the credit of the Special Redemption Account and the Optional Redemption Account to the purchase or redemption of Bonds issued pursuant to the General Indenture as follows:

(a) The Trustee, upon the direction of the Agency, shall endeavor to purchase Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of such Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) which would be payable on the next redemption date. Such maximum purchase price may be exceeded in accordance with the terms of the General Indenture. The Trustee shall pay the interest accrued on such Bonds to the date of settlement therefor from the Revenue Fund or the Interest Account of the Debt Service Fund and the balance of the purchase price from the Special Redemption Account or Optional Redemption Account, as applicable, but no such purchase shall be contracted for by the Trustee after the giving of notice by the Trustee that such Bonds have been called for redemption except from moneys other than moneys set aside in the Special Redemption Account or Optional Redemption Account, as applicable, for the redemption of such Bonds unless such purchase is from the party that has received such notice.

(b) The Trustee, having endeavored to purchase Bonds pursuant to paragraph (a) above, shall call for redemption on the earliest practicable date on which Bonds are subject to redemption from moneys in the Special Redemption Account or Optional Redemption Account, as applicable, and, with respect to accrued interest on such Bonds payable upon redemption, the Revenue Fund or the Interest Account of the Debt Service Fund, such amount (computed on the basis of Redemption Prices) of Bonds as will exhaust the moneys held for the credit of the Special Redemption Account or Optional Redemption Account, as applicable, as nearly as may be practicable.

Moneys held for the credit of the Redemption Fund shall be transferred to the Interest or Principal Account, in that order, pursuant to the General Indenture.

Any amounts deposited in the Redemption Fund for the redemption of Bonds which remain on deposit after the payment in full of the Redemption Price of the applicable Bonds shall be transferred to the Revenue Fund at the times and in the amounts set forth in an Agency Request and shall continue to be treated as Revenues.

## **Expense Fund**

Moneys held for the credit of the Expense Fund shall be applied by the Trustee for the following purposes in any order of priority:

- (a) the payment of the fees and expenses of the Trustee and fees of the providers of credit enhancement on Bonds, Funds, Mortgage Loans and Mortgage-Backed Securities; and
- (b) for transfer to the Interest or Principal Accounts, pursuant to the Indenture; and
- (c) upon requisition by Agency Request, the payment or reimbursement of any Expenses;  
and
- (d) upon Agency Request, for transfer to the Revenue Fund and thereafter to be treated as Revenues.

## **Debt Reserve Fund**

Moneys held for the credit of the Debt Reserve Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, as described under "Deficiencies in Debt Service Fund" below.

Moneys held for the credit of the Debt Reserve Fund as of any date in excess of the Debt Reserve Requirement upon Agency Request shall be transferred to the Revenue Fund or the Special Redemption Account.

### **Loan Loss Fund**

Moneys held for the credit of the Loan Loss Fund shall be transferred or drawn upon for transfer, as applicable, by the Trustee to the Interest or Principal Account, in that order, as described under “Deficiencies in Debt Service Fund” below.

Moneys held for the credit of the Loan Loss Fund as of any date in excess of the Loan Loss Requirement upon Agency Request shall be transferred to the Revenue Fund or the Special Redemption Account.

### **General Fund**

Except as otherwise provided in a Series Indenture, moneys held for the credit of the General Fund shall be transferred by the Trustee in the following order of priority listed in subsections (i) through (iv) and thereafter at any time upon Agency Request to the following Funds and Accounts:

(i) to the credit of the Interest Account, an amount sufficient to cause the amount on deposit in said Account to equal any interest previously due and unpaid on Bonds;

(ii) to the credit of the Principal Account, an amount sufficient to make the amount then on deposit in said Account equal to any regularly scheduled principal of the Bonds previously due and unpaid;

(iii) to the credit of the Debt Reserve Fund, an amount sufficient to cause the amount on deposit in said Fund to equal the Debt Reserve Requirement;

(iv) to the credit of the Loan Loss Fund, an amount sufficient to cause the amount on deposit in said Fund to equal the Loan Loss Requirement;

(v) to the credit of the Expense Fund;

(vi) to the credit of the Optional Redemption Account for the redemption or purchase of Bonds;

(vii) to the credit of the Special Redemption Account for redemption or purchase of Bonds;

(viii) to any specified Series Acquisition Account in the Acquisition Fund;

(ix) to the credit of any Series Account in the Costs of Issuance Fund; or

(x) unless provided otherwise in a Series Indenture, to the Agency, for any other purpose authorized or required under the Act free and clear of the pledge and lien of the General Indenture; *provided, however*, that no such payment shall be made under this clause unless permitted pursuant to a Cash Flow Statement filed with the Trustee pursuant to the General Indenture.

### **Principal Prepayment Fund—Series Principal Prepayment Accounts**

Upon the issuance of a Series of Bonds the Trustee shall establish a Series Principal Prepayment Account within the Principal Prepayment Fund applicable to such Series of Bonds. Unless provided otherwise in a Series Indenture, the Trustee shall transfer amounts in the Principal Prepayment Fund at any time upon Agency Request to the Principal Account, to the Special Redemption Account, the Optional Redemption Account or an Acquisition

Account(s) of the Acquisition Fund. Moneys held for the credit of the Principal Prepayment Fund shall be transferred by the Trustee to the Interest Account or Principal Account in that order, pursuant to the Indenture. If the Trustee does not receive an Agency Request with respect to a mandatory redemption from Principal Prepayments set forth in a Series Indenture, the Trustee shall transfer Principal Prepayments in an amount sufficient to accomplish such mandatory redemption from the applicable Series Principal Prepayment Account of the Principal Prepayment Fund to the Special Redemption Account and shall call Bonds for redemption (subject to any other priority set forth in the applicable Series Indenture) on a pro rata basis, as nearly as practicable, from among each maturity of the Series (and subseries, if applicable) of Bonds that financed the Mortgage Loan or Mortgage-Backed Security that was prepaid.

#### **Supplementary Reserve Fund—Series Accounts**

Upon the issuance of a Series of Bonds, unless otherwise provided in the applicable Series Indenture, the Trustee shall establish a Series Account within the Supplementary Reserve Fund applicable to such Series of Bonds. Such Series Account shall be held by the Trustee and applied as set forth in said Series Indenture. Such Series Account shall be funded by transfers from the Supplementary Bond Security Account created by Section 51368 of the Act, or from other legally available moneys of the Agency, in the amounts, at the times and in the manner set forth in said Series Indenture. Income earned on the investment of amounts in such Series Account shall be paid, transferred, retained or otherwise treated as set forth in said Series Indenture. Notwithstanding the foregoing or anything in the General Indenture to the contrary, amounts on deposit in any Series Account of the Supplementary Reserve Fund may be withdrawn and paid to the Agency free and clear of the lien and pledge of the General Indenture if each Rating Agency has confirmed that such withdrawal, in and of itself, will not adversely affect the then-existing rating of the Bonds by such Rating Agency.

#### **Deficiencies in Debt Service Fund**

In the event that amounts in the Debt Service Fund shall be insufficient on any interest payment date or principal payment date to pay the principal of and interest on the Bonds due and unpaid on such date, the Trustee shall withdraw amounts from the following Funds and Accounts in the following order of priority to the extent necessary to eliminate such deficiency; *provided, however*, that no amounts on deposit in the Special Redemption Account, the Optional Redemption Account, the Principal Prepayment Fund or the Principal Account shall be used for such purpose to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption, and no amounts on deposit in any Series Acquisition Account shall be used for such purpose to the extent that the Agency is contractually obligated to finance or originate identified Mortgage Loans or Mortgage-Backed Securities acceptable for financing with amounts on deposit in such Series Acquisition Account:

- (a) Revenue Fund;
- (b) General Fund;
- (c) Optional Redemption Account;
- (d) Principal Prepayment Fund;
- (e) Special Redemption Account;
- (f) Loan Loss Fund;
- (g) Expense Fund;
- (h) Acquisition Fund (but only if the Agency has received a Bond Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);

- (i) Bond Proceeds Fund (but only if the Agency has received a Bond Counsel's Opinion that such use will not adversely affect the exclusion (if excluded) of interest on the Bonds from gross income of the Owners thereof for Federal income tax purposes);
- (j) Costs of Issuance Fund;
- (k) Debt Reserve Fund;
- (l) Principal Account;
- (m) Acquisition Fund (if the Bond Counsel's Opinion referred to in (h) above has not been received); and
- (n) Bond Proceeds Fund (if the Bond Counsel's Opinion referred to in (i) above has not been received).

### **Security for Deposits; Investment of Moneys**

All amounts held by the Trustee under the General Indenture, except as otherwise expressly provided in the General Indenture, shall be held in trust.

Moneys deposited for the credit of the Funds and Accounts under the General Indenture shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee upon the direction of an Authorized Officer (promptly confirmed by delivery of an Agency Request) in Investment Obligations which shall be in such amounts and bear interest at such rates with the objective that sufficient money will be available to pay the interest due on Bonds and shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, with the objective that sufficient moneys will be available for the purposes intended.

Any Investment Obligations purchased as investment of moneys in any such Fund or Account shall be deemed at all times to be part of such Fund or Account. Any interest paid as cash, amortization of discount received as cash, or gain received as cash on the investment in any Fund or Account (except the Rebate Fund) shall be credited to the Revenue Fund when received and thereafter treated as Revenues. Any interest paid on the investment of the Rebate Fund shall be credited to the Rebate Fund. In computing the amount on deposit to the credit of any Account or Fund, obligations in which money in such Account or Fund shall have been invested shall be valued at Amortized Value plus the amount of interest on such obligations purchased with moneys in such Account or Fund.

### **Cash Flow Statements**

The General Indenture provides that, while any Bonds are Outstanding, the Agency shall file with the Trustee a Cash Flow Statement (i) whenever any Series of Bonds is issued, if the most recently filed Cash Flow Statement was filed more than twelve months prior to the date of issuance (provided that no Cash Flow Statement shall be required to be filed in connection with the issuance of the first Series of Bonds issued under the General Indenture); (ii) at least once during each Fiscal Year; (iii) upon purchase or redemption of Bonds in a manner materially inconsistent with the last Cash Flow Statement filed by the Agency with the Trustee; and (iv) prior to applying amounts in the General Fund for payment to the Agency free and clear of the lien of the Indenture.

The General Indenture provides that a Cash Flow Statement shall consist of a certificate of an Authorized Representative giving effect to the action proposed to be taken and demonstrating in the current and each succeeding Fiscal Year in which Bonds are scheduled to be Outstanding that, as of each date on which principal or interest will be due on Bonds in each such Fiscal Year, (x) Pledged Property then expected to be on deposit in the Funds and Accounts maintained under the General Indenture will be at least equal to all amounts required by the General Indenture to be on deposit in such Funds and Accounts for the timely payment of Bonds and for the funding of, or crediting to, the Debt Reserve Fund and Loan Loss Fund to their respective Requirements, *except* that, to the extent specified in a Series Indenture or Supplemental Indenture, a Fund or Account or assets or property shall not be taken into account when preparing such Cash Flow Statement; and (y) the aggregate of the Pledged Property on deposit in

all Funds and Accounts under the General Indenture, other than the Cost of Issuance Fund, Expense Fund and Interest Account, plus the aggregate principal balances of all Mortgage Loans and Mortgage-Backed Securities, shall at least equal the sum of the aggregate principal amount of the Bonds Outstanding plus accrued interest.

The Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based. The General Indenture requires that a Cash Flow Statement assume that all amounts held under the General Indenture with respect to which an investment arrangement is *not* in effect that guarantees a certain rate or rates are invested at a rate that does not exceed the applicable assumed interest rates determined by the then-current requirements of the Rating Agencies for bonds which bear the same rating as the then-current rating on the Bonds. In addition, the General Indenture provides that, in preparing a Cash Flow Statement, the Agency shall utilize with respect to Bonds the cash flow assumptions and tests required by the Rating Agencies in order to obtain or maintain a rating on the Bonds.

The General Indenture provides that except with respect to actions being taken contemporaneously with the delivery of a Cash Flow Statement, facts reflected in a Cash Flow Statement may be as of a date or reasonably adjusted to the date of the most recently available data as determined by the Agency.

If any Cash Flow Statement shall show a deficiency in any Fiscal Year in the amount of funds expected to be available for the purposes described in the General Indenture during such Fiscal Year, the Agency shall not be in default under the General Indenture but shall take all reasonable actions to eliminate such deficiency.

### **Tax Covenants**

The Agency shall at all times comply with the applicable tax covenants contained in any applicable Series Indenture. If applicable and unless otherwise provided in the applicable Series Indenture, the Agency shall pay moneys in any Account in the Rebate Fund to the United States of America as required by the Code.

The Agency covenants and agrees that it will not make or permit any use of the proceeds of the Bonds which, if such use had been reasonably expected on the day of the issuance of Bonds, the interest on which is excluded from gross income under the Code, would have caused the Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of the Code and further covenants that it will observe and not violate the arbitrage provisions of the Code.

### **Books and Records**

The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and applications of all moneys received by the Trustee under the General Indenture, and such books shall be available for inspection by the Agency and any Bondowner during business hours, upon reasonable notice and under reasonable conditions.

On or before the tenth business day of each month the Trustee shall furnish to the Agency a statement of the Agency’s revenues and expenditures and of the changes in its fund balances during the previous month.

The Agency shall keep proper books of record and account for all its transactions, other than those recorded in the books maintained by the Trustee described above, and such books shall be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

### **Annual Audit and Report**

Within 120 days of the end of each June 30 (the period from the immediately preceding July 1 to and including June 30, the “reporting period”), the Agency shall furnish to the Trustee (i) a statement of its revenues, expenses and of the changes in net assets during the previous reporting period, certified to by an Accountant, (ii) a report of its activities during the previous reporting period, and (iii) a certificate from an Authorized Officer stating that there is no current Event of Default and that no Event of Default occurred during the preceding reporting period

(or if there has been an Event of Default, providing the details thereof and describing the steps the Agency took, or is taking, to cure such Event of Default).

### **Program Covenants**

The Agency warrants and covenants (a) that no Mortgage Loan or Underlying Mortgage Loan shall be financed by the Agency under the Program unless the Mortgage Loan or Underlying Mortgage Loan complies in all respects with the Act in effect on the date of financing and (b) to comply with any additional program covenants contained in any Series Indenture.

### **Events of Default**

Each of the following events constitutes an Event of Default under the General Indenture:

(i) payment of the principal or Redemption Price of any of the Bonds (other than subordinated Bonds) shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(ii) payment of any installment of interest on any Bonds shall not be made when the same shall become due and payable; or

(iii) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Agency in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Agency or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for the period of 60 consecutive days; or

(iv) the commencement by the Agency of a voluntary case under the Federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable Federal or State bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Agency or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the taking of action by the Agency in furtherance of any of the foregoing; or

(v) the Agency defaults in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the General Indenture and such default continues for 90 days after written notice requiring same to be remedied shall have been given to the Agency by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding; provided, however, that so long as following such notice the Agency is diligently taking actions to remedy such default, such default shall not be an Event of Default.

### **Acceleration of Maturity**

Upon the happening and continuance of any Event of Default, then and in every such case (*except* as may be limited in a Series Indenture with respect to covenants set forth in such Series Indenture), the Trustee may and, subject to the Trustee's right to indemnification, upon the written direction of the owners of not less than 51% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing to the Agency, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately; and upon such declaration the same shall become immediately due and payable, anything contained in the Bonds or in the General Indenture to the contrary notwithstanding. The Trustee may, and upon the written request of the owners of not less than 51% in aggregate principal amount of the Bonds not then due and payable by their terms and then

Outstanding shall, by written notice to the Agency, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

### **Enforcement of Remedies**

Upon the happening and continuance of any Event of Default under the General Indenture, then and in every such case the Trustee may, and upon the written direction of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, proceed, subject to the right of the Trustee to indemnification, to protect and enforce its rights and the rights of the Bondowners under applicable laws and under the General Indenture for the specific performance of any covenant or agreement contained in the General Indenture or in aid or execution of any power granted in the General Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the General Indenture, the Trustee shall be entitled to sue for, enforce payment of and recover judgment for any and all amounts then or after any default becoming, and at any time remaining, due from the Agency for principal of the Bonds, premium, if any, on the Bonds, interest on the Bonds or otherwise and unpaid, with, to the extent permitted by the applicable law, interest on overdue payments of principal on the Bonds and of interest on the Bonds at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses.

Regardless of the happening of an Event of Default, the Trustee may, and, subject to the right of indemnification, if requested in writing by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the Pledged Property by any acts which may be unlawful or in violation of the General Indenture or of any resolution authorizing the Bonds or Series Indenture, or (ii) to preserve or protect the interests of the Bondowners, provided that such request is in accordance with law and the provisions of the General Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the owners of the Bonds not making such request.

If a covenant is set forth in a Series Indenture, limitations on the remedies available upon an Event of Default related to such covenant may be set forth in said Series Indenture.

### **Pro Rata Application of Funds**

Anything in the General Indenture to the contrary notwithstanding, any time the money in the Funds and Accounts maintained under the General Indenture shall not be sufficient to pay the principal of or interest on the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the General Indenture) such money, together with any money then available, or thereafter becoming available for such purpose, shall be applied, following the satisfaction of any payments due to the Trustee, as follows:

(i) If the principal on the Bonds shall not have become or shall not have been declared due and payable, all such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest on Bonds other than subordinated Bonds (*except* interest on overdue principal) then accrued and unpaid in the chronological order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds other than subordinated Bonds which shall have become due and payable (*except* Bonds other than subordinated Bonds called for redemption for the payment of which money is held

pursuant to the provisions of the Indenture) in the order of their stated payment dates, with interest on the principal amount of such Bonds other than subordinated Bonds at the respective rates specified therein from the respective dates upon which such Bonds other than subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds other than subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of Bonds other than subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of Bonds other than subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds other than subordinated Bonds;

THIRD: to the payment when due of the interest on and the principal of the Bonds other than subordinated Bonds, to the purchase and retirement of Bonds other than subordinated Bonds and to the redemption of Bonds other than subordinated Bonds;

FOURTH: to the payment to the persons entitled thereto of interest on subordinated Bonds (except interest on overdue principal) then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available shall not be sufficient to pay in full any particular daily installment, then to the payment, ratably, according to the amounts due on such daily installment, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the subordinated Bonds;

FIFTH: to the payment to the persons entitled thereto of the unpaid principal of any of the subordinated Bonds which shall have become due and payable (except subordinated Bonds called for redemption for the payment of which, money is held pursuant to the provisions of the General Indenture) in the order of their stated payment dates, with interest on the principal amount of such subordinated Bonds at the respective rates specified therein from the respective dates upon which such subordinated Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the subordinated Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, with such payment being made to owners of subordinated Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto as owners of subordinated Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the subordinated Bonds; and

SIXTH: to the payment of the interest on and the principal of the subordinated Bonds, to the purchase and retirement of subordinated Bonds and to the redemption of subordinated Bonds.

(ii) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such money shall be applied:

FIRST: to the payment of the principal and premium, if any, and interest then due and unpaid upon the Bonds which are not subordinated Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a subordinated Bond over any other Bond which is not a subordinated 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 the respective rates of interest specified in the Bonds which are not subordinated Bonds; and

SECOND: to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the subordinated Bonds, without preference or priority of principal over interest

or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any subordinated Bond over any other subordinated 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 the respective rates of interest specified in the subordinated Bonds.

(iii) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then, subject to (ii) above in the event that the principal of all the Bonds shall later become or be declared due and payable, the money remaining in and thereafter accruing to the Debt Service Fund and the Debt Reserve Fund, together with any other money held by the Trustee under the General Indenture, shall be applied in accordance with the provisions of (i) above.

### **Restrictions Upon Actions by Individual Bondowner**

No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Indenture or for the enforcement of any remedy under the General Indenture unless such owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the owners of not less than fifteen per centum (15%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the General Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the General Indenture or to any other remedy under the General Indenture; *provided, however,* that notwithstanding the foregoing and without complying therewith, the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all owners of Bonds.

### **Trustee Entitled to Indemnity**

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the General Indenture, or to enter any appearance or in any way defend in any suit in which it may be named a defendant, or to take any steps in the execution of the trusts created by the General Indenture or in the enforcement of any rights and powers under the General Indenture, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Agency shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

### **Compensation and Indemnification of Trustee**

Subject to the provisions of any contract between the Agency and the Trustee relating to the compensation of the Trustee, the Agency shall pay, from the Pledged Property, to the Trustee reasonable compensation for all services performed by it under the General Indenture and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts created by the General Indenture and the performance of its powers and duties under the General Indenture, and, from such source only, shall, if and to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the General Indenture.

## **Resignation and Removal of Trustee**

The Trustee may resign by notice in writing to be given to the Agency and mailed, first-class postage prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s), not less than 60 days before such resignation is to take effect, and such resignation shall take effect immediately upon the appointment of a new Trustee.

The Trustee may be removed upon 30 days' written notice (i) at any time by an instrument in writing executed by the owners of not less than a majority in principal amount of the Bonds then Outstanding or (ii) by the Agency in its sole and absolute discretion at any time except during the continuance of an Event of Default by filing with the Trustee notice of removal in the form of an Agency Request. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of the Agency pursuant to resolution or of the owners of not less than 10% in principal amount of Bonds then Outstanding.

No resignation or removal of the Trustee or appointment of a successor Trustee shall become effective until the acceptance of appointment under the General Indenture by the successor Trustee.

## **Appointment of Successor Trustee**

If the Trustee shall resign, be removed, be dissolved, or otherwise become incapable of acting under the General Indenture or if the position of Trustee becomes vacant for any other reason, then the Agency shall appoint a Trustee to fill such vacancy and shall cause notice of such appointment to be mailed, first-class postage prepaid, to all registered owners of Bonds at their addresses as they appear on the registration books kept by the Bond Registrar(s). At any time within one year after any such vacancy shall have occurred the owners of a majority in principal amount of the Bonds Outstanding may appoint a successor Trustee by an instrument in writing filed with the Agency, which Trustee shall supersede any Trustee theretofore appointed by the Agency. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 10 days after the vacancy shall have occurred, the owner of any Bond Outstanding under the General Indenture or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribed, appoint a successor Trustee. Any successor Trustee must be a bank or trust company having a corporate trust office in the State, duly authorized to exercise corporate trust powers and subject to examination by Federal or State authority, of good standing, and having at the time of its appointment a combined capital and surplus of not less than \$50,000,000 as shown on its most recently published report of its financial condition.

## **Supplemental Indentures**

The Agency, without obtaining the consent of the owners of the Bonds, from time to time and at any time, may execute such indentures supplemental to the provisions of the General Indenture:

(a) to make provisions to cure any ambiguity or correct, cure or supplement any defect or omission in the General Indenture or in regard to questions arising under the General Indenture which the Agency may deem desirable or necessary and not inconsistent with the General Indenture; or

(b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee; or

(c) to include as pledged revenues or money under, and subject to the provisions of, the General Indenture any additional revenues or money legally available therefor; or

(d) to cure any ambiguity, to correct or supplement any provision of the General Indenture which may be inconsistent with any other provision thereof, or to make any other provisions with respect to matters or questions arising under the General Indenture which shall not be inconsistent with the provisions thereof, provided such action shall not adversely affect the interests of the Bondowners; or

(e) to add to the covenants and agreements of the Agency in the General Indenture other covenants and agreements thereafter to be observed by the Agency or to surrender any right or power in the General Indenture reserved to or conferred upon the Agency; or

(f) to add provisions relating to coupon Bonds or Bonds issued with full book-entry delivery;  
or

(g) to modify any of the provisions of the General Indenture in any respect whatever; *provided, however*, that either (i) such modification shall apply only to Series of Bonds issued after the effective date of the Supplemental Indenture and shall not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Indenture or (ii)(a) such modification shall be effective only after all Bonds then Outstanding shall cease to be Outstanding, and (b) such Supplemental Indenture shall be specifically referred to in the text of all Bonds authenticated and delivered after the execution of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; or

(h) to modify, amend or supplement the General Indenture in such manner as to permit, if presented, the qualification thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law; or

(i) to surrender any right, power or privilege reserved to or conferred upon the Agency by the terms of 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 General Indenture; or

(j) to add to the definition of Investment Obligations pursuant to the last proviso of the definition thereof; or

(k) to modify, amend or supplement the General Indenture in such manner as to permit a trustee (other than the Trustee) with respect to any subordinated Bonds issued under the General Indenture; or

(l) to modify, amend or supplement the General Indenture in order to maintain the tax-exempt status of any Bonds; or

(m) to make any other change that does not materially adversely affect the interest of the Bondowners (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondowners).

Anything contained in the General Indenture to the contrary *notwithstanding*,

(i) the Owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Bonds then Outstanding,

(ii) if less than all of the Bonds then Outstanding are affected, the Owners of greater than fifty per centum (50%) in principal amount of Bonds so affected then Outstanding, and

(iii) in case the terms of any Sinking Fund Requirements are changed, the Owners of greater than fifty per centum (50%) in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Requirements and then Outstanding,

shall have the right, from time to time, to consent to and approve the execution by the Agency and the Trustee of such indenture or indentures supplemental to the General Indenture as shall be deemed necessary or desirable by the

Agency for the purpose of modifying, altering, amending, adding to, repealing or rescinding, in any particular, any of the terms or provisions contained in the General Indenture; *provided, however*, no Supplemental Indenture shall permit, or be construed as permitting, any of the following without the consent of all of the adversely affected Bondowners: (a) a change in the terms of redemption or of the maturity of the principal of or the interest on any Bonds, or (b) a reduction in the principal amount or Redemption Price of any Bond or the rate of interest on any Bond, or (c) the creation of a lien upon or pledge of Revenues, or any part thereof, other than the lien and pledge created by the General Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be permitted by the applicable Series Indenture(s), or (e) a reduction in the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Indenture. A Series shall be deemed to be affected by a modification or amendment of the General Indenture if the same adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series and maturity would be affected by any modification or amendment of the General Indenture and any such determination shall be binding and conclusive on the Agency and all Owners of Bonds.

Upon the execution of any Supplemental Indenture pursuant to the provisions described above, the General Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the General Indenture of the Agency, the Trustee and all Bondowners shall thereafter be determined, exercised and enforced in all respects under the provisions of the General Indenture as so modified and amended.

Notice of any proposed Supplemental Indenture to be effective with consent of Bondowners will be mailed to all Bondowners, but any failure to mail such notice shall not affect the validity of such Supplemental Indenture when consented to as described above.

### **Defeasance**

If, when the Bonds secured by the General Indenture shall have become due and payable in accordance with their terms or otherwise as provided in the General Indenture, and all Bonds not described in the prior clause shall have been duly called for redemption or irrevocable instructions to call such Bonds for redemption shall have been given by the Agency to the Trustee, and the whole amount of the principal of, Redemption Price, and the interest on all of such Bonds shall be paid or the Trustee shall hold money or Government Obligations or shall hold money and Government Obligations sufficient to pay the principal of, Redemption Price, and interest on all Outstanding Bonds or which when due will provide sufficient moneys to pay the principal of, Redemption Price, and the interest on such Bonds, and provisions shall also be made for paying all other sums payable under the General Indenture by the Agency, then and in that case, the right, title and interest of the Trustee under the General Indenture shall thereupon cease, terminate and become void, and the Trustee in such case, on demand of the Agency, shall release the General Indenture and shall release the security and shall execute such documents to evidence such release as may be reasonably required by the Agency, and shall turn over to the Agency or to such officer, board or body as may then be entitled to receive the same, all the remaining property held by the Trustee under the General Indenture.

### **Governing Law**

The laws of the State shall govern the construction of the General Indenture.